



Brentwood Borough Council Audit results report

Year ended 31 March 2022

5 November 2023

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the top right corner of the logo.

Building a better
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5 November 2023



Brentwood Borough Council
Audit & Scrutiny Committee
Brentwood Borough Council
Town Hall
Brentwood

Dear Audit & Scrutiny Committee Members

We are pleased to attach our 2021/22 audit results report, summarising the status of our audit for the forthcoming meeting of the Audit & Scrutiny Committee. We will update the Committee at its meeting scheduled for 14 November 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit & Scrutiny Committee meeting on 14 November 2023.

Yours faithfully

Elizabeth Jackson
Partner
For and on behalf of Ernst & Young LLP
Encl

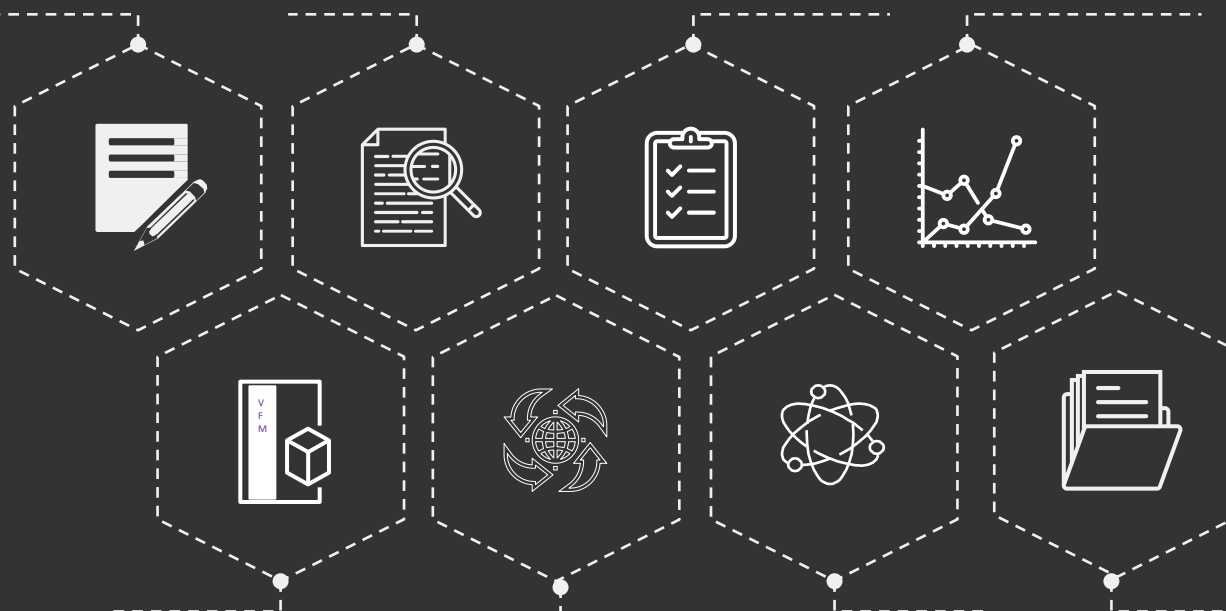
Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences



05 Value for Money

06 Assessment of Control Environment

07 Independence

08 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (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 & 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 & 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 & 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 dated 28 June 2023 and presented to the 11 July 2023 Audit & 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 and have not identified any new risks since the plan was issued. Materiality has stayed the same as reported in the Audit Plan as it was based on the draft 2021/22 financial statements.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Status of the audit

Our audit work in respect of the Council opinion is in progress. The audit visit has concluded and for most areas of the accounts, the work is substantially complete although the Manager and Partner review is currently ongoing. The following significant accounts areas were outstanding at the date of this report:

- Valuation of PPE across the whole asset base
- Minimum Revenue Provision, and
- Group accounting boundary.

In addition, the completion procedures for the audit have not yet commenced. Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 4.



Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit – Value for Money

In the Audit Plan we reported that our value for money planning was yet to commence although we identified one area of focus on the arrangements that the Council has in place in relation to financial sustainability due to the high level of borrowing and the fluctuating valuation of investment assets.

Following the completion of the value for money planning we have identified that the earlier reported area of focus has been concluded as a risk of significant weakness in 2021/22. Under the NAO's 2020 Code we have identified the risk as part of the financial sustainability criteria. The detailed review of budget documents and the impact of the group on the financial sustainability of the Council is in progress.

We will report the outcome of our work in the final version Audit Results Report to the next committee meeting and full VFM commentary in the Auditor's Annual Report within 3 months of the audit report being issued.



Executive Summary

Audit differences

At the time of writing this report, the audit has identified:

- One uncorrected misstatement of £100k as one addition was accounted for incorrectly as an addition when the amount should have been credited to capital grants and contributions. This does not impact on the provision of services total for 2021/22.
- Management have corrected one misstatement amounting to £8,001k between cash and cash equivalents and short term investments.
- There is also a turnaround misstatement from the prior year in respect of the accounting treatment of minimum revenue provision. See separate risk for the conclusion of that misstatement.

Our audit has identified a number of disclosure misstatements in the following notes: Non-specific grant income, Commercial Income, Related Parties, NDR provisions, Trading Operations, Officers Remuneration, Exit packages, Going concern accounting policy, Pension liability and Financial Instruments. In addition, other casting and consistency check disclosure errors have been identified but these do not need to be reported individually to you.

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.

In addition, we review the Narrative Statement which is part of the financial statements. We have identified some inconsistencies in the figures reported and management has agreed to update these in the final version of the financial statements.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

We have no other matters to report.

Executive Summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Brentwood Borough Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error (management override)	Our work on the IAS 19 disclosures and journals is substantially complete and the valuation of property is still ongoing. We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements in our work completed to date. This work is currently in review.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance. This work is currently in review.
Significant Risk	Findings & Conclusions
Valuation of PPE using Existing Use Value (EUV) and Investment Properties valued on a Fair Value (FV)	Our audit work over assets valued using EUV and FV is ongoing. We employed the use of our own expert, EY Real Estates (EYRE) to support the work in relation to the valuation of land and buildings on an EUV and FV basis, assessing the valuation of a sample of five properties. We have received their draft review and are following up the findings on two properties that are outside of the EYRE range and therefore potentially misstated.
Valuation of Seven Arches Investment Limited (SAIL) investment properties	Our audit work over the SAIL assets is ongoing. We employed the use of our own expert, EY Real Estates (EYRE) to support the work in relation to the valuation of land and buildings on an EUV and FV basis, assessing the valuation of a sample of one property. We have received their draft review and are following up the findings on this property that is outside of the EYRE range and therefore potentially misstated.

Executive Summary

Areas of audit focus

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Pension Net Liability Valuation	<p>We tested the Council's pension liability valuation and assessed the work of the Council's actuary. We are satisfied that the pension asset and associated balances within the financial statements are not materially misstated, subject to review. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Barnett Waddingham. No material differences were identified from this process. However, amendments are being made to the disclosure notes as the draft financial statements were inconsistent with the report from the Actuary.</p> <p>Due to the timing of the audit being after the triennial valuation of Essex Pension Fund as at 31 March 2022, a revised IAS19 report is required to take account of changes that have occurred in the scheme since the last triennial valuation as at 31 March 2019. The financial statements will be updated as required once this work is complete.</p>
Valuation of Land and Buildings using DRC and HRA properties	<p><i>Our audit work over assets valued using DRC and HRA properties is ongoing.</i></p> <p>Our testing to date has identified a misstatement in the HRA council dwellings balances in the financial statements as the Brookfields site has been accounted for incorrectly. This misstatement is currently being agreed with management and an amendment will be made to the valuation once the work is complete.</p>
Infrastructure Assets	<p>Our work is in progress as we have raised queries with management over the treatment of additions to infrastructure during 2021/22.</p>
Accounting for Covid-19 related grant funding	<p>Our work is complete in this area. Our testing did not identify any misstatements in the accounting for covid 19 grants. However, amendments have been made to the grant income disclosures as balances were incorrectly disclosed in the notes.</p>
Group accounts	<p>Our work is in progress. We are satisfied that the boundary for the consolidation of SAIL within the accounts is correct. However, we have challenged management on the status of Brentwood Development Partnership as the balances within their accounts increased during the 2021 financial year and therefore may require different accounting treatment in the Council's accounts.</p> <p>Due to the size of the balances in the SAIL accounts we determined that the most appropriate method of obtaining sufficient assurance over the material figures was to carry out the sample testing ourselves. For 2021/22, there has been an increase in the size of the subsidiary and sampling has been required in the following areas: Cost of Sales, Administrative Expenditure, Expenses, Revenue, Debtors, Creditors, IP valuation, Finance costs, Deferred Tax Liability and Cash reconciliation. Our testing has been completed and is subject to review.</p>



Executive Summary

Areas of audit focus

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Minimum Revenue Provision	Our work is ongoing. We have held a number of meetings about the Council's treatment of MRP in accordance with the rules and regulations for accounting for balances. Currently, there is a difference of opinion between the Council's expert and our EY technical specialist. Discussions are ongoing and the issues identified are being reviewed to determine whether the Council's accounting treatment is in line with the spirit of the regulations or not.
Going Concern	The work is still in progress. We have been provided with a cash flow forecast until March 2025 to assess the Council's going concern assessment for a period at least 12 months from the date of the accounts being issued.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

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

Control observations

During the audit work completed to date, we have not identified any significant deficiencies in internal control.

As work progresses, if we identify any control deficiencies we will report these to you.

Independence

We have not identified any issues arising that need to be reported in relation to our independence.

Please refer to Section 10 for our update on Independence.



02 Areas of Audit Focus



Significant risk

Misstatements due to fraud or error (management override)

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.

We did not identify any specific fraud risks in our planning. We continued to update our risk assessment throughout our audit. We have no additional specific fraud risks to report.

What judgements are we focused on?

The risk manifests specifically in whether year-end adjustment journals are appropriate and supported, the application of estimates and judgements, and whether significant or unusual transactions are identified and accounted for appropriately. As part of our work we focus on judgements made which effect the recording of transactions within the general ledger, particularly around journal entries. We considered what the most significant estimates in the financial statements relate to and we reviewed these accounting estimates for evidence of management bias, with a specific focus on the following:

- IAS 19 disclosures;
- Valuation of the Local Government Pension Scheme assets and liabilities;
- Valuation of land and buildings in Property, Plant and Equipment.

As the above estimates have been identified as separate risks within section 2 of this report we have not repeated that information here.

What did we do?

We have performed the procedures described in our original audit plan. Please see the following page for full details.

What are our conclusions?

Our audit work is still in progress and is subject to review.

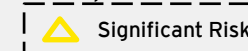
We have found no evidence of weaknesses in controls or that management had attempted to override internal controls. We have not identified any instances of inappropriate judgements being applied to date.

Our testing of journals found the items tested to be appropriately supported and correctly entered into the general ledger.

Our testing of judgements and estimates did not identify inappropriate judgements or bias in estimates.

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

This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.





Areas of Audit Focus – Fraud risk



Further details on procedures/work performed

We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding. We remained alert throughout the course of the audit for where this assessment may have changed. We did not identify any previously unidentified areas of risk (that are not linked to the presumed risk of fraud in revenue and expenditure recognition covered separately).

We have:

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

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

- Reviewing the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.
- Substantively testing of journals that met specific risk criteria in order to understand their purpose and appropriateness, and we reviewed and tested accounting estimates for evidence of management bias, including those related to pensions and asset valuations.
- Reviewing and discussing with management and challenging any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:
 - IAS 19 disclosures;
 - Valuation of the Local Government Pension Fund asset and liability; and
 - Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

Our work on the *IAS 19 disclosures and journals is substantially complete. The valuation of property is still ongoing.*

- Reviewing the transactions in the financial statements for evidence of any significant unusual transactions.



Significant risk (Cont.)

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure *

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment or incorrect classification of expenditure as revenue funded from capital under statute (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

Our audit work is complete in this area with the exception of the Brookfield site.

We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified, except for one addition totalling £100k that was accounted for incorrectly as an addition when the amount should have been credited to capital grants and contributions.

We are satisfied that journals posted were appropriate.

We identified no evidence of fraud in revenue and expenditure recognition through the above testing.



Significant risk (Cont.)

Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV)

What is the risk?

The valuation of land and buildings valued on an EUV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What judgements are we focused on?

We focussed on whether the appropriate assumptions had been used in calculating the valuation of the assets.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. 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 2021/22 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.

What are our conclusions?

Our audit work over assets valued using EUV and FV is ongoing.

We employed the use of our own expert, EY Real Estates (EYRE) to support the work in relation to the valuation of land and buildings on an EUV and FV basis, *assessing the valuation of six properties. We have received their draft review and are following up the findings on three properties that are outside of the EYRE range and therefore potentially misstated.*



Significant risk (Cont.)

Valuation of SAIL Investment Properties (IP) under Fair Value (FV)

What is the risk?

The Council's wholly owned subsidiary, Seven Arches Investment Limited (SAIL) has a significant investment property portfolio.

The valuation of these are assets are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, covering both those assets that are revalued within the year and the continuing material accuracy of those valued in prior periods.

What judgements are we focused on?

We focussed on whether the appropriate assumptions had been used in calculating the valuation of the assets.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer
- Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code
- 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.

What are our conclusions?

Our audit work over the SAIL assets is ongoing.

We have employed our EYRE team to review a sample of assets, including SAIL assets.

Other areas of audit focus (Cont.)

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 its membership of the Local Government Pension Scheme administered by Essex County Council.

The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022, the net liability arising totalled £31.8 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and 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.

What did we do?

We:

- Liaised with the auditors of Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- Assessed the work of the Pension Fund actuary 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;
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and
- Assessed the accuracy of estimated information included in the financial statements and concluded whether any adjustments were required.

What is the status of our work?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PwC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Barnett Waddingham. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Barnett Waddingham. However, amendments are being made to the disclosure notes as the draft financial statements were inconsistent with the report from the Actuary.

Due to the timing of the audit being after the triennial valuation of Essex Pension Fund as at 31 March 2022, a revised IAS19 report is required to take account of changes that have occurred in the scheme since the last triennial valuation as at 31 March 2019. The financial statements will be updated as required once this work is complete.



Areas of Audit Focus

Other areas of audit focus

Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC) and HRA council dwellings

What is the risk?

The value of land and buildings in PPE under DRC and the HRA properties represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer
- Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. 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 2021/22 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

What is the status of our work?

Our audit work over assets valued using DRC and HRA properties is ongoing.

Our testing to date has identified a misstatement in the HRA council dwellings balances in the financial statements as the Brookfields site has been accounted for incorrectly. This misstatement is currently being agreed with management and an amendment will be made to the valuation once the work is complete.



Other areas of audit focus (Cont.)

Infrastructure Assets

What is the risk?

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

Our work in 2020/21 concluded the Council's current accounting practice is in line with the CIPFA Code. However, as a consequence of the issue above CIPFA is considering a potential Code amendment. We will ensure the Council's accounting treatment of infrastructure assets complies with any updated guidance or Code amendments issued by CIPFA.

What did we do?

We confirmed the Council's accounting practice for infrastructure assets remains in line with the published CIPFA Code of Local Authority Accounting. The Council has therefore not needed to adopt the temporary solution for accounting for infrastructure assets issued by DLUHC and CIPFA. Our work focused on:

- Obtaining evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised.
- Understanding the Council's approach to depreciating infrastructure assets, ensuring that the asset lives were reasonable and undertaking sensitivity analysis to understand the potential impact of over or understating the asset lives.
- Testing the accounting entries have been correctly processed in the financial statements.

What is the status of our work?

Our work is in progress as we have raised queries with management over the treatment of additions to infrastructure during 2021/22.



Areas of Audit Focus

Other areas of audit focus

Accounting for Covid-19 related grant funding

What is the risk?

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2021/22 statements.

What did we do?

We:

- Considered the Council's judgement on material grants received in relation to whether it is acting as:
 - An Agent, where it has determined that it is acting as an intermediary; or
 - A Principal, where the Council has determined that it is acting on its own behalf.

What is the status of our work?

Our work is complete in this area. Our testing did not identify any misstatements in the accounting for covid 19 grants.

However, amendments have been made to the grant income disclosures as balances were incorrectly disclosed in the notes.

Other areas of audit focus

Group Accounts

What is the risk?

Seven Arches Investment Limited (SAIL), wholly owned investment company, has material balances and transactions in their accounts as at 31 March 2022, which the Council needs to consolidate. There is a risk that the Group accounts are incorrectly prepared with the changing nature of the size of SAIL.

There is also the risk that balances and transactions increase in the other entities in the group boundary that the Council needs to assess every year to determine whether they need to be consolidated.

What did we do?

We:

- Reviewed the Council's group boundary assessment to determine which entities fall within scope of the group accounts for 2021/22;
- Performed our own testing of all material balances and transactions in the subsidiary accounts;
- Liaised with the subsidiary auditor to ensure we understand work undertaken by them and findings in any area we are placing reliance on them; and
- Reviewed the consolidation work to ensure the Group accounts are materially fairly stated.

What is the status of our work?

Our work is in progress. We are satisfied that the boundary for the consolidation of SAIL within the accounts is correct. However, we have challenged management on the status of Brentwood Development Partnership as the balances within their accounts increased during the 2021 financial year and therefore may require different accounting treatment in the Council's accounts.

Due to the size of the balances in the SAIL accounts we determined that the most appropriate method of obtaining sufficient assurance over the material figures was to carry out the sample testing ourselves. For 2021/22, there has been an increase in the size of the subsidiary and sampling has been required in the following areas: Cost of Sales, Administrative Expenditure, Expenses, Revenue, Debtors, Creditors, IP valuation, Finance costs, Deferred Tax Liability and Cash reconciliation. Our testing is subject to review.



Areas of Audit Focus

Other areas of audit focus

Minimum Revenue Provision

What is the risk?

Local authorities are required to charge MRP to the General Fund in each financial year. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance. We identified a fraud risk in relation to MRP in 2020/21 due to the Council's increase in financing.

Our expert reviewed the MRP calculation and identified areas of incorrect interpretation of the guidance and an error in the 2020/21 accounts. We determined this was not fraudulent activity by management as the practice followed was agreed with their management expert. Therefore, we have reduced the level of risk to inherent for the 2021/22 accounts to follow up on action taken by management, since we made the recommendations in the prior year, and to ensure the accounts are materially fairly stated for MRP.

What did we do?

We:

- Reviewed any updated advice received from the Council's management expert in responding to the findings and recommendations from the 2020/21 audit, engaging with our auditor expert as required
- Determined the impact on the 2021/22 audit report for the uncorrected misstatement in the 2020/21 accounts, and
- Reviewed the MRP calculation for 2021/22.

What is the status of our work?

Our work is ongoing. We have held a number of meetings about the Council's treatment of MRP in accordance with the rules and regulations for accounting for balances. Currently, there is a difference of opinion between the Council's expert and our EY technical specialist. Discussions are ongoing and the issues identified are being reviewed to determine whether the Council's accounting treatment is in line with the spirit of the regulations or not.



Other areas of audit focus (Cont.)

Going Concern Disclosure

What is the risk?

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 during 2021/22, there is a need for the Council to ensure its going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive.

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

What did we do?

We:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow.
- Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when drawing our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What is the status of our work?

The work is still in progress. We have asked for a cash flow forecast until *March 2025 to assess the Council's going concern assessment for a period at least 12 months from the date of the accounts being issued.*



03 Audit Report



Draft audit report

DRAFT report TBC

Our opinion on the financial statements

- TBC once testing is complete



05 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

We highlight the following misstatements greater than £54k which have been corrected by management that were identified during the course of our audit:

- one misstatement amounting to £8,001k between cash and cash equivalents and short term investments.




Our audit has identified a number of disclosure misstatements in the following notes: Non-specific grant income, Commercial Income, Related Parties, NDR provisions, Trading Operations, Officers Remuneration, Exit packages, Going concern accounting policy, Pension liability and Financial Instruments.

In addition, other casting and consistency check disclosure errors have been identified but these do not need to be reported individually to you.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Scrutiny Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2022 (Currency'000)			Effect on the current period:		Net assets (Decrease)/Increase			
								
			OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors								
Known differences:								
<ul style="list-style-type: none"> An amount was accounted for as an addition to PPE when it should have been credited to capital grants and contributions 						100,000 (100,000)		
Balance sheet totals						0		
Cumulative effect of uncorrected misstatements before turnaround effect						0		
Turnaround effect. See Note 1 below. Minimum Revenue Provision misstatement from 2020/21 audit				TBC				
Cumulative effect of uncorrected misstatements, after turnaround effect				TBC		0		

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2022.

Note 1: turnaround effect is the post-tax impact of uncorrected misstatements related to the prior period, on results of the current period.



04 Value for Money



Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

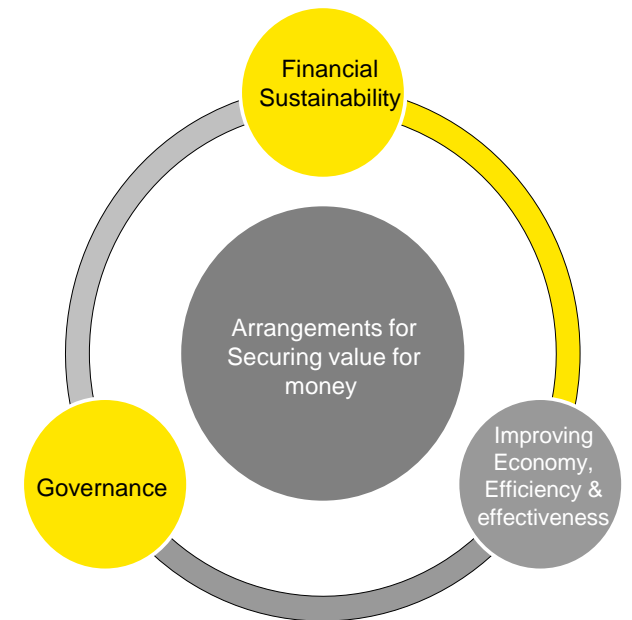
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

In the Audit Plan we reported that our value for money planning was yet to commence although we identified one area of focus on the arrangements that the Council has in place in relation to financial sustainability due to the high level of borrowing and the fluctuating valuation of investment assets.

Following the completion of the value for money planning we have identified that the earlier reported area of focus has been concluded as a risk of significant weakness in 2021/22. Under the NAO's 2020 Code we have identified the risk as part of the financial sustainability criteria. The detailed review of budget documents and the impact of the group on the financial sustainability of the Council is in progress.

We will report the outcome of our work in the final version Audit Results Report to the next committee meeting and full VFM commentary in the Auditor's Annual Report within 3 months of the audit report being issued.





Value for money

Status of our VFM work

We have completed our planned risk assessment procedures and have determined that there is a significant weakness in the Council/Authority's arrangements for supporting its financial sustainability. Our detailed work is in progress and we will report the findings and conclusion, and any impact on the audit report in the final version Audit Results Report.

We plan to issue the VFM commentary within 3 months of issuing the audit report as part of the Auditor's Annual Report.

Responding to a risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
<p>Financial Sustainability</p> <p>The Council has a high level of borrowing that needs to be repaid, with £60m of the borrowing loaned to the wholly owned subsidiary.</p> <p>There is a risk to the Council's medium to longer term sustainability over the repayment of this borrowing and the impact on the Council's reserves if the return from the wholly owned subsidiary is not received at the expected level.</p> <p>In addition, like all Local Government bodies, there is an increasing risk that the Council's financial position reduces over the medium term and the use of reserves is needed to balance the Council's budget in 2024/25.</p>	<p>Financial Sustainability</p>	<p>The work is currently in progress.</p>



05 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 2021/22 Statement of Accounts 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 2021/22, for the Council this is the Narrative Report, and published with the financial statements was reviewed for consistency with the other information published in the Statement of Accounts and we have identified some inconsistencies in the figures reported and management has agreed to update these in the final version of the 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.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

We have no other matters to report.

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.

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 Council’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;
- Consideration of laws and regulations; and
- Group audits.

At this stage of the audit we have not identified any reporting issues. We will update the Audit & Scrutiny Committee if any issues arise.



06

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. To date, we have not identified any significant matters to report to you. As we conclude our audit, we will reflect on the final accounting adjustments and determine if there are any additional matters to report, particularly if we determine there are areas where the Council could strengthen its systems of internal control to support the preparation of the 2022/23 financial statements for audit.



07

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 the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 2021 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

The next page includes a summary of the fees due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

[EY UK 2022 Transparency Report | EY UK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Scale Fee 2021/22 £	Final Proposed Fee 2020/21 £
PSAA Scale Fee	54,288	54,288	52,365
Scale fee rebasing (Note 1)	36,001	-	36,001
Revised proposed scale fee:	90,289	54,288	88,366
In-year scale fee variation:			
Scale fee variation - Additional audit work (Note 2)	TBC		39,761
Scale fee variation - PSAA pre-approved additional fee for VFM and ISA540 (Note 3):	8,500 - 13,500	8,500 - 13,500	8,500
Total fees	TBC	TBC	136,627

All fees exclude VAT

* this is our proposed figure that has been submitted to the PSAA

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

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

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

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

Relationships, services and related threats and safeguards (Cont.)

Services provided by Ernst & Young

Notes

Note 1 - This relates to our scale fee rebasing for the audit, to take into account changes in professional and regulatory requirements to that date. This was previously raised in the 2019/20 audit year and as these are related to ongoing requirements, we have included the impact again in our 2020/21 requested fees. This is the same request that was submitted in the prior year and has been adjusted for the increase in PSAA rates.

Note 2 - This figure includes a variation to the scale fee for items specific to the 2020/21 audit year where additional audit work was undertaken by the audit team. We will submitting a request for this additional work undertaken on:

- ▶ Work of EY expert to calculate an auditors estimate of the pension liability and the valuation of assets;
- ▶ Increased testing for the consolidation of material balances in the group accounts; and
- ▶ Work on the value for money risk of significant weakness.

Note 3 - The fee impacts of the NAO's 2020 Code of Audit Practice, and the revised ISA540 on estimates were new during 2020/21. The PSAA communicated fee ranges for each type of auditee, and our assessed impact for the Council is that both ISA540 and VFM Commentary is at the bottom of the ranges.

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.

08 Appendices

Audit approach update




We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- **Existence:** An asset, liability and equity interest exists at a given date
- **Rights and Obligations:** An asset, liability and equity interest pertains to the entity at a given date
- **Completeness:** There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- **Valuation:** An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- **Presentation and Disclosure:** Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Outstanding matters





The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
<i>Review of completed audit work</i>	<i>Final review to be performed by the Manager and Partner</i>	<i>EY</i>
<i>Completion of our work over PPE Valuations</i>	<i>Obtain relevant supporting evidence and complete our testing of revalued assets</i>	<i>EY and management</i>
<i>Group accounting</i>	<i>Confirm group boundary and accounting for Brentwood Development Partnership</i>	<i>EY and management</i>
<i>Minimum Revenue Provision</i>	<i>Determine the correct accounting treatment for the MRP</i>	<i>EY and management</i>
<i>Completion of going concern assessment</i>	<i>Reviewing of cashflow forecast and management assessment on going concern, this is in progress Detail review and consideration of the going concern assessment</i>	<i>EY and management</i>
<i>Review of the revised financial statements</i>	<i>Obtain and review final revised financial statements and verify all agreed amendments have been made</i>	<i>EY and management</i>
<i>Subsequent events review</i>	<i>To be performed just before signing</i>	<i>EY and management</i>
<i>Receipt of signed management representation letter</i>	<i>Finalise the letter following completion of the audit</i>	<i>EY and management</i>
<i>Receipt of signed Narrative Report and financial statements</i>	<i>Finalise the financial statements and narrative report following completion of the audit</i>	<i>EY and management</i>




Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern and PPE valuation remain to be finalised and audited.

Required communications with the Audit & Scrutiny Committee






There are certain communications that we must provide to the those charged with governance of UK entities. 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 & Scrutiny 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 - July 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - July 2023
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 - November 2023

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
	<ul style="list-style-type: none"> • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	
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 related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	Audit results report - November 2023
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report - November 2023
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 - November 2023





Appendix C

		 Our Reporting to you
 Required communications	 What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, 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 & Scrutiny Committee responsibility. 	Audit results report - November 2023
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <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 entity 	Audit results report - November 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report - July 2023</p> <p>Audit results report - November 2023</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report - November 2023
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 	Audit results report - November 2023

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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 - November 2023
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 - July 2023 Audit results report - November 2023
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/or those charged with governance 	Audit results report - November 2023
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 - November 2023
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - November 2023

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Elizabeth Jackson
Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Brentwood Borough Council ("the Council") for the year ended 31 March 2022. 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 Council financial position of Brentwood Borough Council as of 31 March and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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 accordance with International Standards on Auditing (UK), 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

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
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 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has 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 2021/22, 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]

Management representation letter

Management Rep Letter

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

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 disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

- involving financial improprieties;
- 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 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. 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 all material transactions, events and conditions are reflected in the financial statements and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Full Council, Cabinet, and Audit Committee and Governance Committee held through the year to the most recent meeting of the XXX.

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 period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.

Management representation letter

Management Rep Letter

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
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.
7. From XXX, the date of our last management representation letter, through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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 to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third

E. Going Concern

1. Note XX to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than Note XX to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises information included in the Statement of Accounts 2021/22 and Narrative Report 2021/22, other than the financial statements and your auditor's report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Council, and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the applicable financial reporting framework, aligned with the statements we have made in the other information or other public communications made by us (see section C)

Management representation letter

Management Rep Letter

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

J. Reserves

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

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of our land and buildings, HRA properties and investment properties 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.

L. Estimates

NDR Appeals Provision

1. We confirm that the significant judgments made in making the NDR appeals provision have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the NDR appeals provision.

3. We confirm that the significant assumptions used in making the NDR appeals provision appropriately reflect our intent and ability to carry out our services on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the NDR appeals provision.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

Valuation of assets

1. We confirm that the significant judgments made in making the valuation of assets have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of assets.
3. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out our services on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialised skills or expertise has been applied in making the valuation of assets.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

Management representation letter

Management Rep Letter

M. Retirement benefits

1. 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.

Yours faithfully,

(s151 Officer)

I confirm that this letter has been discussed and agreed at the Audit Committee on XX.

(Chair of the Audit & Scrutiny Committee)

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