# Brentwood Borough Council Audit results report Year ended 31 March 2018

23 July 2018





Private and Confidential

23 July 2018

#### Dear Audit and Scrutiny Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Scrutiny Committee. This report summarises our preliminary audit conclusion in relation to the audit of Brentwood Bough Council for 2017/18.

We have substantially completed our audit of Borough of Brentwood Borough Council for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form in Section 3, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit and Scrutiny Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Scrutiny Committee meeting on 25 July 2018. Yours faithfully

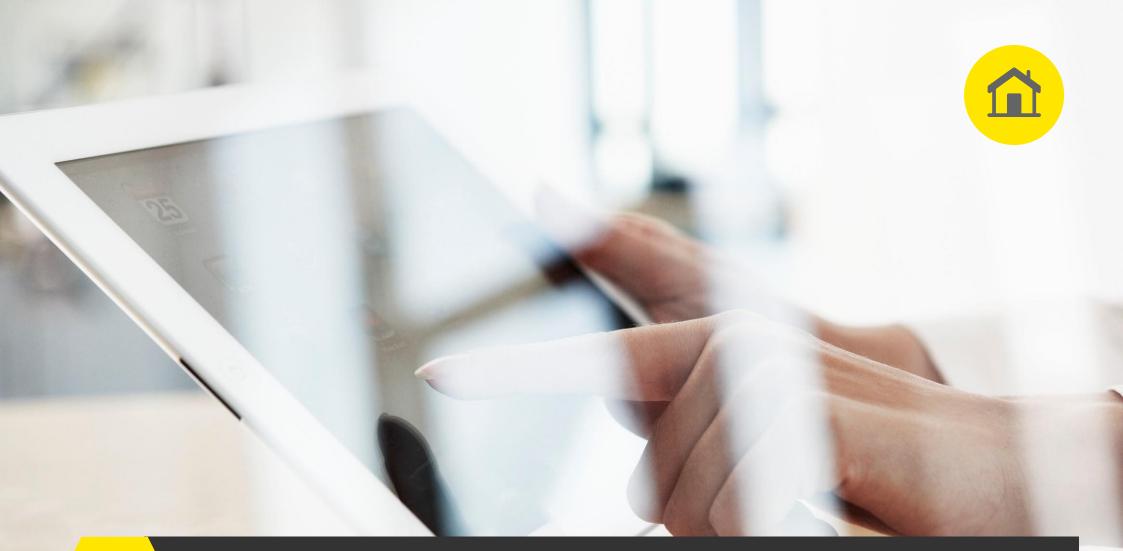
Debbie Hanson Associate Partner For and on behalf of Ernst & Young LLP Encl

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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 (<u>www.PSAA.co.uk</u>). 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 and Scrutiny Committee and 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 Brentwood Borough Council 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 and Scrutiny Committee and management of Brentwood Borough Council 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 and Scrutiny Committee and management of Brentwood Borough Council XYZ plc 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 Executive Summary



# **Executive Summary**

### Scope update

In our Audit Planning Report presented to the 14 March 2018 Audit and Scrutiny Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan. We provide an update on our materiality and key risks below.

- Changes in materiality: In our Audit and Scrutiny Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £0.932 million, but that we would update this at year end. This level of materiality increased to £1.053 million based on the actual results for the financial year. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. The threshold for reporting misstatements that have an effect on the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund is £0.052 million.
- **Changes in risks:** In our Audit and Scrutiny Committee Planning Report, we communicated our significant risk in relation to the accounts and VFM conclusion. Following receipt of the draft accounts and undertaking our work during the audit, the risks remain consistent with our initial assessment.

### Status of the audit

We have completed our audit of Brentwood Borough Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Planning Report.

We expect to issue the audit certificate at the same time as the audit opinion.



## Executive Summary

### Audit differences

There is one unadjusted audit difference of £87,101 arising from our audit. This is a projected misstatement relating to overstatement of other income due to 2018/19 income being recognised in 2017/18 in error.

We identified one material difference which management have corrected. This related to the incorrect classification of £14 million of sort term investments as cash and cash equivalents. Discussions with management confirmed that similar investments with a value of £17 million were also misclassified in the previous year. The Council has amended its accounts to correct the error in both years by way of a prior period adjustment.

We have identified a small number audit differences which have been adjusted by management.

Details can be found in Section 4 Audit Differences.

### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified risks related to the Council's plans to address its medium term financial gap that impacted on all of these areas.

We have completed the procedures outlined in our Audit Planning Report to address this risk and as a result have concluded that we have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have noted that the Council did not fully comply with the requirements of the Accounts and Audit Regulations as the advertised period of public inspection did not cover a period of 30 working days as required.

We have no other matters to report.

### Independence

Please refer to Section 10 for our update on Independence.

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# **O2** Areas of Audit Focus



# Significant risk

# 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 judgements are we focused on?

We focused on aspects of the financial statements where management could inappropriately inflate income or understate expenditure, primarily:

- Material accounting estimates.
- Accruals near year end
- Journal entries.
- > Unusual transactions.

### What did we do?

- Enquired of management, those charged with governance, Internal Audit and Monitoring Officer about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed 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.
- Assessed accounting estimates for evidence of management bias;
- Evaluated the business rationale for significant unusual transactions; and
- Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised, should the final sum be material.

### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

We did not identify any capital expenditure which had been inappropriately capitalised.

Overall, our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicate that there has been any misreporting of the Authority's financial position or that management has overridden controls.

# **Other Areas of Audit Focus**

Property, plant and equipment valuations	What is the risk?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. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in t balance sheet. 		
What judgements are we focused on?		What are our conclusions?	
We focused on aspects of the land and buildings the financial statements, primarily:	valuation which could have a material impact on	Our work on the valuation of land and buildings is complete.	
• significant changes in the asset base;			
• the assumptions and estimates used to calcul	ate the valuation; and	Our testing has not identified any material misstatements from inappropriate judgements being applied to the property valuation	
• changes to the basis for valuing the assets.		estimates.	
		The expert valuers possess the relevant qualifications and	
What did we do?		experience, and undertook a review of all of the Authority's assets.	
Considered 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;		We considered the underlying assumptions made by the expert	
Sample tested key asset information used by the valuers in performing their valuation (for example floor plans to support valuations based on price per square metres);		valuer and concluded that they were reasonable.	
Considered 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.			
Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;			
Considered any changes to useful economic lives as a result of the most recent valuation; and			

Tested accounting entries have been correctly processed in the financial statements

# **Other Areas of Audit Focus**

### Pension liability valuation

### What is the risk?

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. 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 As with other councils, 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.

### What are our conclusions? What judgements are we focused on? We focused on aspects of the pension liability which could have a material impact on the financial We have received reports from the Essex Pension Auditor and the EY actuarial team. statements, primarily: significant changes in assumptions made by the actuary; and The report has identified material movements in the Authority's pension assets and related disclosures as a result of significant the assessments of the actuary undertaken by PWC and the EY actuarial team. movements in the asset values between the date of the estimates used by the actuary to produce the IAS19 report and the year end. The Council have obtained the revised IAS 19 report and have agreed to make the relevant changes to the accounts. The accounting entries and disclosures are in line with our What did we do? expectations and the Code. Liaised with the auditors of the Essex Pension Fund to obtain assurances over the information supplied to the actuary in relation to Brentwood Borough Council; Assessed the work of the Pension Fund actuary Barnett Waddingham including the ► assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.



### **Other matters**

The applicable accounting framework is CIPFA's annual Code of Practice on Local Authority Accounting in the United Kingdom (which is IFRS based as adapted for Local Authorities). The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The 2018/19 Code will determine how IFRS 15 and IFRS9 will be adopted by local government bodies.

### IFRS 15 Revenue from Customers with Contracts:

Given the nature of the Council's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the financial statements of the Council. The vast majority of the Council's income streams are taxation or grant based, and are therefore outside the scope of IFRS15.

The following income streams which are within the scope of IFRS 15 may be considered material by the Council in making its assessment of the impact on IFRS 15 in its 2018/19 accounts:

- fees and charges for services under statutory requirements, .g. application fees for taxi licenses or planning fees;
- sale of goods provided by the authority e.g. retail sales at leisure centres, concessionary sale at local authority theatres; and
- charges for services provided by a local authority e.g. maintenance for council dwellings or transport fares

### **IFRS 9 Financial Instruments:**

The Council's view is that the impact of this standard on the Authority's financial statements will be immaterial. The Council will need to keep this standard under continued focus during 2018/19 because statutory overrides may be introduced by Central Government.





# Audit Report

# Draft audit report

### Our opinion on the financial statements

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRENTWOOD BOROUGH COUNCIL

### Opinion

We have audited the financial statements of Brentwood Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement,
- The related notes 1 to 41 of the core financial statements,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 7; and
- The Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Brentwood Borough Council at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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



### Audit Report

### Our opinion on the financial statements

### Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Interim Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

# Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Brentwood Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



### Our opinion on the financial statements

### **Responsibility of the Interim Chief Finance Officer**

As explained more fully in the Statement of the Interim Chief Finance Officer's Responsibilities set out on page 10, the Interim Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

# Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Brentwood Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Brentwood Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Brentwood Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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



### Audit Report

### Our opinion on the financial statements

### Certificate

We certify that we have completed the audit of the accounts of Brentwood Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Brentwood Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner) Ernst & Young LLP (Local Auditor) Luton Date: The maintenance and integrity of the Brentwood Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences

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Hong Kong





# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of audit differences

### Adjusted Differences

We highlight the following misstatements greater than our materiality of £1.53 million that was identified during the course of our audit and which has been corrected by management:

IAS 19 Pensions adjustment: As part of out audit procedures on material accounting estimated we noted that there was a material movement in the value of the overall Essex Pension Fund assets between the year end value estimated by the actuary for the purpose of producing their IAS19 reports and the actual fund assets at year end. As a result, the Council requested an updated IAS19 report from the actuary. This resulted in an increase in the fund liability of £1.693 million (increasing the liability from £44.734 million to £46.427 million). The Council has amended the statement of accounts to reflect the figures in this updated report. We will review the changes when we receive the final amended set of accounts.

Cash and cash equivalents and short term investments: We identified one material difference which management have corrected. This related to the incorrect classification of £14 million of sort term investments as cash and cash equivalents. Discussions with management confirmed that similar investments with a value of £17 million were also misclassified in the previous year. The Council has amended its accounts to correct the error in both years by way of a prior period adjustment.

### Unadjusted Differences

An error was identified in other income, where income relating to 2018/19 was recognised in the current year. The income related to fees for community alarms and the total value of these fees recognised in the 2017/18 accounts was £130,000. Based on our sample testing we have estimated that £87,101 of this income related to 2018/19 and should therefore not have been recognised in 2017/.18

### Other issues

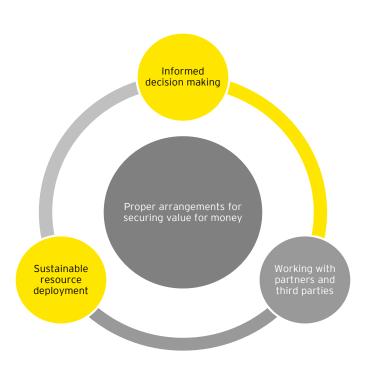
We have noted several disclosure errors or omissions which will need to be addressed. These have been provided to management who will determine whether amendments will be made in the final version of the accounts.



# Value for Money Risks



# Value for Money



### 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.

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

### **Overall conclusion**

We identified one significant risk around these arrangements. The table below presents our findings in response to the risk in our Audit Planning Report and any other significant weaknesses or issues we want to bring to your attention.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

# Value for Money

# Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined 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 enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

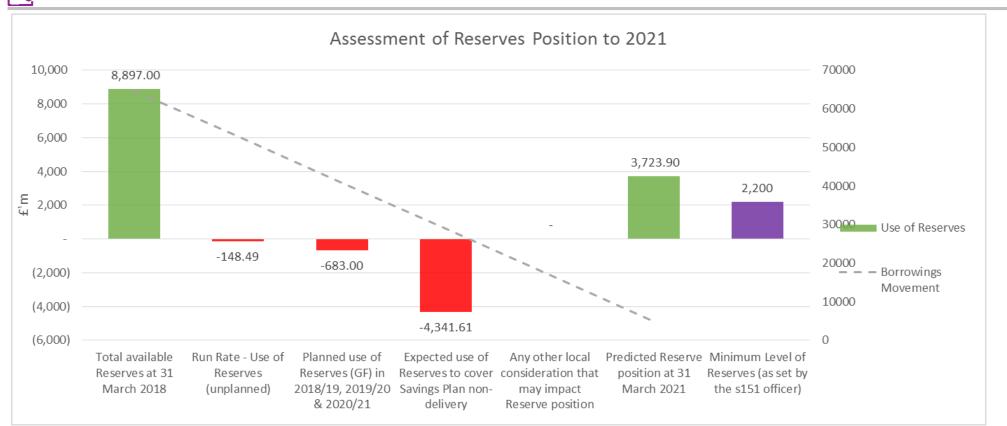
The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
The Council's Medium Term Financial Strategy identified a 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 the period of the MTFS. The Council has a number of initiatives to deliver the MTFS, including the development of the Town Hall and town centre and	<ul> <li>Taking informed decisions;</li> <li>Deploying resources in a sustainable manner; and</li> <li>Work with partners and other third parties.</li> </ul>	<ul> <li>We have assessed the arrangements in place supporting these developments, focusing on:</li> <li>the governance, financial and risk management arrangements in place</li> <li>the financial implications and key decisions being made</li> <li>how the Council is working with other bodies and partners.</li> </ul> We have not identified any issues in the review of the arrangements in place for these developments. We note that, with the exception of the Town Hall development, a number of the projects are at a relatively early stage and the risks faced by the Council related to these projects will impact in 2018/19 and 2019-/20, when we will revisit these arrangements as part of our value for money assessment. In relation to arrangements in place during 2017/18, we note that :
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		<ul> <li>The Council has engaged appropriate external advisors to provide support in relation to areas such as the procurement of a joint venture partner</li> <li>Appropriate governance arrangements have been put in place with regular updates provided to the Policy, Projects and Resources Committee and the establishment of a Corporate Projects Scrutiny Committee.</li> <li>In relation to the Town Hall development which is the most advanced of the projects, there is evidence that the Council has undertaken appropriate research, consultations and cost-benefit analysis</li> </ul>
Council to significant levels of funding over a number of years. The effectiveness of governance, financial and risk management arrangements related to these key		We are therefore satisfied that the information provide to Members and Officers in respect of these projects is appropriate and is based on third party assessments and advice from appropriately knowledgeable professionals with relevant experience. We have seen evidence to indicate that this advice has been utilised in the

discussions and decisions around the projects.

arrangements related to these key decisions are crucial.

# Value for Money



### **Our Assessment**

In our assessment we considered:

- The Authority's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The Authority's planned use of reserves to support the General Fund budget in each of the next 3 years;
- the Authority's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- the Authority's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- any other unusual future transactions or reliance upon the commercialisation agenda to derive future income streams, upon which the MTFS is reliant.

We have also looked at the Authority's planned use of borrowing over the same time frame to inform our assessment.

As a result of our assessment, we are satisfied that the Authority's General Fund reserve balance at the 31 March 2021 will remain above the Authority's approved minimum level.









# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

The Council is below the threshold set by the NAO and therefore we do not have to undertake any procedures and have no issues to raise.



# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### **Other matters**

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process; Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have noted that the Council did not fully comply with the requirements of the Accounts and Audit Regulations in relation to the requirement for the period for the exercise of public rights. Regulation 14, requires the period of public inspection to cover a period of 30 working days, which include the first 10 working days of June. The Council's advert which was placed in relation to this however only referred to a period of 11 working days from Friday 1 June 2018 to Thursday 15 June 2018. The Council should ensure that in future years it fully complies with the requirements of the Accounts and Audit Regulations.



# 07 Assessment of Control Environment



### Service Assessment of Control Environment

### **Financial controls**

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

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# Use of Data Analytics in the Audit

### Analytics Driven Audit

### **Data analytics**

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

### Journal Entry Analysis

We obtain downloads of all LG financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

### **Payroll Analysis**

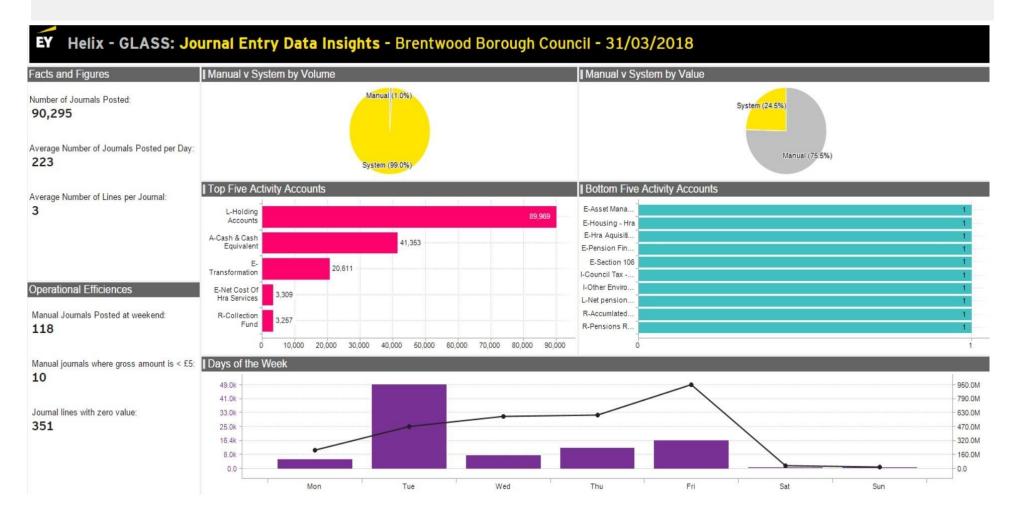
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



### **Journal Entry Data Insights**

The graphic outlined below summarises the LG journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





# Journal Entry Testing

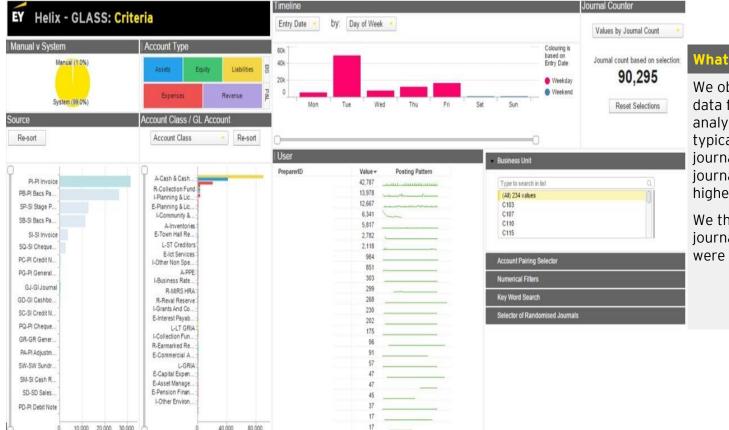
### What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

### Journal entry data criteria – LG – 31 March 2018

### What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



### What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

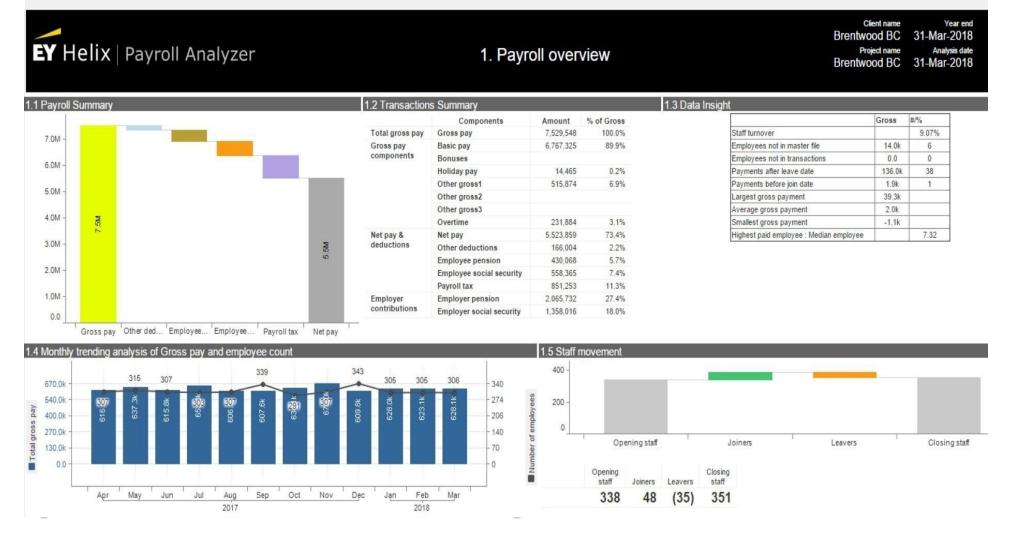
### What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



### **Payroll Analyser Insights**

The graphic outlined below summarises the LG payroll data for 2017/18. We review transactions for payroll at a more granular level, which allows us to identify items with a higher likelihood of containing material misstatements or to identify unusual patterns within a population of data and to design tests of details. This allows us to provide a more effective and risk focused audit on payroll, improving efficiency for both audit and the management as we reduce the need for evidence support for larger random sample.





# Payroll Testing

### What judgements are we focused on?

Using our analysers we are able to identify anomalies in the payroll data which allow us to focus our testing and enquires over unusual or unexpected transactions.

### Payroll Data - 31 March 2018

	er								3C 31-Mar-2
	r different payroll transaction types. Select individual months in ey: Monthly * Select color by: Staff Turnover *	chart 4.0 to obtain transaction	n level data fo	or the selected month,	this will appear in	n 4.2 payment dat	a drilldown.		
nthly summary: Gross pay by posting date		4.1 Mo	onthly sum	mary: Gross pay	/ 0 to limit data :	shown.			
	Color by: 610k 628k 623k 628k Staff Turr		Month	Total Gross pay	Avg Per Transaction	Number of transactions	% of Gross Pay	Nil Payments / Total	Monthly % Change
	Continu	2017	Apr	616,540.77	2,008	307	100.00%	0/307	
	Joiner		May	637,295.43	2,023	315	100.00%	0/315	3.37%
		and Leaver	Jun	615,792.38	2,006	307	100.00%	0/307	-3.37%
	C Leaver	r	Jul	653,016.49	2,155	303 307	100.00%	0/303 1/307	6.04% -7,18%
Apr May Jun Jul Aug Sep C	oct Nov Dec Jan Feb Mar 🕘 (Empty	y)	Aug Sep	606,130.46 607,646.12	1,974	307	100.00%	1/307 0/339	-7.18%
2017	2018		Oct	634,117,88	2,179	291	100.00%	0/291	4.36%
femployees			Nov	670,003.08	2,182	307	100.00%	0/307	5.66%
			Dec	609,801.14	1,778	343	100.00%	1/343	-8.99%
307 315 307 303 307 339 29	1 307 343 305 305 306	2018	Jan	628,039.85	2,059	305	100.00%	0/305	2.99%
			Feb	623,081.45	2,043	305	100.00%	0/305	-0.79%
					2.053				0.80%
Apr May Jun Jul Aug Sep O		Grand	Mar total	628,082.71 7,529,547.76	2,053 2,016	306 3,735	100.00%	0/306 2/3735	0.00%
2017 pay vs. days lag	2018	8.0 Sum Gross	total s pay vs. Sum B	7,529,547.76					
2017 pay vs. days lag	2018 leaves and returns, it is possible for them to be paid both before joining before they joined.	80 Sum Gross g and after leaving. 0 100.000	total s pay vs. Sum B	7,529,547.76					
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### What did we do?

We obtained payroll data for the period and have used our analysers to identify unusual payments based on expectations of average pay per designation, date inconsistencies where payments made to individuals after they have left the organisation or before they have joined and payments made in the year that appears anomalous compare to average monthly payments.

We then tested the anomalies to determine if they were appropriate and reasonable.

### What are our conclusions?

We isolated a sub set of anomalies for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



# 😤 Independence

# Confirmation, relationships, services, related threats and safeguards

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 14 March 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Scrutiny Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 25 July 2018.

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

# Independence

# 😤 Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018. We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work	70,876**	68,006		69,326*
Total Non-audit work - Grants	TBC	33,606	33, 606	28,565

\*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.

\*\*This is as a result of additional work that had to be done on Value for Money as a result of a significant risk linked to the various projects the Council has initiated to bridge the medium term budget gap. These include the redevelopment of the Town Hall, review of the Leisure Strategy, setting up a wholly owed company and a joint venture arrangement with a private developer.



# 10 Appendices

# 🖹 Appendix A

# Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	🛗 💎 When and where
Terms of engagement	Confirmation by the audit and standards 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.	Audit planning report March 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report March 2018
Significant findings from the audit	<ul> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit planning report March 2018



		Our Reporting to you
Required communications	What is reported?	📅 🕈 When and where
Going concern	<ul> <li>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</li> <li>Whether the events or conditions constitute a material uncertainty</li> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report July 2018 No conditions or events were identified, either individually or together to raise any doubt about Brentwood Borough Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul> <li>Uncorrected misstatements and their effect on our audit opinion</li> <li>The effect of uncorrected misstatements related to prior periods</li> <li>A request that any uncorrected misstatement be corrected</li> <li>Material misstatements corrected by management</li> </ul>	Audit results report July 2018
Subsequent events	<ul> <li>Enquiry of the audit and scrutiny committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit results report July 2018
Fraud	<ul> <li>Enquiries of the audit and scrutiny committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>Any other matters related to fraud, relevant to Audit and Standards Committee responsibility.</li> </ul>	Audit results report July 2018



		Our Reporting to you
Required communications	What is reported?	🛗 💡 When and where
Related parties	<ul> <li>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</li> <li>Non-disclosure by management</li> <li>Inappropriate authorisation and approval of transactions</li> <li>Disagreement over disclosures</li> <li>Non-compliance with laws and regulations</li> <li>Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit results report June 2018
Independence	<ul> <li>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</li> <li>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</li> <li>The principal threats</li> <li>Safeguards adopted and their effectiveness</li> <li>An overall assessment of threats and safeguards</li> <li>Information about the general policies and process within the firm to maintain objectivity and independence</li> <li>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</li> </ul>	Audit planning report March 2018 Audit results report June 2018



		Our Reporting to you
Required communications	What is reported?	📅 💡 When and where
External confirmations	<ul> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit results report July 2018 We have received all requested confirmations
Consideration of laws and regulations	<ul> <li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>Enquiry of the audit and scrutiny 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 and scrutiny committee may be aware of</li> </ul>	Audit results report July 2018 We have asked management and those charged with governance. We have not identified any material instances or non- compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report July 2018



		Our Reporting to you
Required communications	What is reported?	📅 💎 When and where
Written representations we are requesting from management and/or those charged with governance	<ul> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report July 2018
Auditors report	<ul> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report July 2018
Fee Reporting	<ul> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit planning report March 2018 Audit results report July 2018
Certification work	<ul> <li>Summary of certification work</li> </ul>	Certification Report To Follow - November

# 🖹 Appendix B

# Management representation letter

### Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

### Ernst & Young

This letter of representations is provided in connection with your audit of the financial statements of Brentwood Borough Council for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Brentwood Borough Council as of 31 March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in e a true and fair view of the Council financial accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

- We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- 2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the council financial statements.
- 3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
- 4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Council that are free from material misstatement, whether due to fraud or error.
- 5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

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# Management representation letter

### Management Rep Letter

### B. Non-compliance with law and regulations, including fraud

- 1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other noncompliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

# C. Information Provided and Completeness of Information and Transactions

- 1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 3. We have made available to you all minutes of the meetings of the Council, and committees for the Cabinet and Audit and Scrutiny Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

# Appendix B

# Management representation letter

### Management Rep Letter

### **D. Liabilities and Contingencies**

- 1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- 3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm there are no guarantees that we have given to third parties.

### **E. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

- 1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
- 2. We confirm that the content contained within the other information is consistent with the financial statements.

### G. Use of the work of a specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and retirement benefits and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

# H. Property valuation, retirement benefits and business rates appeals estimates

- We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- 2. We confirm that the significant assumptions used in making the valuation of land and buildings appropriately reflect our intent and ability to utilize the assets on behalf of the entity.
- 3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- 4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

### I. Retirement benefits

 On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

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# Management representation letter

### Management Rep Letter

### J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral, other than those that are disclosed in to the financial statements. All assets to which the Authority has satisfactory title appear in the balance sheet.

### K. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Yours faithfully,

Chief Finance Officer

Chairman of the Audit and Scrutiny Committee

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#### ED None

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