

Bracknell Forest Council

Audit results report for the year ended 31 March 2014

September 2014

Ernst & Young LLP



Building a better
working world



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Private & Confidential
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24 September 2014

Dear Members of the Governance & Audit Committee

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Governance & Audit Committee. This report summarises our preliminary audit conclusion in relation to Bracknell Forest Council's (the Council's) financial position and results of operations for the year ended 31 March 2014. We will issue our final conclusion after the Governance & Audit Committee scheduled for 24 September 2014.

The audit is designed to express an opinion on the 2013/14 financial statements, reach a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, 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 judgments and significant deficiencies in internal control.

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

A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you at the Governance & Audit Committee meeting scheduled on 24 September 2014.

Yours faithfully
For and on behalf of Ernst & Young LLP

Helen Thompson
Ernst & Young LLP
United Kingdom
Enc.

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview of the financial statement audit

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.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

We also report to the National Audit Office (NAO) under its group instructions.

Summarised below are the conclusions from all elements of our work.

Financial statements

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified opinion on the Council's financial statements. A summary of our main findings in relation to the areas of risk included in our Audit Plan is set out below and the detailed findings are included in section 3 of this report.

Significant risks:

Significant risk – risk of management override: audit findings and conclusions

Auditing standards require auditors ordinarily to presume there are risks of fraud in revenue recognition. We identify and respond to this fraud risk on every audit engagement.

Audit findings and conclusions

Our work identified no material misstatement due to fraudulent financial reporting.

Significant risk- national non-domestic rates (NNDR) rateable value appeals provision: audit findings and conclusions

The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme half the business rates collected by councils are retained locally and half paid over to central government. The potential cost of successful rateable value appeals is significant to the Council. There is also a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.

Audit findings and conclusions

We are satisfied the Council has developed an approach to ensure that a materially accurate and complete provision is included in the financial statements, and the provision has been calculated correctly based on an analysis of available information and professional judgment.

Control themes and observations

Our audit identified the following control issues that we are bringing to your attention.

Current year observations

- ▶ We noted through our procedures that Wilks, Head & Eve, the Council's chartered surveyors, had included finance costs within the valuation of assets subject to their review as part of the 5 year rolling programme in 2011/12 and 2012/13. The inclusion of finance costs within the valuation is inconsistent with the CIPFA Code, which stipulates that all investment property and land and buildings should be revalued using the "instant build" approach, which excludes finance costs incurred on the asset. The valuers correctly excluded finance costs in the 2013/14 valuations.
- ▶ We recommend that the finance officers and the council surveyors communicate this issue to Wilks, Head & Eve. Officers should also perform regular verification of valuations performed by Wilks, Head & Eve, to ensure finance costs are being excluded from future valuations.

Challenges for the coming year

- ▶ The Council is a strategic partner in the town centre development scheme. In recent months, the Council has been closely involved in discussions with the development partners to ensure the future success of the scheme. This will continue to be a key area of focus over the coming year, and the Council needs to consider the impact of this on its medium term financial plans and processes.

Summary of audit differences

Our audit identified only a very small number of misstatements in the accounts presented for audit, as summarised below.

-
- ▶ We have not identified any current year errors within the draft financial statements which management has not adjusted.
 - ▶ The original treatment of transitional protection payments in the central return for national non-domestic rates was incorrect. The net impact on the comprehensive income and expenditure statement was an increase in the deficit of £263,000, and total reserves reduced by the same amount.
 - ▶ A small number of changes were made to the Annual Governance Statement to take into account our comments on the version included in the draft financial statements presented for audit.
-

Economy, efficiency and effectiveness

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified value for money conclusion. Our detailed findings and conclusions are set out in section 4 of this report.

Whole of Government accounts

We are currently working on the Whole of Government Accounts and will report any matters that arise to the Governance & Audit Committee.

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 will issue the audit certificate when we have completed work on the Whole of Government Accounts.

2. Scope update

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Our work comprises a number of elements. In our Audit Plan, we provided you with an overview of our audit scope and approach for the audit of the financial statements, our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, and the work that we are required to perform in respect of the Whole of Government Accounts return.

We carried out our work in accordance with our Audit Plan.

3. Significant findings from the financial statement audit

In this section of our report, we outline the main findings from our audit of your financial statements, including our conclusions in relation to the areas of risk outlined in our Audit Plan.

Significant risk 1 – risk of management override

Risk

As identified in ISA (UK & 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. We identify and respond to this fraud risk on every audit engagement.

We:

- ▶ tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ reviewed accounting estimates for evidence of management bias; and
- ▶ evaluated the business rationale for significant unusual transactions.

Audit findings and conclusion

We found no material misstatement due to fraudulent financial reporting, or evidence of material fraud, impacting on the year of account.

Significant risk 2 – national non domestic rates (NNDR) rateable value appeals provision

Risk

The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme half the business rates collected by councils will be retained locally and half paid over to central government.

The level of business rates paid on business property depends on its 'rateable value'. This is calculated by the Valuation Office Agency (VOA).

Where local businesses believe the current value for business properties is wrong they can:

- ▶ appeal to the VOA and ask them to correct details.
- ▶ appeal the rates if the local business and the VOA can't agree. This appeal is heard by a valuation tribunal.

Where rating appeals are successful, monies to settle the appeals will be shared between the Council and central government. This includes not only claims from 1 April 2013 but also claims that relate to periods before the introduction of the business rates retention scheme. As appeals are to the Valuation Office, authorities may not be aware of the level of claims. Appeals can be speculative in nature and multiple appeals can be made against the same property and valuation on different grounds.

The potential cost of successful rateable value appeals could be significant to the Council. There is a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.

In addition, the Council generated a surplus of £6 million on business rates. It will need to pay a £3 million levy to the Government for this. Due to legislative requirements this will be accrued in the General Fund but not the Collection Fund.

We:

- ▶ sought to understand and assess the reasonableness of the Council's methodology in estimating any planned provision in respect of rateable value appeals outstanding at the balance sheet date;
- ▶ considered both the completeness and accuracy of the data on the number of appeals outstanding and the basis for the assumptions made by the Council on the likelihood of success; and
- ▶ assessed your proposed treatment of the levy.

Audit findings and conclusion

We are satisfied the Council has developed an approach to ensure that a materially accurate and complete provision is included in the financial statements, and the provision has been calculated correctly based on an analysis of available information and professional judgment.

Specifically, we are satisfied that management has used both available data from the VOA on appeals outstanding at the balance sheet date and a historic analysis of data covering both the volume of appeals raised and the percentage success rate to estimate the provision required. Officers have used professional judgment and their experience of the area to review and challenge the output of the model devised. We are also satisfied that an adequate review has been undertaken of potential future appeals against historic valuations not yet lodged at the balance sheet date which found that the top fifty rate payers were unlikely to appeal.

Other risk – town centre development

Risk

During 2013/14 Seymour House has been demolished. The Council is receiving enhanced terms on its lease for Ocean House in return.

We discussed with officers the accounting treatment for this part of the development.

Audit findings and conclusion

There are no issues arising from our work in this area.

We are required by ISA (UK&I) 260 and other ISAs specifying communication requirements, to report any significant issues to the Governance & Audit Committee as those charged with governance. The matters we have to report are set out in the table below.

Policy/practice/finding	EY comments
Significant matters discussed with management	None in addition to those covered elsewhere in this report
Written representations	Additional representations have been sought from management and those charged with governance in relation to: <ul style="list-style-type: none">▶ the Council's Private Finance Initiative schemes; and▶ the impact, if any, of the current discussions concerning the town centre development on the 2013/14 financial statements.

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that the 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 areas of focus specified by the Audit Commission:

- ▶ arrangements for securing financial resilience – whether the Council 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; and
- ▶ arrangements for securing economy, efficiency and effectiveness – whether the Council 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 to the value for money conclusion, but we did identify two other risks in our Audit Plan. The tables below summarises the findings from our work and we include our findings in more detail below.

Other risks:	Impacts arrangements for securing:	Key findings:
Town centre redevelopment		
<p>The Council is a strategic partner in the development. The scheme has progressed in 2013/14 with demolition work in the town centre.</p>	<p>Economy, efficiency and effectiveness Financial resilience</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> ▶ Reviewing the Council's arrangements for managing its risks as the scheme progresses. ▶ Assessing the latest financial implications of the development for the Council <p>The town centre redevelopment is a significant project. There are a number of key decisions and potential permutations which could impact on the Council's involvement to secure delivery of a successful redevelopment.</p> <p>We will continue to monitor the developing position on this pivotal scheme for the Council and its implications for the 2014/15 value for money conclusion.</p>

The ongoing discussions around the future of the town centre redevelopment also draws attention to the need for the Council to review its current approach to long-term financial planning and strategies. Current arrangements are 'fit for purpose' to support high-level financial planning. However, these need updating to support the volatility and uncertainties of the town centre redevelopment, the wider capital programme and the continued financial pressures in which the Council will operate.

The forward capital programme is a step change to an already complex and ambitious set of schemes. It will require detailed forward planning, funding and cost control arrangements. Outline proposals identify a capital programme of some £100 million with funding from the Council of somewhere between £25 – 70 million depending on how much government funding is received to support increasing school capacity. These plans mean the Council is likely to need, longer-term, to seek borrowing to fund its longer-term capital plans for new schools, and other developments, including the town centre redevelopment.

More widely, the Council is also operating in an increasingly difficult financial environment with pressure on central funding and a growing incremental gap between service requirements and funding. Whilst the Council continues to hold a good level of reserves, these are unlikely, on their own, to bridge the forecast funding gap over the next three years.

In light of these challenges, the Council needs to develop a more formalised and consolidated suite of processes to support and inform the medium term financial strategy. Forward planning in the current environment will need to support a number of scenarios, and the Council needs to establish a means of setting out the likelihood of these with the necessary financial modelling to support them, often at short notice. The medium-term plan should be clearly linked to detailed cashflow and treasury management plans as well as setting out a strategy on borrowing and debt repayment. The Council could draw on best practice examples from both the local government sector and commercial sector in reviewing current arrangements to address the greater complexities and variables the Council needs to take into account.

Other risks:	Impacts arrangements for securing:	Key findings:
Better Care Fund		
<p>The Council has a well-established value for money (VFM) programme and a good track record of delivering its planned savings. However, it is becoming increasingly difficult for the Council to continue to deliver good quality services against a backdrop of growing demand and increased financial challenges.</p> <p>The June 2013 Spending Round announced the creation of a £3.8 billion Integration Transformation Fund – now referred to as the Better Care Fund (BCF). The BCF is a single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and local authorities.</p> <p>It therefore offers a substantial opportunity to the Council to build on its existing partnerships with NHS commissioners and providers to bring resources together to address immediate pressures on services and lay foundations for a much more integrated system of health and care.</p> <p>This will create both risks and opportunities for the Council. The £3.8 billion is not new or additional money. £1.9 billion will come from clinical commissioning group (CCG) allocations (equivalent to around £10 million for an average CCG) in addition to NHS money already transferred to social care.</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>We are satisfied there is evidence the Council is making progress in developing arrangements to improve its system leadership, governance and level of integrated working with NHS and other commissioners and providers in preparation for implementation of the Better Care Fund.</p> <ul style="list-style-type: none"> ▶ The Council has liaised with the CCG in establishing the structures to deliver Better Care Funding during 2013/14. The Council has existing links with its main health commissioner and these have underpinned the development of an outline plan for delivery of BCF in February 2014 in accordance with the national timetable for development and submission of plans. This will shape the service developments and changes – and associated financial, IT and workforce strategies to support delivery – but these are at an early stage of development and will be worked up during 2014/15. The Council needs to ensure its involvement in developing the key infrastructure to deliver this initiative balances sufficient involvement to ensure systems are in place to support the structures with ensuring it is not exposed to additional risks and financial costs from so doing. ▶ At this early stage there are no indications that the Council is behind in the development of plans for implementing Better Care Funding. Therefore, the Council is currently taking appropriate action to address the risks associated with Better Care Funding and will adopt a suitably prudent and fiscally cautious approach in implementing its plans. ▶ The latest iteration of the plan to deliver BCF will be presented to the Health and Wellbeing Board on 17 September 2014. ▶ We will revisit this as part of our work for our 2014/15 audit.

5. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal of internal control we are required to communicate to you significant deficiencies in internal control.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

5.1 Current year observations

Description	Recommendation
<p>Valuers</p> <p>We noted through our procedures that Wilks, Head & Eve, the Council's chartered surveyors, had included finance costs within the valuation of assets subject to their review as part of the 5 year rolling programme in 2011/12 and 2012/13. The inclusion of finance costs within the valuation is inconsistent with the CIPFA Code, which stipulates that all investment property and land and buildings should be revalued using the "instant build" approach, which excludes finance costs incurred on the asset. The valuers correctly excluded finance costs in the 2013/14 valuations.</p>	<p>► We recommend that finance officers and the Council surveyors communicate this issue to Wilks, Head & Eve. Council officers should also perform regular verification of valuations performed by Wilks, Head & Eve, to ensure finance costs are being excluded from future valuations.</p>
<p>Public Health Income & Expenditure</p> <p>The CIPFA Code required the SeRCOP on the comprehensive income and expenditure statement to be split between continuing operations and acquired operations to show the transfer of the Public Health function to the Council in 2013/14.</p> <p>The Council's view is that the expenditure and income involved was not material, public health is already separately disclosed within the comprehensive income and expenditure statement, and the transfer of the function was adequately disclosed within the Explanatory Foreword.</p>	<p>► None</p>

6. Status of our work

6.1 Financial statement audit

Our audit work in respect of our opinion on the Council's financial statements is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Letter of representation	▶ To be tabled at the Governance & Audit Committee on 24 September 2014.	Management and Governance & Audit Committee
Annual accounts	<ul style="list-style-type: none"> ▶ Approval of accounts by Governance & Audit Committee. ▶ Annual Governance Statement re-certified by the Chief Executive and Leader of the Council. 	Management, Governance & Audit Committee and EY
Whole of government accounts	▶ Completion of audit of WGA return.	Management & EY

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the Council's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete.

We expect to present an unqualified value for money conclusion in regard to the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

6.3 Objections

At the date of writing this report we have received no objections from members of the public.

7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2013/14 £	Planned fee 2013/14 £	Scale fee 2013/14 £
Total Audit Fee – Code work	138,564	138,564	138,564
Certification of claims and returns	TBA*	33,433**	39,400**
Non-audit work:			
Berkshire Waste PFI	21,000	15,333	
VAT advice	5,000	4,600	

**Our fee for certification of grants and claims is yet to be finalised for 2013/14 and will be reported to those charged with governance in January 2015 within the Annual Certification Report for 2013/14.*

***Note: the Audit Commission altered the scale fee for the certification of claims and returns after our 2013/14 Audit Plan was finalised and presented to the Governance & Audit Committee in April 2014. The scale fee reduced from £39,400 to £33,433 to reflect the removal of certain claims from the regime.*

Our actual fee for the Code audit is in line with the agreed fee.

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

Non-audit work

Wokingham, Bracknell Forest & Reading Councils asked EY to continue to provide services which include financial analysis in respect of its on-going discussions on with FCC Environment (previously named Waste Recycling Group) in respect of the Central Berkshire Waste PFI.

In addition we provided advice concerning the VAT aspects of the Bracknell town centre Development Agreement.

We assessed these against ethical standards, and we concluded there were no threats, and appropriate safeguards had been put in place.

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'factual' or 'judgemental'. Factual 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.

We have asked the Council to correct all current year misstatements over £268,000.

We highlight in particular the following misstatement identified during the course of our audit that has been corrected by management. Management identified an error in the completion of the national non-domestic rates return which resulted in an amendment to the accounts. The original treatment of transitional protection payments in the return was incorrect. The impact of this was a number of adjustments to the Collection Fund above our reporting level. The net impact on the comprehensive income and expenditure statement was an increase in the deficit of £263,000, and total reserves reduced by the same amount.

A small number of changes were made to the Annual Governance Statement to take into account our comments on the version included in the draft financial statements presented for audit. The key change was to include a description of the Council's governance arrangements in relation to the town centre redevelopment.

There are no uncorrected misstatements.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 1 April 2014. We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter 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 Governance & Audit Committee on 24 September 2014.

Appendix A Required communications with the Governance & Audit Committee

There are certain communications that we must provide to the Governance & Audit Committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit plan
Significant findings from the audit	Audit results report
<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) 	
Misstatements	Audit results report
<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	
Fraud	Meeting with the Chairman of the Governance & Audit Committee on 22 August 2014.
<ul style="list-style-type: none"> ▶ Enquiries of the Governance & Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:	Audit results report.
<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 	
External confirmations	Audit results report. We have obtained all external confirmations sought
<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 	

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Governance & 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 Committee may be aware of 	<p>We have not identified any material instances of non-compliance with law and regulation.</p> <p>We made written enquiries to management and we met the Chairman of the Governance & Audit Committee on 22 August 2014. We also have also received representations as part of the letter of management representation. No instances of material non-compliance have been disclosed by either management or those charged with governance.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's 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 plan and update in section 9 of this report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Audit results report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit results report</p>
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	<p>Audit plan, audit results report and annual audit letter</p>
<p>Summary of certification work undertaken</p> <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	<p>Annual certification report – to be issued in December 2014.</p>

Appendix B Letter of representation

To:
Helen Thompson
Director
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Bracknell Forest Council - Audit for the year ended 31 March 2014

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Bracknell Forest Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2014:

A. Financial Statements and Financial Records

I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).

I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. I have approved the financial statements.

I confirm that as the Responsible Officer I have:

- ▶ reviewed the accounts;
- ▶ reviewed all relevant written assurances relating to the accounts; and
- ▶ made other enquiries as appropriate.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

B. Fraud

I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

I 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.

C. Compliance with Laws and Regulations

I have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

I have provided you with:

- ▶ access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
- ▶ 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.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

I have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 24 September 2014.

I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which I am 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 year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

I 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.

E. Liabilities and Contingencies

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.

I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that I have given to third parties.

F. Subsequent Events

Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.

In respect of accounting estimates recognised or disclosed in the financial statements:

- ▶ I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
- ▶ The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- ▶ The assumptions used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- ▶ No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Segmental reporting

I have reviewed the operating segments reported internally to the Executive and I am satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:

- ▶ The nature of the products and services
- ▶ The nature of the production processes
- ▶ The type or class of customer for their products and services
- ▶ The methods used to distribute their products

I. Going Concern

I have made you aware of any issues 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.

J. Specific Representations

There have been no significant changes to the Council's Private Finance Initiative schemes during 2013/14 and contractual arrangements, including any material variations, and the accounting model used are not significantly changed from the end of the last accounting period.

I have considered whether there are any implications from the current discussions on the future of the town centre development plans on the 2013/14 financial statements, and concluded that there are none.

Signed on behalf of Bracknell Forest Council

I confirm that this letter has been discussed and agreed by the Governance & Audit Committee on 24 September 2014

Signed:

Name: Alan Nash

Position: Borough Treasurer

Date: 24 September 2014

Name: Peter Heydon

Position: Chairman, Governance & Audit Committee

Date: 24 September 2014

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