

**Brentwood Borough
Council
Audit results report**

Year ended 31 March 2019

28 January 2020



EY

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Private and Confidential

28 January 2020

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 audit conclusion in relation to the audit of Brentwood Borough Council for 2018/19.

We have substantially completed our audit of Brentwood Borough Council for the year ended 31 March 2019. 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 at Section 03. 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 28 January 2020.

Yours sincerely

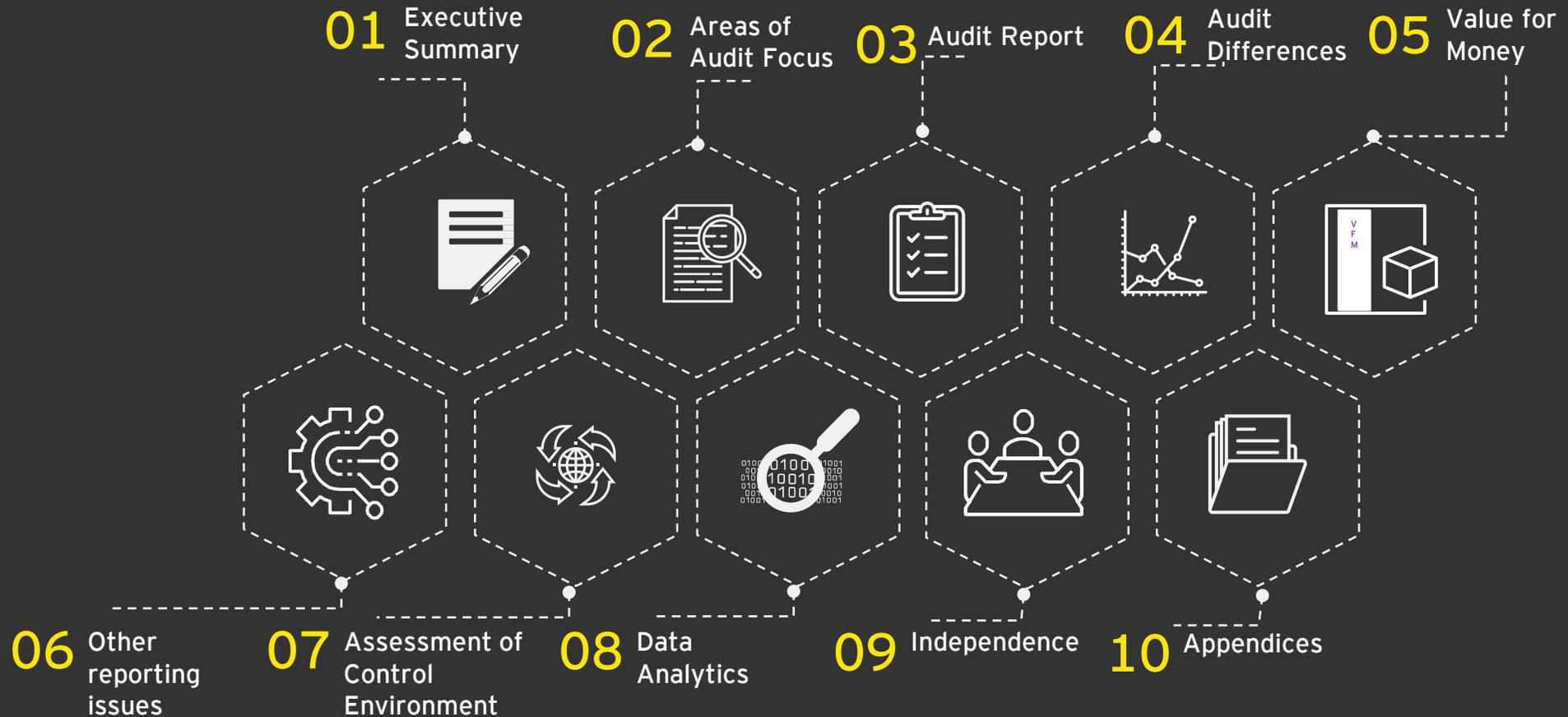
Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



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 April 2018)" 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 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 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 at the 30 January 2019 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 subject to the modifications noted below.

Changes in materiality:

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.05 million, with performance materiality, at 75% of overall materiality, of £787.5k, and a threshold for reporting misstatements of £52.2k. We updated our planning materiality assessment using the draft accounts and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.03 million. This results in updated performance materiality, at 75% of overall materiality, of £774k.

The basis of our assessment is 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 and collection fund) is £51k.

Additional value for money risk:

Our Audit Plan noted that our value for money risk assessment had two significant risks identified at planning stage. We did however identify another significant value for money risk related to arrangements for deploying resources in a sustainable manner, as a result of the Council's Medium term financial plan which indicates budget gap and high level of savings requirement. We have detailed our findings in Section 05.

Executive Summary

Status of the audit

We have substantially completed our audit of Brentwood Borough Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the outstanding matters set out below we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 04. However until work is complete, further amendments may arise:

- review of the final version of the financial statements
- receipt of letter from S151 officer, Monitoring Officer, Chair of Audit and Scrutiny Committee
- completion of subsequent events review
- receipt of the signed management representation letter and accounts

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

Audit differences

There are two unadjusted audit differences arising from our audit, which management has chosen not to adjust. These relate to :

- Group accounting - valuation of one investment property higher than the consideration of the work performed by our real estate specialists by £242k
- Classification of housing benefit subsidy payable to DWP in receivables and payables resulting in both receivables and payable being overstated by £86k .

We ask that they are corrected or a rationale as to why they are not corrected be approved by the Council and included in the Letter of Representation.

We also identified a number of audit and disclosure differences in the draft financial statements, which will be adjusted by management. Further details are provided in Section 4. We do not deem any other amendments to be so significant that they merit reporting to you.



Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Brentwood Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Scrutiny Committee.

Control observations

We have adopted a fully substantive approach and so have not tested the operation of controls. We have, however, updated our understanding of key processes and the controls which are in place to detect or prevent error. Through this work, 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 and which is unknown to you.



Executive Summary

Value for money

We identified two areas that may present a significant risk in our Audit Plan. We have also identify another significant value for money risk during the course of audit. These related to arrangements for:

- Governance arrangements for Joint Venture decision making
- Due diligence process for consideration of out of borough commercial investments
- Financial planning and the achievement of savings in the medium term

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 Council. We have no matters to report as a result of this work.

The Council is below the threshold set by the National Audit Office (NAO) for the Whole of Government Accounts submission. Therefore we do not have any procedures to undertake and have no issues to report.

We have no other matters to report.

Independence

Please refer to Section 09 for our update on Independence.



02

Areas of Audit Focus



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.

What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias.

What did we do?

- ▶ Inquired of management 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 of the effectiveness of management's controls designed to address the risk of fraud.

Performed mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Tested the appropriateness 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, and
- ▶ Evaluated the business rationale for significant unusual transactions.

In addition to our overall response, we considered where these risks may present themselves and identified a separate fraud risk related to the capitalisation of revenue expenditure as set out on the next slide.

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





Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

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.

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

What judgements are we focused on?

We focussed on the testing capital expenditure and obtaining evidence that additions have been correctly classified as capital expenditure.

What did we do?

We took a substantive approach to respond to this risk, undertaking the following procedures:

- ▶ Tested a sample of capital expenditure at a lower testing threshold, to verify that revenue costs had not been inappropriately capitalised;
- ▶ Identification of the controls the Council has in place to prevent incorrect capitalisation of revenue expenditure.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk.
- ▶ Reviewed unusual journal pairings related to capital expenditure posted around the year-end.

What are our conclusions?

Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.





Areas of Audit Focus



Other areas of audit focus

We 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.

Financial statement area	What we did	What we concluded
<p>Valuation of Land and Buildings The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<ul style="list-style-type: none"> • 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; • Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); • 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 IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; • Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated; • Considered 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, 	<p>Our work on the valuation of land and buildings is complete.</p> <p>Our testing has not identified any material misstatements from inappropriate judgements being applied to the property valuation estimates.</p> <p>The expert valuers possess the relevant qualifications and experience, and undertook a review of all of the Authority's assets.</p> <p>We considered the underlying assumptions made by the expert valuer and concluded that they were reasonable.</p>



Areas of Audit Focus



Other areas of audit focus

We 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.

Financial statement area	What we did	What we concluded
<p>Pension liability valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Essex County Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £46.4 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In response, we completed the following procedures:</p> <ul style="list-style-type: none"> • Liaise with the auditors of 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 the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19 	<p>We have assessed and are satisfied with the competency and objectivity of the Council actuary. EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries and have deemed the assumptions used to be reasonable.</p> <p>The Council have obtained the revised IAS 19 report to include the impact of McCloud ruling and have made the relevant changes to the accounts.</p> <p>We have also considered the potential impact of the Guaranteed minimum pension ruling and concluded no material impact.</p> <p>The accounting entries and disclosures are in line with our expectations and the Code.</p>



Areas of Audit Focus



Other areas of audit focus

We 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.

Financial statement area	What we did	What we concluded
<p>Group Accounting 2018/19 will be the first year the council will consolidate the accounts of the wholly owned subsidiary Seven Arches Investment Limited (SAIL) with the Council's accounts.</p> <p>Group accounting is a complex accounting method and therefore there is an increased risk of material misstatement due to error.</p>	<ul style="list-style-type: none"> • Tested the accounting entries to ensure they have been correctly processed in the financial statements • Sample tested the transactions completed by SAIL • For SAIL investment properties, assessed the work of valuer including the assumptions they have used 	<p>Our work on the Group accounting is complete. We have one matter arising to report.</p> <p>For SAIL Investment properties, we have engaged our colleagues from EY Estates to support the local audit team in reviewing a sample of these assets. In light of the recent retail decline, we have challenged the assumptions of the asset namely :-</p> <ul style="list-style-type: none"> - Market rent per sq. ft. - Gross/ net initial yield - Purchaser's costs <p>This resulted in a revised valuation report from Council's valuer which lead to reduction in Group investment property by £1,013,000 which will be adjusted for in the financial statements.</p> <p>Using the revised valuation report, we identified differences between our expected valuation range and the values used by the Council's valuer in the property valuations. This could lead to an overstatement on the Group balance sheet of £242k in investment property.</p>



Areas of Audit Focus



Other areas of audit focus

We 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.

Financial statement area	What we did	What we concluded
<p>IFRS 9 financial instruments</p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard; and the 2018/19 CIFPA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.</p>	<ul style="list-style-type: none"> ▶ Assessed the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; ▶ Considered the classification and valuation of financial instrument assets; ▶ Reviewed new expected credit loss model impairment calculations for assets; and ▶ Checked additional disclosure requirements. 	<p>The Council have appropriately reflected the impact of IFRS 9 in their financial statements.</p>
<p>IFRS 15 Revenue from contracts with customers</p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.</p>	<ul style="list-style-type: none"> ▶ Assessed the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; ▶ Considered application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and ▶ Checked additional disclosure requirements 	<p>Having reviewed the Council's analysis of the impact of IFRS 15 on their financial statements, we agreed with their conclusion that this standard does not have a material impact on their disclosures.</p>



03 Audit Report



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 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 42,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 7,
- 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Brentwood Borough Council and Group as at 31 March 2019 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 2018/19

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 and group 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 Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources 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 Narrative Report set out on pages 1 to 10, other than the financial statements and our auditor's report thereon. The Director of Corporate Resources 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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (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 2019.

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



Audit Report

Our opinion on the financial statements

Responsibility of the Director of Corporate Resources

As explained more fully in the Statement of Responsibilities for the financial statement as set out on page 11, the Director of Corporate Resources 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Corporate Resources 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 the 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 2019.



Audit Report

Our opinion on the financial statements

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.

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.

*Neil Harris (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
x January 2020*

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

A woman with long brown hair, wearing a dark sleeveless top, is pointing her right index finger at a large wall of digital screens. The screens display various financial data, including line graphs with green and red lines, and tables of numbers. The background is a dimly lit room with blue ambient lighting.

04 Audit Differences



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 adjusted differences

Adjusted differences

We highlight the following misstatements that were identified during the course of our audit that we wish to bring to your attention. We expect all of these to be updated by management in the final financial statements

Group Investment property

We have engaged our colleagues from EY Estates to support the local audit team in reviewing a sample of these assets. We have challenged the assumptions and methodology of the assets. This resulted in a revised valuation report from Council’s valuer which lead to reduction in Group investment property by £1,013,000. This also affected financing and investment income and expenditure in the Group CIES and impact on SAIL Profit & Loss Account in Group Reserves.

Group Cash Flow Statement

Consolidation adjustments for Group accounts omitted in Group Cash Flow Statement by £13,562,000 for (increase)/ decrease in creditors and increase/ (decrease) in debtors. No impact on net cash position.

Property, plant and equipment

1. We have considered assets reclassified during the year, for example from Council Dwellings to Other Land & buildings. When assets are reclassified, the asset may need to be revalued to the valuation basis appropriate to its new asset class. We identified one assets that should be reclassified from Other Land and buildings to Surplus asset and valuation basis should be at fair value which meant that the asset was understated by £197,200.
 2. A error in the valuation report provided by the Council’s valuer for one property led to an overstatement of PPE of £310,600.
- Overall, PPE overstated by £113,400. This also affected Deficit/ (surplus) on revaluation of PPE in the CIES, MIRS and Revaluation reserve.

Corrected Disclosure differences (none impact on the general fund balance)

Expenditure and Funding Analysis Note

The Expenditure and Funding Analysis and related note reconciled the CIES to the combined General Fund and HRA balances but this excluded Earmarked Reserves which form a part of the General Fund balance.

Prior Period Adjustment Note

Prior Period Adjustment were reflected in the financial statement but the Prior Period Adjustment Note was omitted.

Group operating lease commitment disclosure

The group operating lease commitment disclosure was omitted.



Audit Differences

Summary of unadjusted differences

Unadjusted differences

There are two misstatement that remains uncorrected, which is below our overall materiality assessment of £1.03 million, but above our threshold for reporting misstatements of £51k.

Group Investment property

We have engaged our colleagues from EY Estates to support the local audit team in reviewing a sample of these assets. We have challenged the assumptions and methodology of the assets. Using the revised valuation report from Council's valuer, we identified differences between our expected valuation range and the values used by the Council's valuer in the property valuations. This could lead to an overstatement on the Group balance sheet of £242k in investment property.

Receivables/ payables

Central Government receivables and payables were both overstated by £86k due to such amount being included in receivables rather than offset against the housing benefit subsidy payable to DWP. No impact on the General Fund Balance.

We ask that they are corrected or a rationale as to why they are not corrected be approved by the Council and included in the Letter of Representation.

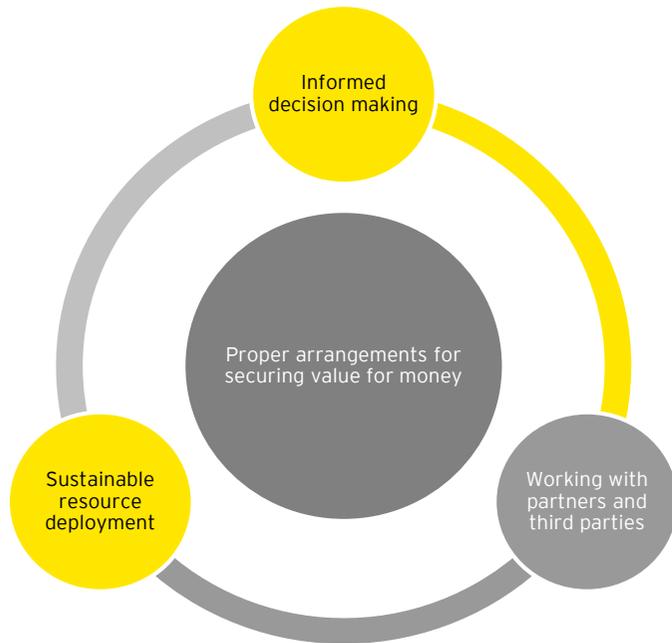


05

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 2018/19 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 two areas that may present a significant risk in our Audit Plan. We have also identify another significant value for money risk during the course of audit. These related to arrangements for:

- Governance arrangements for Joint Venture decision making
- Due diligence process for consideration of out of borough commercial investments
- Financial planning and the achievement of savings in the medium term

We have completed our planned audit work in relation to the significant risk and expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources and expect to issue an unqualified value for money conclusion.



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?
<p>Governance arrangements for Joint Venture decision making.</p> <p>The council has recently received bids from external organisations to become partners in a Joint Venture with the aim of building new homes in the borough.</p> <p>This Joint Venture has a significant impact on the council’s future, as this is a key part of the council delivering balanced budgets going forward.</p> <p>Therefore the governance around the Joint Venture process and decision making is considered to be a significant risk to the council delivering value for money</p>	<ul style="list-style-type: none"> • Take informed decisions • Deploy resources in a sustainable manner • Work with partners and other third parties 	<p>We are satisfied that the information provide to Members for Joint Venture are appropriate and advice from appropriately knowledgeable professionals with relevant experience.</p> <p>We have not identified any issues in the review of the governance arrangements for Joint Venture decision making.</p> <p>We note that the Joint Venture agreement has not yet been signed. We understand that this is scheduled for the 2019-2020 financial year but highlight that once the Joint Venture has been agreed, the Council should take steps to:</p> <ul style="list-style-type: none"> • Determine the representatives responsible for managing the Joint Venture • Allocate clear roles and responsibilities between representatives • Agree a schedule of regular meetings between the Council and Joint Venture Partner representatives to review and monitor delivery of agreed Joint Venture outputs • Define the form and frequency of reporting, key milestones and deliverables • Define the approach to measuring performance and set appropriate forecasts and financial targets in line with actual market performance.



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?
<p>Due diligence process for consideration of out of borough commercial investments.</p> <p>The creation of Seven Arches Investment Limited (SAIL), as a wholly owned subsidiary, by the council has now led to one completed out of borough investment and another which is expected to be completed prior to year end. Out of borough investments are subject to greater public scrutiny.</p> <p>The due diligence process must be thorough and demonstrate value for money for the borough. The Council should also ensure that it meets the prudential framework guidelines.</p>	<ul style="list-style-type: none"> • Take informed decisions • Deploy resources in a sustainable manner 	<p>We are satisfied that the Council has engaged with experts and has taken the appropriate level of advice to ensure it takes informed decisions in line with the Council’s investment strategy.</p> <p>We have not identified any issues in the review of the arrangements in place for out of borough commercial investment.</p>



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?
<p>Since the completion of our initial planning we have obtained the updated Medium term financial plan (MTFP) as set out in the Council’s 2019/20 budget and update to MTFP.</p> <p>The Council’s MTFP identified a net budget gaps of £0.9 million at the end of 2021/22. This assumes the Council will achieve savings or generate additional income of just over £7 million over the period of the MTFP.</p> <p>We have therefore undertaken a detailed review of the MTFP as well as the Council’s plans to deliver savings to assess whether arrangements to maintain financial sustainability are adequate.</p>	<ul style="list-style-type: none"> • Deploy resources in a sustainable manner 	<p>Our approach focussed on reviewing the arrangements at the Council to secure financial resilience. We looked at the Council’s plans to support the delivery of its Medium Term Financial Plan, including:</p> <ul style="list-style-type: none"> • reviewing the programme of savings and efficiency plans in place at the Council; • assessing the effectiveness of in year monitoring of progress against plan <p>We have reviewed a sample of savings and are satisfied that there are plans in place to deliver these and monitor the delivery.</p> <p>We have identified no significant concerns on the Council’s arrangements to secure its financial resilience and sustainability.</p>



06 Other reporting issues

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 2018/19 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 2018/19 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 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
- Group audit

We have no matters to report.



07

Assessment of Control Environment



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.



08 Data Analytics



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 2018/19, 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 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.

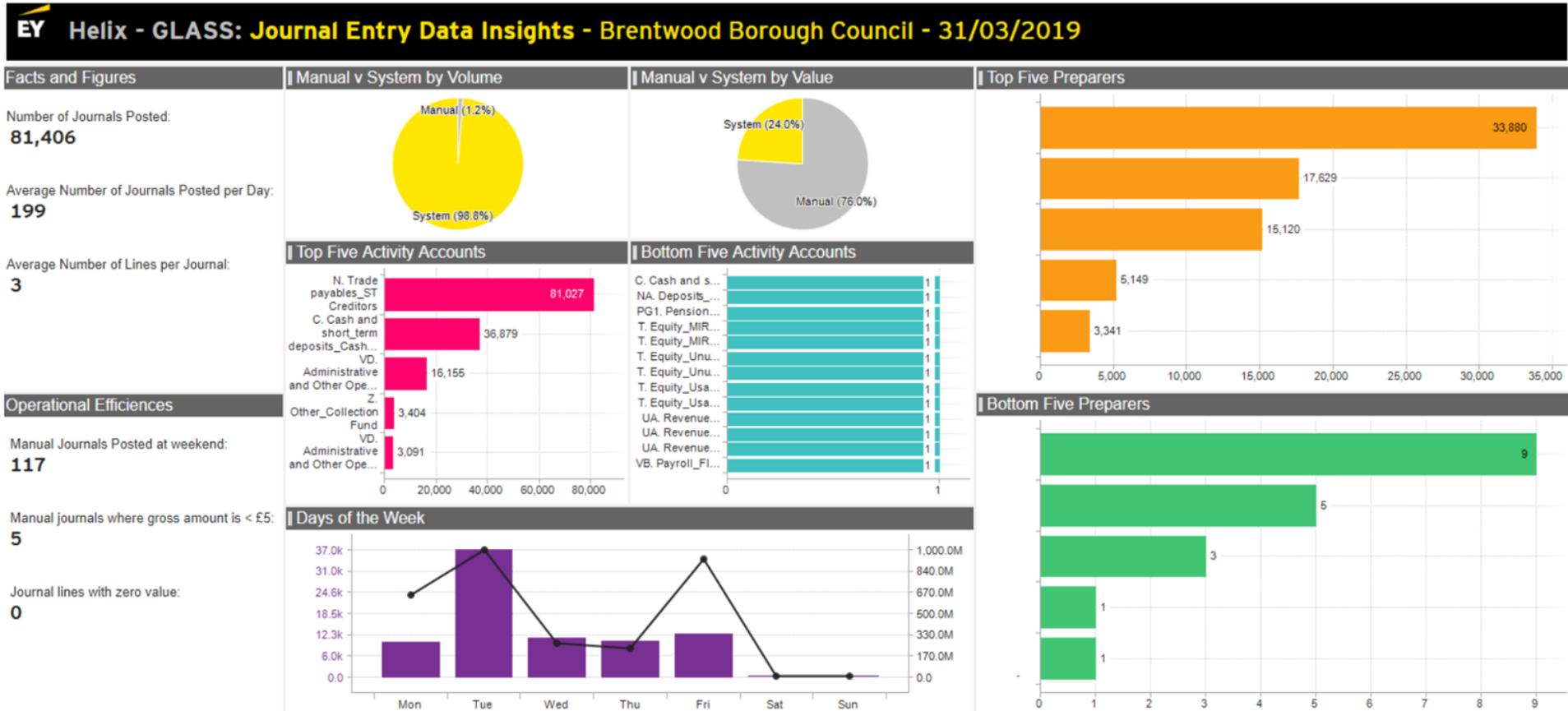


Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises Brentwood Borough Council's journal population for 2018/19. 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. The analysis below shows that a large majority of the Council's journals are system journal which indicates an efficient journal process.





Journal Entry Testing

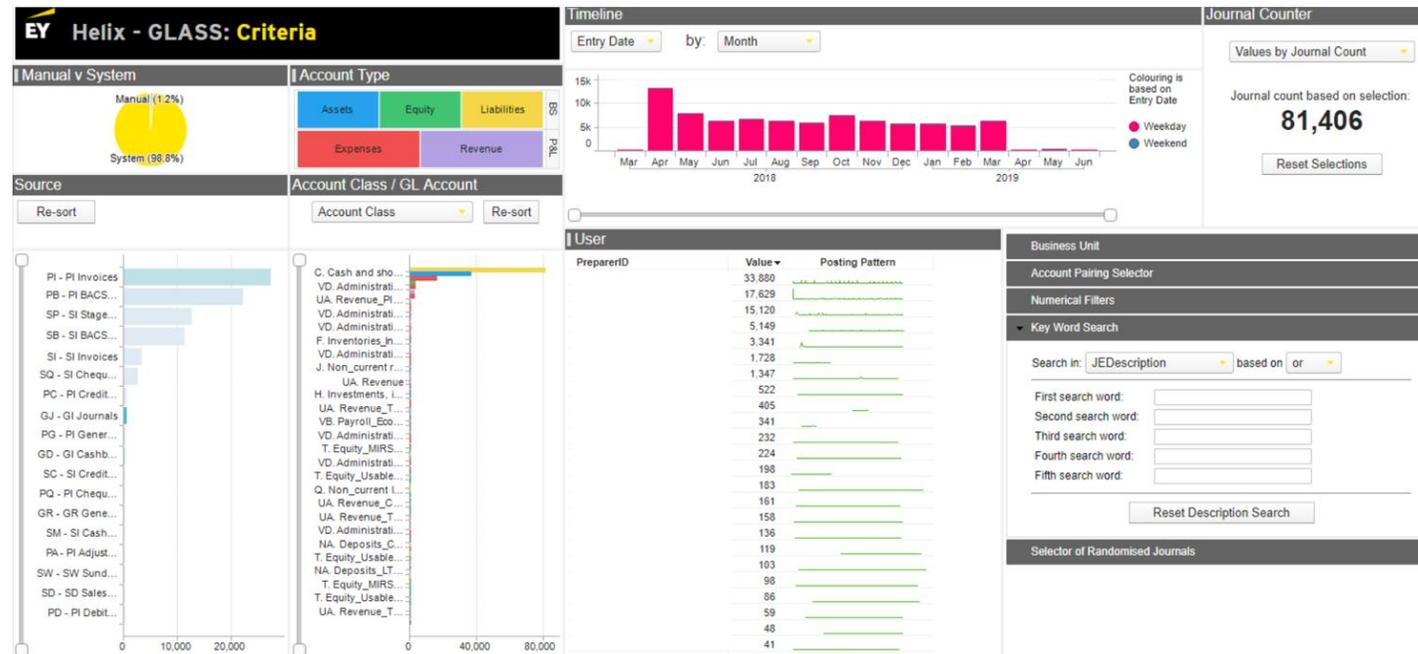
What is the risk?

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.

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. The analysis below shows, for example, the accounts classes with the highest levels of journal activity and the levels of activity by month.

Journal entry data criteria – Brentwood Borough Council - 31 March 2019



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.



09

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment.

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 and Scrutiny Committee on 28 January 2020.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements.

Independence

Relationships, services and related threats and safeguards



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 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included below.

We confirm that none of the services listed below have been provided on a contingent fee basis.

There are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

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 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee - Code work	Note 1	64,865	64,865	70,876
Non-audit work - Housing subsidy grant claim (Note 2)	N/A	N/A	N/A	33,606

Note 1 - We have undertaken additional work in relation to changes in scope on group accounting, the valuation of investment properties, PPE valuations and significant risks to our VFM conclusion. We are not yet in a position to quantify the proposed fee variation to address the changes in audit scope. During February 2020, we will be supplying the Director of Corporate Resources with a breakdown of our proposed fee variation. Subject to Director of Corporate Resources comments, we will also supply this to PSAA to enable PSAA to determine the final fee for 2018-19 audit. We will provide an update on the final fee position determined by PSAA to the Audit and Scrutiny Committee.

Note 2 - From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body. The Council has not appointed EY to act as reporting accountants in relation to the housing subsidy claim.

A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background is a textured, light-colored wall.

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 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, 30 January 2019 Audit and Scrutiny Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report, 30 January 2019 Audit and Scrutiny Committee
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, 28 January 2020 Audit and Scrutiny Committee

Appendix A

		 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 	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 style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report, 28 January 2020 Audit and Scrutiny Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report, 28 January 2020 Audit and Scrutiny Committee
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 Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report, 28 January 2020 Audit and Scrutiny Committee

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: <ul style="list-style-type: none"> ▶ 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 Authority 	Audit results report, 28 January 2020 Audit and Scrutiny Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <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 Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report, 30 January 2019 Audit and Scrutiny Committee; and Audit results report, 28 January 2020 Audit and Scrutiny Committee

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
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. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ 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 ▶ 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 	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 style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report, 28 January 2020 Audit and Scrutiny Committee Annual Audit Letter

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit planning report, 30 January 2019 Audit and Scrutiny Committee and Audit results report, 28 January 2020 Audit and Scrutiny Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and those charged with governance 	Audit results report, 28 January 2020 Audit and Scrutiny Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report, 28 January 2020 Audit and Scrutiny Committee
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report, 28 January 2020 Audit and Scrutiny Committee
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report, 30 January 2019 Audit and Scrutiny Committee and Audit results report, 28 January 2020 Audit and Scrutiny Committee

Appendix B

Management representation letter

Management Rep Letter

Ernst & Young LLP
Luton

This letter of representations is provided in connection with the audit of the consolidated and council financial statements of Brentwood Borough Council ("the Group and Council") for the year ended 31st March 2019.

The Council recognises that obtaining representations from it concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Brentwood Borough Council as at 31 March 2019 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and for the Council, the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The Council understands that the purpose of the audit of its consolidated and council financial statements is to express an opinion thereon and that the audit was conducted in 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, the Council makes the following representations, which are true to the best of its knowledge and belief, having made such inquiries as were considered necessary for the purpose of appropriately informing itself:

A. Financial Statements and Financial Records

1. The Council has fulfilled its responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and for the Council, the Accounts and Audit Regulations 2015 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. The Council acknowledges its responsibility for the fair presentation of the consolidated and council financial statements and believes the consolidated and council 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 Group and the Council in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions and approve the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. The Council believes that the Group and 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 2018/19 for the Group and for the Council that are free from material misstatement, whether due to fraud or error.
5. The Council believes that the effects of any unadjusted audit differences, summarised below, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. The Council has not corrected these differences identified by and brought to its attention by the auditor because XXXXXXXXX

Appendix B

Management representation letter

Management Rep Letter

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

1. The Council acknowledges that it is responsible for determining that the Group's and Council's activities are conducted in accordance with laws and regulations including:
 - a. Identifying and addressing any non-compliance with applicable laws and regulations, including fraud;
 - b. Responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud;
 - c. Disclosure of the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
2. The Council has no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - a. Involving financial statements;
 - b. Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
 - c. 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 Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
 - d. Involving management, or employees who have significant roles in internal controls, or others; or
 - e. In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. The Council has provided as part of the audit:
 - Access to all information of which it is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested 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 consolidated and council financial statements.
3. The Council has made available to you all minutes of the meetings of the Council and committees, including the 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 28 January 2020.
4. The Council confirms the completeness of information provided regarding the identification of related parties and has disclosed to you the identity of the Group's and Council's related parties and all related party relationships and transactions of which it 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 consolidated and council financial statements.
5. The Council believes that the significant assumptions it used in making accounting estimates, including those measured at fair value, are reasonable.
6. The Council has disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council 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 consolidated and council financial statements.
2. No claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. Other than disclosures described in Note 35 to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. There are no significant restrictions on the Council's ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

G. Other information

1. The Council acknowledges its responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. The Council confirms that the content contained within the other information is consistent with the financial statements.

H. Going Concern

1. The consolidated and council financial statements disclose all of the matters of which it is aware that are relevant to the Group's and Council's ability to continue as a going concern, including significant conditions and events, plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and council financial statements.
3. The Council has no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of the Council's cash and investment accounts. The Council has no other line of credit arrangements.

J. Reserves

1. The Council has properly recorded or disclosed in the consolidated and council financial statements the usable and unusable reserves.

Appendix B

Management representation letter

Management Rep Letter

K. Estimates (Property, Plant and Equipment Assets and Pensions)

1. The Authority believes that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making these estimates appropriately reflect our intent and ability to continue to provide services on behalf of the entity.
3. The Authority confirms that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. The Authority confirms that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

L. Use of the Work of a Specialist

1. The Authority agrees with the findings of the specialists that were engaged to evaluate the Property, Plant and Equipment Assets and Pension Fund liabilities 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. The Authority 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 are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Retirement benefits

1. The Authority is satisfied it has made appropriate enquiries on the basis of the process established that the actuarial assumptions underlying the scheme liabilities are consistent with its knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

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