

# Brentwood Borough Council

## Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

14 September 2015



Building a better  
working world

# Contents

		<b>Page</b>
Section 1	Executive summary	3
Section 2	Extent and purpose of our work	5
Section 3	Addressing audit risks	7
Section 4	Financial statements audit – issues and findings	10
Section 5	Arrangements to secure economy, efficiency and effectiveness	15
Section 6	Independence and audit fees	18
Section 7	Challenges for the Coming Year	20
 <b>Appendices</b>		
Appendix A	Uncorrected audit misstatements	22
Appendix B	Corrected audit misstatements	23

**Section 1**

# **Executive summary**

# Executive summary – key findings

## Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit, Scrutiny and Transformation Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/15 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

### Financial statements

- ▶ As of 14 September 2015, we expect to issue an unqualified opinion on the financial statements, subject to the completion of the outstanding work detailed on page 10. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements well.

### Value for money

- ▶ We have completed our work and have concluded that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

### Whole of Government Accounts

- ▶ We expect to report that the Council is below the specified audit threshold of £350 million to the National Audit Office (NAO) regarding the Whole of Government Accounts.

### Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

**Section 2**

# **Extent and purpose of our work**

# Extent and purpose of our work

## The Council's responsibilities

- ▶ The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- ▶ The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Purpose of our work

- ▶ Our audit was designed to:
  - ▶ Express an opinion on the 2014/15 financial statements and the consistency of other information published with them
  - ▶ Report on an exception basis on the Annual Governance Statement
  - ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion)
  - ▶ Discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

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 are specified by the National Audit Office. As the Council is below the specified audit threshold of £350 million, there is no requirement for detailed work other than to submit the assurance statement to the NAO (WGA audit team) confirming the Council is below the threshold.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

**Section 3**

# **Addressing audit risks**

# Addressing audit risks – significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
<b>Management override</b>		
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.</p>	<ul style="list-style-type: none"> <li>▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>▶ Reviewed accounting estimates for evidence of management bias;</li> <li>▶ Evaluated the business rationale for any significant unusual transactions; and</li> <li>▶ Reviewed capital expenditure on property, plant and equipment to ensure it met the relevant accounting requirements to be capitalised.</li> </ul>	<ul style="list-style-type: none"> <li>▶ We did not identify any material misstatements, evidence of management bias or significant unusual transactions in our testing.</li> <li>▶ Our testing did not identify any expenditure which had been inappropriately capitalised.</li> </ul>



# Addressing audit risks – other audit risks

- ▶ We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Other audit risks		
<p><b>Asset valuations</b></p> <p>Fixed assets represent a significant balance in the Council's accounts. The Council has changed its valuer in each of the last two years. There have been asset valuation errors identified in the 2012/13 and 2013/14 accounts.</p> <p>The Council has appointing a new valuer again for 2014/15.</p>	<p>Our approach focussed on:</p> <ul style="list-style-type: none"><li>▶ The Council's instructions to the valuer;</li><li>▶ Management's consideration of the reasonableness of the valuations received; and</li><li>▶ Reviewing the information provided by the valuer.</li></ul>	<ul style="list-style-type: none"><li>▶ Our audit work did not identify any issues or errors.</li></ul>

Section 4

# Financial statements audit – issues and findings

# Financial statements audit – issues and misstatements arising from the audit

## Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Audit, Scrutiny and Transformation Committee meeting:
  - ▶ Receipt of a Letter of Representation
  - ▶ Clearance of a few outstanding queries
  - ▶ Manager and Director review of audit work and financial statements
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

## Financial close process

- ▶ The audit has progressed well this year with no significant control findings or weaknesses identified. Working papers provided for the audit and the finance team's responses have been clear and helpful. This has enable us to complete our work in a short period of time than in previous years.

## Uncorrected misstatements

- ▶ We have identified four misstatements within the draft financial statements, which management has chosen not to adjust.
- ▶ We ask the Audit, Scrutiny and Transformation Committee to consider approving management's rationale as to why these corrections have not been made and, if approved, include this in the Letter of Representation.
- ▶ Appendix A to this report sets out the uncorrected misstatements.

## Corrected misstatements

- ▶ Our audit identified a number of further misstatements which our team have highlighted to management for amendment. These have been corrected during the course of our work and further details of the main adjustment are provided at Appendix B.

## Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:
  - ▶ Qualitative aspects of your accounting practices; estimates and disclosures;
  - ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
  - ▶ Any significant difficulties encountered during the audit; and
  - ▶ Other audit matters of governance interest

We have no matters we wish to report.

# Financial statements audit – application of materiality

## Our application of materiality

- ▶ When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
Planning materiality	<p>We determined planning materiality to be £1 million (2014: £1.1 million), which is 2% of gross expenditure reported in the accounts of £50.6 million adjusted for HRA depreciation and impairment expenditure.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Tolerable error	<p>We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion.</p> <p>We have set tolerable error at the lower level of the available range because there have been material corrected and uncorrected errors in prior years' accounts.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £51,000 (2014: £54,000).</p>

# Financial statements audit – application of materiality (cont.)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas,. The areas identified and audit strategy applied include:

Area	Strategy applied
Remuneration disclosures, including severance payments, exit packages and termination benefits	<p>Our audit strategy was to check the bandings reported in the financial statements, test the completeness of the disclosures and make sure that the disclosures were compliant with the Code.</p> <p>We checked transactions back to the payroll system and supporting documentation.</p>
Related party transactions	<p>Our audit strategy was to obtain and review declarations from senior officers and members of the Council for any material disclosures and make sure that the disclosure was compliant with the Code.</p> <p>We carried out a sample check of Companies House searches on contracts from the Council’s contract register to identify whether any key decision-makers in the Council had an interest in the company, to test the completeness of the disclosure.</p>
Members’ allowances	<p>Our audit strategy was to test the completeness of the disclosure and make sure that it was compliant with the Code by sample checking transactions back to the payroll system and the Council’s Constitution.</p>

# Financial statements audit – internal control, written representations and whole of government accounts

## Internal control

- ▶ It is the responsibility of the Council 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 Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- ▶ We have tested the controls of the Council only to the extent necessary for us to complete our audit. The controls tested were for Accounts Payable and Housing Benefits. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have reviewed the Annual Governance Statement and can confirm that:
  - ▶ It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
  - ▶ It is consistent with other information that we are aware of from our audit of the financial statements.
- ▶ 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.

## Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any specific representations.

## 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 are specified by the National Audit Office.
- ▶ As the council is below the specified audit threshold of £350 million, there is no requirement for detailed work other than to submit the assurance statement to the NAO (WGA audit team) confirming the Council is below the threshold.

**Section 5**

# **Arrangements to secure economy, efficiency and effectiveness**

# Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Brentwood Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

## Criteria 1 – arrangements for securing financial resilience

- ▶ 'Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'
- ▶ Since issuing our Audit Plan in February 2015, we have identified a significant risks in relation to this criteria. The significant risk reflects the level of reliance placed on funding from the New Homes Bonus (NHB) in the Council's medium term financial strategy (MTFS). This has also been identified as a risk in a number of other councils which receive significant levels of funding through the NHB, where this has been built into the base budget.
- ▶ To address the specific risk we have identified, we have undertaken a more detailed review of the Council's MTFS and the key assumptions within this, including the use of NHB. We have also looked at the level and planned use of reserves and the Council's track record in delivering previous budgets and savings plans, as well as progress on addressing the budget gaps identified in the current MTFS. Our key findings in relation to these areas are set out on the next page of this report.
- ▶ As a result of our work, we have concluded that the Council has continued to respond well to the financial challenges it, along with other public sector bodies, is facing.
- ▶ We have therefore concluded that the Council has adequate arrangements in place for securing financial resilience.

## Criteria 2 – arrangements for securing economy, efficiency and effectiveness

- ▶ 'Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'
- ▶ We did not identify any significant risks in relation to this criteria and have no issues to report.
- ▶ Our work did not identify any other matters relating to aspects of your corporate performance and financial management framework which are not covered by the scope of the two specified criteria above.



# Arrangements for securing financial resilience

As noted in our conclusion, the Council has continued to respond well to the financial challenges it is facing. The size of that challenge is however increasing and there are a number of uncertainties that could have a significant impact on the Council's future financial stability. We have set out below further details on how the Council has responded to the challenges it is facing along with our understanding of the current financial position.

## Current budget gap

- ▶ In its MTFS issued in March 2015, the Council identified a cumulative budget gap of £0.829 million over the next three years. The MTFS update in June 2015, reduced this cumulative gap to £0.514 million, with no gap identified for 2015/16. This appears to be a relatively manageable budget gap compared to the Council's gross expenditure in 2014/15 of £46.4 million.
- ▶ The Council has continued to take proactive steps to identify savings and income generation opportunities and senior leadership are confident that they have already identified ways in which the gap of £0.185 million in 2016/17 can be met.

## MTFS and key assumptions

- ▶ The MTFS is necessarily based on a number of assumptions, including estimates of the future levels of Government funding from areas such as Revenue Support Grant (RSG) and the New Homes Bonus (NHB). The reduction of any Government funding source in future years, would present a risk to achievement of the Council's future budgets. The Council would need to make further savings in the base budget to enable any resultant gap to be addressed. The Council clearly recognises the risks in relation to the uncertainty of future Government funding and in particular the NHB.
- ▶ The MTFS currently includes £3.4 million of NHB over the period 2016/17 to 2017/18, which has been used to fund the base budget of ongoing spend. This includes £250k annual increase in NHB funding in both 2016/17 and 2017/18. As a result, £750k of the total NHB funding included in the base budget over this period would be at risk if 'new' NHB funding was stopped after 2015/16.
- ▶ The MTFS assumes that the fixed support element of Government funding through RSG will reduce by 33% in 2016/17 and 29% in 2017/18. This is broadly in line with the levels of reduction experienced in recent years.

- ▶ The Council has assumed a 0.5% per year growth in the council tax base over the same period, but has assumed that there will be no increase in the council tax level over this period. It has also assumed that the council tax freeze grant of £58,562 will stop after 2015/16.
- ▶ A provision for pay and inflation increase has been made of 2.2% until 31 March 2016, which is part of the 2 year pay settlement, reducing then to 1%. This seems prudent in light of the fact that the Government expect pay awards in the public sector to be limited to 1% for the next four years. Future levels of general inflation, although currently remaining low, are however less certain.

## Reserves and balances

- ▶ At the end of 2015, the level of General Fund balances was £4.51 million. Of this £0.35 million is forecast to be spent or to remain as an allocation during 2015/16, a further £1.35 million is allocated for future year costs or against specific risks. This leaves £2.8 million uncommitted or unallocated. This is above the recommended minimal level of £2.2 million. This balance provides additional contingency should future savings not be achieved.
- ▶ In addition to the General Fund balance, the Council also has earmarked reserves of £2.6 million. Many of these reserves are allocated towards specific items of spend (e.g. Community Alarms reserve £0.3 million and Duchess of Kent/Nightingale reserve of £0.34 million) but not all are specifically allocated and so could be released to support budgets in the short term if needed.

## Track record in delivering previous budgets and savings

- ▶ The Council has a strong track record of delivering its budget and planned savings.
- ▶ The 2014/15 budget included around £0.45 million of savings or additional income, which were successfully delivered. This resulted in a reported breakeven on spend on services. In 2013/14, an underspend was reported and also reflected the delivery of savings and additional income of £0.513 million. This consistent performance indicates that the Council has a good system of budgetary control.
- ▶ As part of the 2015/16 budget the Council has identified increased income and savings of £0.9 million.

**Section 6**

# **Independence and audit fees**

# Independence and audit fees

## Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 26 February 2015.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit, Scrutiny and Transformation Committee on 29 September 2015.

- ▶ We confirm that we have met the reporting requirements to the Audit, Scrutiny and Transformation Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan of 26 February 2015.

## Audit fees

- ▶ The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work	90,675	90,675	
Certification of claims and returns	30,680	30,680	

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

**Section 7**

# **Challenges for the Coming Year**

# Challenges for the coming year

Description	Impact
<p>Highways Network Asset (formerly Transport Infrastructure Assets):</p> <p>The Invitation to Comment on the Code of Accounting Practice for 2016/17 (ITC) sets out the requirements to account for Highways Network Asset under Depreciated Replacement Cost from the existing Depreciated Historic Cost. This is to be effective from 1 April 2016.</p> <p>This requirement is not only applicable to highways authorities, but to any local government bodies that have such assets.</p> <p>This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures.</p> <p>Nationally, latest estimates are that this will add £1,100 billion to the net worth of authorities.</p>	<p>The Council will need to demonstrate it has assessed the impact of these changes. Even though it is not a highways authority, the requirements may still impact if it is responsible for assets such as:</p> <ul style="list-style-type: none"> <li>• HRA infrastructure</li> <li>• Footways</li> <li>• Unadopted roads on industrial or HRA estates</li> <li>• Cycleways</li> <li>• Street Furniture</li> </ul> <p>We will discuss the potential impact for the Council as part of our planning for 2015/16.</p>

**Section 8**

# **Appendices**

# Appendix A – uncorrected audit misstatements

- ▶ The following misstatements, which are greater than £51,000, have been identified during the course of our audit and in our professional judgement warrant communicating to you as those charged with governance.
- ▶ These items have not been corrected by management.

## Balance sheet and statement of comprehensive income and expenditure

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit)	Debit/(credit)
CIES – Cultural and related services CIES – various services headings	Depreciation for the Town Hall has been posted to the incorrect Net Cost of Services (NCS) line. As a result cultural and related services is overstated and other NCS items are understated.	F		(£62,201) £62,201
B/S – Debtors, Other Local Authorities CIES – Environment & Regulatory	An invoice raised in April 2015 for recycling service provided in January 2015 was not accrued for as a debtor at year end. We further extrapolated for this error across the untested balance as per line below.	F	£58,239	(£58,329)
B/S - Debtors CIES – various service headings	Testing of debtors above identified one invoice raised in April 2015 which relates to 2014/15 which has not been accrued for. We have extrapolated across the entire population of invoices raised in April to calculate the potential total error.	P	£99,238	(£99,238)
CIES – various service headings MiRS – General Fund MiRS – HRA MiRS – Pension Reserve B/S - Pensions Liability	Actual pension contributions and pensionable pay for 2014/15 were not included in the data submission to Essex County Council Pension Fund. Therefore, the Pension Fund applied the estimated 2015/16 figures in providing the 2014/15 IAS19 figures to the Council. The impact of incorrect pensionable pay on service costs has been estimated by the Council. We have reviewed this calculation and are satisfied that the impact is not material.	P	£199,000 (£199,000)	£199,000 (£164,000) (£35,000)
Cumulative effect of uncorrected misstatement			£157,477	(£157,477)

## Key

- ▶ F – Factual misstatement
- ▶ P – Projected misstatement based on audit sample error and population extrapolation
- ▶ J – Judgemental misstatement

# Appendix B – corrected audit misstatements

- ▶ The following corrected misstatements, greater than £0.5 have been identified during the course of our audit and warrant communicating to you.
- ▶ These items have been corrected by management within the revised financial statements.

## Balance sheet and statement of comprehensive income and expenditure

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit)	Debit/(credit)
CIES – HRA expenditure	HRA revaluation loss on garages was shown as	F		£624,091
CIES – Non Distributed Costs	Corporate & Democratic Core expenditure in the			(£624,091)
HRA – Depreciation and impairment	HRA and included in Non Distributed Costs in the			£624,091
HRA – Corporate and Democratic Core	CIES. This should have been included in depreciation and impairment of non current asset in the HRA, and in HRA expenditure in the CIES.			(£624,091)
Cumulative effect of uncorrected misstatement				£0

## Key

- ▶ F – Factual misstatement
- ▶ P – Projected misstatement based on audit sample error and population extrapolation
- ▶ J – Judgemental misstatement



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

## **Opinion on the Authority's financial statements**

We have audited the financial statements of Brentwood Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, related notes 1 to 37, the Housing Revenue Account Income and Expenditure Statement, related notes HRA1 to HRA 7, the Collection Fund and the related notes 1 to 3.

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 2014/15.

This report is made solely to the members of Brentwood Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

## **Respective responsibilities of the Finance Director and auditor**

As explained more fully in the Statement of the Finance Director's Responsibilities set out on page 13, the Finance Director 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance Director; and the

overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Brentwood Borough Council as at 31 March 2015 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 2014/15.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Authority and auditor**

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.

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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.

### **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 criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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 Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, 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 2015.

### **Certificate**

We certify that we have completed the audit of the accounts of Brentwood Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**Debbie Hanson**

for and on behalf of Ernst & Young LLP, Appointed Auditor

Luton

30 September 2015