

Notice of Meeting

Governance & Audit Committee

Councillor Allen (Chairman),
Councillor Wade (Vice-Chairman),
Councillors Gbadebo, Mrs Hayes MBE, Heydon, Leake, Neil and
Tullett

Wednesday 25 March 2020, 7.30 - 9.30 pm
Council Chamber - Time Square, Market Street, Bracknell, RG12 1JD



Agenda

Item	Description	Page
1.	Apologies for Absence	
	To receive apologies for absence and to note the attendance of any substitute members.	
2.	Declarations of Interest	
	Members are asked to declare any disclosable pecuniary or affected interests in respect of any matter to be considered at this meeting. Any Member with a Disclosable Pecuniary Interest in a matter should withdraw from the meeting when the matter is under consideration and should notify the Democratic Services Officer in attendance that they are withdrawing as they have such an interest. If the Disclosable Pecuniary Interest is not entered on the register of Members interests the Monitoring Officer must be notified of the interest within 28 days. Any Member with an affected Interest in a matter must disclose the interest to the meeting. There is no requirement to withdraw from the meeting when the interest is only an affected interest, but the Monitoring Officer should be notified of the interest, if not previously notified of it, within 28 days of the meeting.	
3.	Minutes of previous meeting	5 - 10
	To approve as a correct record the minutes of the meetings of the Committee held on 29 January 2020.	
4.	Urgent Items of Business	
	Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.	
5.	External Audit Plan	11 - 54
	The Council's External Auditor to present to the Committee the Audit plan covering the 2019/20 financial year.	

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6.	Annual Audit Letter and Audit Results Report	55 - 130
	The Council's External Auditor to present to the Committee their annual audit letter covering the 2018/19 audit and their final audit results report for Bracknell Forest, updated following completion of the audit of the Berkshire Pension Fund accounts by Deloittes LLP.	

Exclusion of the Press and Public

Agenda items 7 and 8 are supported by annexes containing exempt information as defined in Schedule 12A of the Local Government Act 1972. If the Committee wishes to discuss the content of these annexes in detail, it may choose to move the following resolution:

That pursuant to Regulation 4 of the Local Authorities (Executive Arrangements) (Access to Information) Regulations 2012 and having regard to the public interest, members of the public and press be excluded from the meeting for the consideration of item 7 and 8 which involves the likely disclosure of exempt information under the following category of Schedule 12A of the Local Government Act 1972:

(2) *Information relating any individual.*

7.	Internal Audit Interim Report	131 - 156
	To receive a summary of Internal Audit activity during the period April 2019 to 11 th March 2020.	
8.	Internal Audit Plan 2020/21	157 - 174
	To receive a report is to setting out the underlying principles applied in the Internal Audit planning process and seek the Governance and Audit Committee's approval of the Internal Audit Plan for 2020/21.	
9.	Exclusion of Public and Press	
	To consider the following motion: That pursuant to Regulation 4 of the Local Authorities (Executive Arrangements) (Access to Information) Regulations 2012 and having regard to the public interest, members of the public and press be excluded from the meeting for the consideration of item 10 which involves the likely disclosure of exempt information under the following category of Schedule 12A of the Local Government Act 1972: (3) Information relating to the financial or business affairs of any particular person.	
10.	External Review Of Risk Management Arrangements	175 - 184
	To receive a memo setting out the outcome of the review of risk management carried out by an risk management consultant working in a separate division of Mazars and independent from the internal audit team which delivers our general internal audit work.	

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Sound recording, photographing, filming and use of social media is permitted. Please contact Hannah Stevenson, 01344 352308, Hannah.stevenson@bracknell-forest.gov.uk, so that any special arrangements can be made.

Published: 17 March 2020

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GOVERNANCE & AUDIT COMMITTEE 29 JANUARY 2020 7.30 - 9.20 PM

Present:

Councillors Allen (Chairman), Wade (Vice-Chairman), Gbadebo, Mrs Hayes MBE, Heydon, Leake, Neil and Tullett
David St John Jones, Independent Member

Also Present:

Councillor Green

23. Declarations of Interest

There were no declarations of interest.

24. Minutes of previous meeting

RESOLVED that the minutes of the meeting of the Committee held on the 18 September 2019 be approved as a correct record, and signed by the Chairman.

Arising from queries raised at the last meeting, an explanation of the policy and procedures around DBS checking for drivers engaged on home to school transport was given. No drivers were used by the Council unless they had a valid DBS check issued within the last three years. In circumstances where a driver was awaiting the issue of a new DBS check (because three years had elapsed) the school transport team would manage this risk by arranging a DBS checked person to travel as a passenger in the school transport vehicle. Should a driver be convicted of an offence after having obtained his/her DBS check, then the Council would receive notification so that any appropriate action could be taken. In addition, the Council was now licensed to carry out Children's barred list checks against a national database which was a fully maintained and up to date resource. The Committee was reassured by the information reported.

25. Urgent Items of Business

There were no urgent items of business.

26. External Audit - Audit Results Report

Andrew Brittain from Ernst & Young LLP, attended the Committee and presented the preliminary External Audit Results report. This was essentially the same report as submitted to the Committee at its meeting in July 2019, indicating that the Auditors expected to issue an unqualified audit opinion on the Authority's financial statements, subject to outstanding matters relating to the Berkshire Pension Scheme.

Despite a number of requests for the information, Ernst & Young had only recently received a response from Deloitte, the Berkshire Pension Fund auditors, which although providing the assurance required, did not include information on two

procedures that had been specifically requested. Mr Brittain, therefore, proposed that Ernst & Young would carry out the two outstanding pieces of work directly to enable the audit to be completed and signed off without further delay.

It was confirmed that the audit of the Berkshire Pension Fund had that pension fund assets had been overstated due to the valuation methods used and the net liability position of the fund needed to be increased. The proportion of the increase relating to Bracknell Forest amounted to £8.991m and the necessary adjustment had been made. It was suggested that the order of the bullet points in the Audit Differences section of the Executive Summary be reversed, to give emphasis to the reasons for the delayed conclusion of the Audit, which were outside the control of the Council. Mr Brittain agreed.

The Committee was concerned that the delay in completing the audit, caused by the protracted work by Deloitte on the Berkshire Pension Fund, should not re-occur for the 2019/20 audit. Although this was largely beyond the control of the Council, it was suggested that representations about it continue to be made through Councillor Leake as member representative on the Pension Advisory Panel, through the Director: Finance to RBWM as the Pension Fund administering body, and through Ernst & Young to Deloitte.

RESOLVED that the report of the Council's external auditor summarising the work carried out to discharge their statutory audit responsibilities be noted.

27. **Treasury Management Report 2020/21 and the 2019/20 Mid-Year Review**

The Committee considered the 2019/20 Mid-Year Review report and reviewed the 2020/21 Treasury Management Report. Calvin Orr, Head of Finance and Business Services presented the report and explained that the Mid-Year Review covered an economic update for the first nine months of 2019/20, a review of the Treasury Management Strategy Statement and Annual Investment Strategy, a review of the investment and debt portfolio, and a review of compliance with Treasury and Prudential limits.

The Council held £12.197m of investments as at 31 December 2019. These were running at higher level than normal owing the continued uncertainty around Brexit and a buoyant level of cash receipts. Investment portfolio yield over the first nine months of the year was 0.65%, comfortably exceeding the benchmark of 0.54%. £15m of short term debt had been repaid and the Council would move to a more balanced portfolio by mid February. All investment and borrowing was compliant with the set limits.

It was noted that the PWLB had raised interest rates for new borrowing. However, the capital programme for 2020/21 would be fully funded from receipts with no additional borrowing necessary. The Council would be required to invest in the proposed Joint Venture Company due to be set up in the summer and it remained to be seen whether any further borrowing would be required to support this investment. With regard to the Treasury Management report, this was largely in line with previous years and no changes were proposed to investment or borrowing limits.

Arising from questions and discussion, the following points were noted:

- The rise in PWLB rates would not affect the Council's existing borrowing since the higher rates would only apply to new loans.
- Until the details of the proposed Joint Venture Company were settled, and the extent of the investment required by the Council was finalised, it was not

- possible to quantify the amount of any borrowing that may be required. Returns from the JV Company would more than outweigh the cost of any borrowing.
- With reference to future income to be derived from the Community Infrastructure Levy (CIL), estimates were based on agreements already in place. CIL did not become payable until a development commenced and payments were then phased over three years.
 - Investments were concentrated in the top five money market funds that were triple A rated.
 - Investment performance could be gauged by comparison with the benchmark, the LIBID rate. Investment performance was currently exceeding the benchmark by 20 base points.

After further consideration the Committee

RESOLVED that:

- 1) The Mid-Year Review report be received and circulated to all Members of the Council.
- 2) The appreciation of the Committee for the sound and prudent Treasury Management performance be recorded.
- 3) The Treasury Management Report for 2020/21 (marked Annex E) be endorsed and submitted to the Council for approval.

28. Strategic Risk Update

Sally Hendrick, Head of Audit and Risk Management, presented a report on the updated Strategic Risk Register in accordance with the Risk Management Strategy. Following a review of the Register by the Strategic Risk Management Group (SRMG) and Corporate Management Group (CMG), a number of changes had been proposed which the Committee was asked to review. Comments were invited on the completeness of risks and the appropriateness of risk scores, with particular reference to Risks 1 and 2 which had been subject to a 'deep dive' by senior officers on which further details were presented.

Risk 1: Significant pressures on the Council's ability to balance its finances whilst maintaining satisfactory service standards

The Director: Finance set out the background to this risk where it was normal to expect risk to rise around quarter 2 and 3 in each year ahead of new challenges arising, but then recede as budgetary and mitigation planning developed in response. However, in the current year the Council was facing an unprecedented increase in demand in both Children's Services and Adult Social Care raising the likelihood of an overspend by year end. Officers were working hard to bring down this potential deficit looking at a number of options including possible use of the Public Health Grant currently in reserve. A second major challenge would arise in the 2021/22 budget where the Council faced a reduction in income of £4-5m owing to changes in the business rate system. This was fully factored into medium term planning and it was likely this could be substantially mitigated by the use of reserves.

Arising from questions and discussion, a number of points were noted:

- Bracknell Forest was one of a very few Authorities experiencing a significant increase in demand for both Children's Services and Adult Social Care.
- While the rise in demand for Adult Social Care was not unexpected and to some degree predictable, the increase in the cost of Children's Services was

wholly unpredictable. It seemed illogical that such an increase in demand could continue at such a rate.

- Children's Services was experiencing an increase in the number of looked after children as well as an increase in the cost of each child looked after. Some London Boroughs had placed children in care in Bracknell leading to extra costs falling on the Council.
- A continuing pressure on these services could be expected given the ongoing growth in population and people living longer.
- Current year income pressures included a lower than expected upturn in receipts following the building of the second chapel at the crematorium and lower car park income in the first half of the year although the December figures had been very good.
- Work was ongoing on the remaining Transformation Programme issues, including re-analysis of some projects, to realise further savings.
- Income from property would continue to rise gradually as rents increased but the Property Investment Strategy did not provide for any major acquisitions or investments to realise any significant revenue benefit. Greater emphasis was being placed on establishing the Joint Venture Company which would generate income for the future.
- The maximisation of the Council's income streams was kept under review but a more significant impact could be made if the number of children in residential care could be reduced.

Risk 2: Employment market pressures make it difficult to recruit permanent staff to some key posts.

The Head of Audit and Risk Management set out the background to this risk, which had been redefined, and referred to the priority need to introduce a comprehensive recruitment and retention strategy. There was a very competitive market, particularly among neighbouring authorities, to attract staff across a range of key posts. The contract with Matrix, the Council's agents, was being reviewed with a view obtaining better rates. Through the new Strategy the Council would need to increase the offer and attractiveness of working for Bracknell Forest, reviewing market premiums and other incentives that could be offered. The development and re-design of the HR-OD service could have a significant impact on the successful roll out of the new strategy.

Arising from questions and discussion, a number of points were noted:

- The Risk 2 definition made no mention of retention; it was proposed and agreed to insert the words "and retain" after "recruit" in the definition.
- The spike in risk at quarter 2 of 2018/19 occurred during the major restructuring changes where a number of experienced Chief Officers left the Council's employ which could not be quickly or easily replaced.
- The overall RAG rating for this risk as amber was queried. While it was acknowledged that some elements of the risk had been mitigated, there remained other elements requiring further work to effectively mitigate them. The Committee requested CMT to reconsider the RAG rating.
- The view was expressed that the risk chart did not adequately reflect the position as regards progress made on mitigation measures. It was requested that the chart be reviewed to see whether it could be made more intuitive.
- The target date for implementation of the new Recruitment and Retention Strategy was late summer 2020.
- Whilst there was a clear preference to achieve the highest level of permanent staffing, the need to maintain statutory compliance was a significant driver in the use of agency staff. Given the additional cost agency staff, it was suggested the new Strategy should have particular regard to trying to make permanent staff posts more attractive than agency contracts.

- A new bullet point under 'Potential Impact' was proposed relating to the loss of experienced permanent staff and replacement with less experienced agency personnel.

RESOLVED

- 1) That subject to the matters referred to below, the completeness of risks and the appropriateness of risk scores be endorsed.
- 2) That the additional information and presentation on Risk 1 (Finance) and Risk 2 (Staffing) following the 'deep dive' by senior officer be received and noted subject to the comments above, in particular those relating to the amended definition for Risk 2 and the reconsideration of the RAG rating for Risk 2 by CMT.
- 3) To note that the term risk appetite had been replaced by target risk score.
- 4) To note that an external review of risk management arrangements had been undertaken and the outcome will be reported separately to the Committee.

29. Interim Internal Audit Report

The Head of Audit and Risk Management presented a report summarising Internal Audit activity during the period April to December 2019.

Appendix C to the report detailed the status and outcome of all audits, including those deferred from the original schedule because more resources had been devoted to address previously identified weaknesses. Staff turnover at Mazars, the main audit contractor had also led to delays in the delivery of some audit reports.

The Committee noted the four audits where high priority issues had been identified since the previous report:

Council Wide

- Officers expenses
- Purchase cards

Delivery

- Car parks
- Cyber security

No critical recommendations had been raised but all (except car parks – one priority recommendation) were subject to one or more major recommendation. All audits subject to high priority recommendations would be revisited in 2020/21 to confirm that all corrective action had been taken. With specific reference to purchase cards, it was noted that total activity amounted to no more than £225k but there were some basic weaknesses to be addressed.

RESOLVED that the report be noted.

CHAIRMAN

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**TO: GOVERNANCE AND AUDIT COMMITTEE
25TH MARCH 2020**

**EXTERNAL AUDIT PLAN
DIRECTOR: FINANCE**

1 PURPOSE OF REPORT

- 1.1 To enable the Council's External Auditor to present to the Committee the Audit plan covering the 2019/20 financial year.

2 RECOMMENDATION

- 2.1 **The Committee notes the Audit plan for the 2019/20 financial year.**

3 REASONS FOR RECOMMENDATION(S)

- 3.1 To ensure that the Committee is aware of the External Audit approach for the year 2019/20.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None available.

5 SUPPORTING INFORMATION

- 5.1 The Council's External Auditor Ernst and Young has provided the Committee a report setting out its planned approach to the annual audit for 2019/20. Andrew Brittain, Director, Ernst and Young will attend the meeting to present the report and answer questions.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 Nothing to add to the report.

Borough Treasurer

- 6.2 Nothing to add to the report.

Equalities Impact Assessment

- 6.3 Not applicable

Strategic Risk Management Issues

- 6.4 None arising from this report.

Other Officers

- 6.5 Not applicable

7 CONSULTATION

Principal Groups Consulted

- 7.1 Not applicable

Unrestricted

Background Papers

BFC Audit Planning Report – Ernst & Young Report

Contact for further information

Stuart McKellar, Director: Finance - 01344 352180

Stuart.mckellar@bracknell-forest.gov.uk

Bracknell Forest Council Audit planning report

Year ended 31 March 2020
March 2020

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Bracknell Forest
Governance and Governance and Audit Committee,
Time Square,
Market Street,
Bracknell,
Berkshire,
RG12 1JD.

March 2020

Dear Governance and Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Governance and Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing, and we will update the Governance and Audit Committee should any further matters come to our attention that impact the assessment of key issues or our audit scope.

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

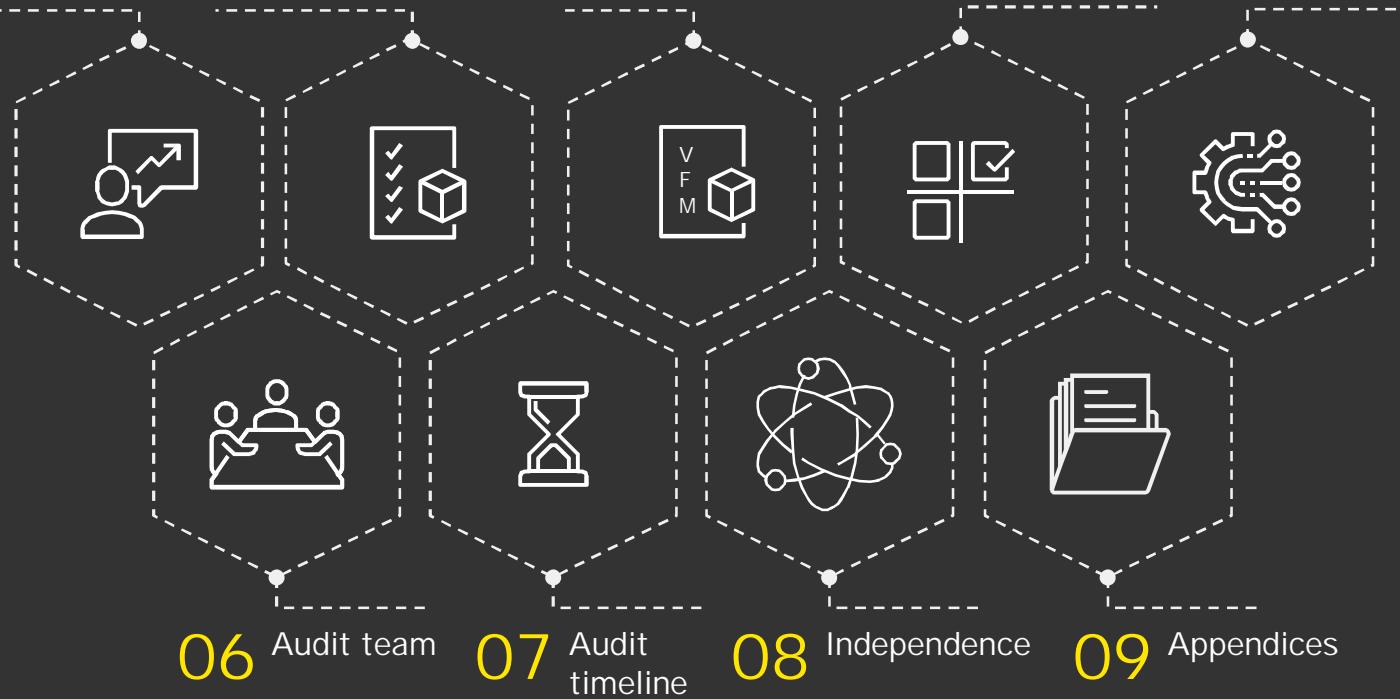
We welcome the opportunity to discuss this report with you on 26 March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain
For and on behalf of Ernst & Young LLP
Enc

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- 01 Overview of our 2019/20 audit strategy
02 Audit risks
03 Value for Money Risks
04 Audit materiality
05 Scope of our audit



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.psaa.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 Governance and Audit Committee and management of Bracknell Forest Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance and Audit Committee, and management of Bracknell Forest 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 Governance and Audit Committee, and management of Bracknell Forest 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

Overview of our 2019/20 audit strategy





Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue and expenditure recognition	Fraud risk	No change in risk or focus	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. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of Land and Buildings	Significant risk	Increase in risk or focus	The value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, covering both those assets that are revalued within the year and the continuing material accuracy of those valued in prior periods.
Pension Liability Valuation	Significant risk	No change in risk or focus	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 Windsor & Maidenhead Council, the Berkshire Pension Fund Administrator. 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. In 2018/19, late changes were required to disclosures in the financial statements arising from the McCloud legal judgement. There could be further impact for 2019/20 should any further developments arise.



Overview of our 2019/20 audit strategy

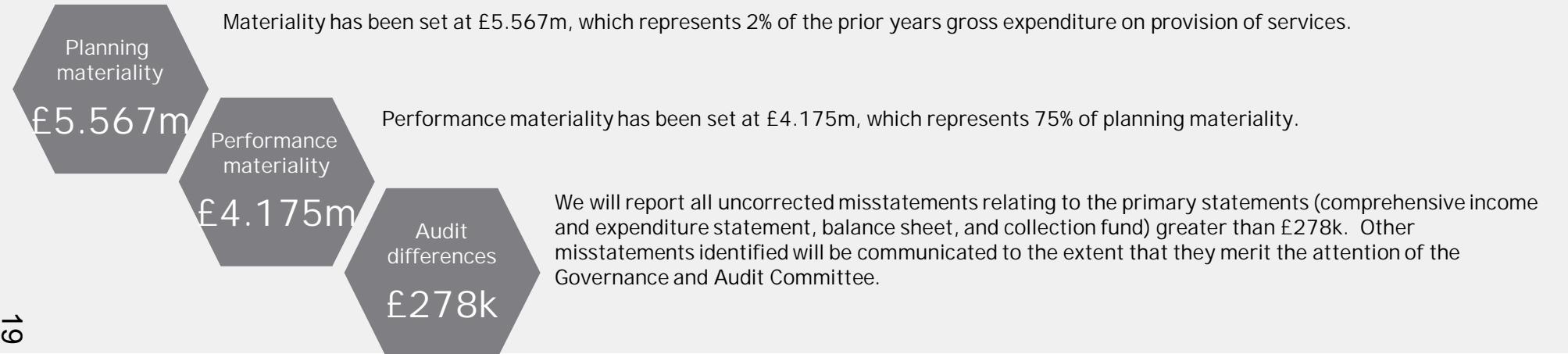
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk Identified	Change from PY	Details
IFRS 16 Leases	Inherent risk	New accounting standard	<p>IFRS 16 will be applicable for local authority accounts from 01 April 2020.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be and work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020.</p> <p>Within the 2019/20 financial statements, the Council will need to make disclosures, in relation to the expected impact of this new standard on future financial statements.</p>



Overview of our 2019/20 audit strategy

Materiality





Overview of our 2019/20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Bracknell Forest Council, and the group, give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to assess independently the risks associated with providing an audit opinion, and to undertake appropriate procedures in response to that assessment. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditor's assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit, with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9, 15 and 16 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these are relevant in the context of Bracknell Forest Council's audit, we will discuss these with management as to the impact on the scale fee.



02 Audit risks



 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by *) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues identified during the audit.

Misstatements due to fraud or error*	What is the risk?	What will we do?
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the risk of fraud and error could materially affect the income and expenditure accounts. While there are no statutory financial performance targets in local government, management remains under pressure to ensure that the Council balances its annual budgets as central funding continues to reduce.</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 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.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our procedures include:</p> <ul style="list-style-type: none">• asking management about risks of fraud and the controls to address those risks;• understanding the oversight given by those charged with governance of management's processes over fraud; and• considering the effectiveness of management's controls designed to address the risk of fraud. <p>We also perform mandatory procedures regardless of specifically identified fraud risks, including:</p> <ul style="list-style-type: none">• testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;• assessing accounting estimates for evidence of management bias; and• evaluating the business rationale for significant unusual transactions. <p>As well as our overall response, we specifically consider where these risks may occur, and identify separate fraud risks as necessary.</p>

Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure*	What is the risk?	What will we do?
<p>2</p> <p>Financial statement impact</p> <p>We have assessed that the risk of fraud in revenue and expenditure recognition is most likely to occur through the inappropriate capitalisation of revenue expenditure. This would have the impact of reducing revenue expenditure and increasing additions to Property, Plant and Equipment.</p>	<p>Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure*</p> <p>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.</p> <p>We have assessed that the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.</p>	<p>We will:</p> <ul style="list-style-type: none">review and test revenue and expenditure recognition policies;review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;develop a testing strategy to test material revenue and expenditure streams, and review and test any material revenue cut-off at the year end;review in-year financial capital projections and compare them to the year-end position; andTest PPE additions using lowered testing thresholds, to ensure they are appropriately supported by documentary evidence, and that the expenditure incurred and capitalised is clearly capital in nature; andSeek to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE additions or from revenue to capital codes on the general ledger at the end of the year.



Audit risks

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Valuation of land and buildings	What is the risk?	What will we do?
<p>Financial statement impact</p> <p>24</p> <p>The Council's land and buildings valuation is a material item. Small changes in assumptions when valuing it can have a material impact on the financial statements. The Code requires the Council to disclose this net liability on the Council's Balance Sheet.</p> <p>We have reflected on the significance of the valuations in the Council's balance sheet, as well as the complexity involved in applying the correct valuation methodology for each type of asset.</p>	<p>What is the risk?</p> <p>The Local Authority Accounting Code of Practice require the Council to make extensive disclosures within its financial statements regarding its land and buildings.</p> <p>The fair value of Property, Plant and Equipment (PPE) represents a significant balance, at £525.956m, in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>In the prior period we identified errors made in the valuation process. Given the £14.4 million adjustment in the 2018/19 accounts for land & building values, we classify this as a significant risk.</p>	<p>What will we do?</p> <p>We will:</p> <ul style="list-style-type: none">Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;review the internal challenge of WHE's valuations by the Council's surveyor;Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuers;Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property. We will also consider if there are any specific changes to assets that have occurred and whether these have been communicated to the valuers;Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;Consider changes to useful economic lives as a result of the most recent valuation; andTest to confirm that accounting entries have been correctly processed in the financial statements.

Audit risks

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Pension Net Liability Valuation	What is the risk?	What will we do?
<p>52 Financial statement impact</p> <p>The Council's pension fund deficit is a material and sensitive item. Small changes in assumptions when valuing it can have a material impact on the financial statements. The Code requires the Council to disclose this net liability on the Council's Balance Sheet.</p> <p>We have reflected on the significance of the liability to the Council's balance sheet, as well as the difficulty in valuing some of the pension fund assets caused by their nature and size, in the current uncertain economic environment, and classified this as a significant risk.</p>	<p>What is the risk?</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Berkshire County Council Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Unitary Authority (RBWM). At 31 March 2019 the pension fund deficit totalled £227 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund Administrator.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>In the prior year the 'McCloud' judgement impacted the estimate and resulted in an amendment of the net pension liability. We anticipate this will again be a key assumption in estimating the pension liability. We would expect the Authority's actuary to be basing their assumptions taking into account the Authority's specific membership profile and how it has been impacted by the judgement. We also note that there may be further developments in this area, potentially again coming after the balance sheet date.</p>	<p>What will we do?</p> <p>We will:</p> <ul style="list-style-type: none">liaise with the auditors of the Berkshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Bracknell Forest Council.assess the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; andreview and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus (continued)

What is the risk/area of focus?

IFRS16 - leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to be published, but in July 2019 CIPFA/LASAAC issued ‘IFRS 16 leases and early guide for Practitioners’.

This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including:

- the identification of leases
- the recognition of right-of-use assets and liabilities and their subsequent measurement
- treatment of gains and losses
- derecognition and presentation and disclosure in the financial statements,
- the management of leases within the Prudential Framework.

The guidance also covers the transitional arrangements for moving to these new requirements, such as:

- the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees
- the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

What will we do?

IFRS 16 – leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases.

The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet.

Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020.

In particular, full compliance with the revised standard for 2020/21 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2020 in order to identify:

- all leases which need to be accounted for
- the costs and lease term which apply to the lease
- the value of the asset and liability to be recognised as at 1 April 2020 where a lease has previously been accounted for as an operating lease.

We will discuss progress made in preparing for the implementation of IFRS 16 – leases with the finance team over the course of our 2019/20 audit.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Going Concern Compliance with ISA 570</p> <p>This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.</p> <p>The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.</p> <p>The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'</p> <p>NAO guidance notes to auditors accepts that whilst the technical position regarding the going concern basis of accounting is clear, there may be a tension between the going concern assumption and the significant resource issues some authorities are facing.</p> <p>It is therefore important that authorities and auditors are aware of the requirements for assessing going concern in the local government context and consider the requirements of IAS 1 and the accounting code. Where relevant, this may require the inclusion of appropriate disclosure, for example within the narrative report.</p>	<p>The revised standard requires:</p> <ul style="list-style-type: none">• auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;• greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;• improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. Whilst the Council are not one of the three entity types listed above, at the time of writing this report, it is not yet established what additional reporting requirements maybe required for those entities falling outside these definitions. We will ensure compliance with any updated reporting requirements once they are defined;• a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and• necessary consideration regarding the appropriateness of financial statement disclosures around going concern. <p>The revised standard extends requirements to report to regulators where we have concerns about going concern.</p> <p>We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.</p>



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03

Value for Money Risks



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

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

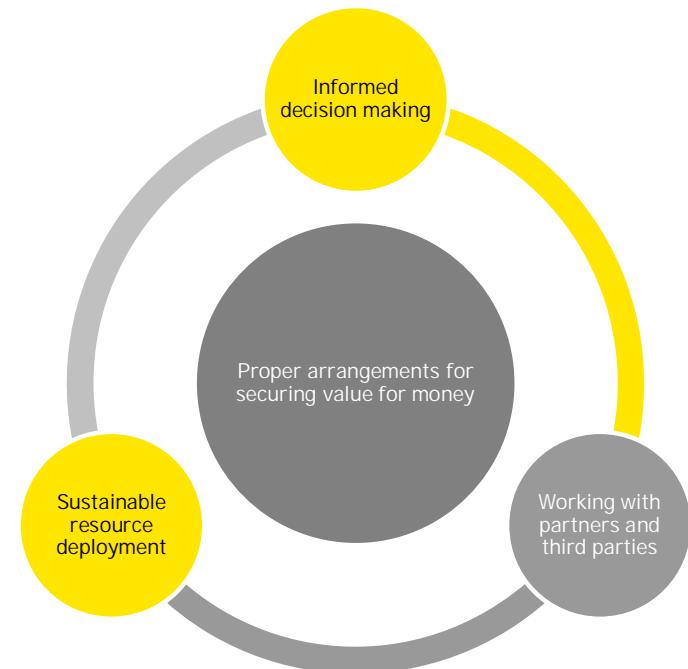
We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

Our risk assessment has, therefore, considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At the time of our planning, this has resulted in the following significant risk relevant to our value for money conclusion:

- Delivery of a sustainable medium term financial plan.





Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>Delivery of a robust Medium Term Financial Plan (MTFP)</p> <p>In the Council's four year Medium Term Financial Plan (MTFP) , reported to Cabinet in February 2019, the Council set a balanced budget for 2019/20. However, the cumulative shortfall of the MTFP through to 2020/21 is £9.4m, of which a £6m gap is predicted for 2020/21. The Council has a strategy in place to resolve the shortfall which is driven by commercial investment and transformational projects.</p> <p>The Council's transformational change programme is critical in enabling the Council to delivering the level of savings needed for a sustainable financial future. Progress is being made in the achievement of some £10.4 million of transformation savings and some £3.8 million of efficiency savings over the period of the MTFP until 2021/2022. There is also the planned "managed use" of the Council's Future Funding Reserve to smooth the impact of the Government planned changes to local government funding in 2020/21. £4.942 million of reserves was planned to be used in 2019/20, as part of setting a balanced budget for next year. It is estimated that there will be a balance of £17.8 million available on the Future Funding Reserve at the end of 2019/20.</p> <p>However, there is significant demand increases for Children's and Adult Social Care causing financial pressure in 19/20 and in future years which will require a higher level of savings and additional income than originally predicted to balance the 2020/21 budget. The Council's commercial programme now delivers its planned target of £3 million of income generation by 2019/20. The current focus of the Council's Corporate Management Team is, therefore, its need to review its prioritisation of transformation and enabling resources to continue its successful delivery of change.</p> <p>We will review the Council's Medium Term Financial Plan to assess whether the financial planning in place is sufficient to position the Council on a sustainable financial footing in the medium term.</p>	Deploy resources in a sustainable manner	<p>We will:</p> <ul style="list-style-type: none">assess the key assumptions made within the annual budget and MTFP;review the progress made in identifying savings for 2020/21 and beyond;assess the effectiveness of project management by the Transformation Board in overseeing transformational projects and income generation opportunities;review the Council's business planning process for both generating savings and also undertaking commercial projects;



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04 Audit materiality

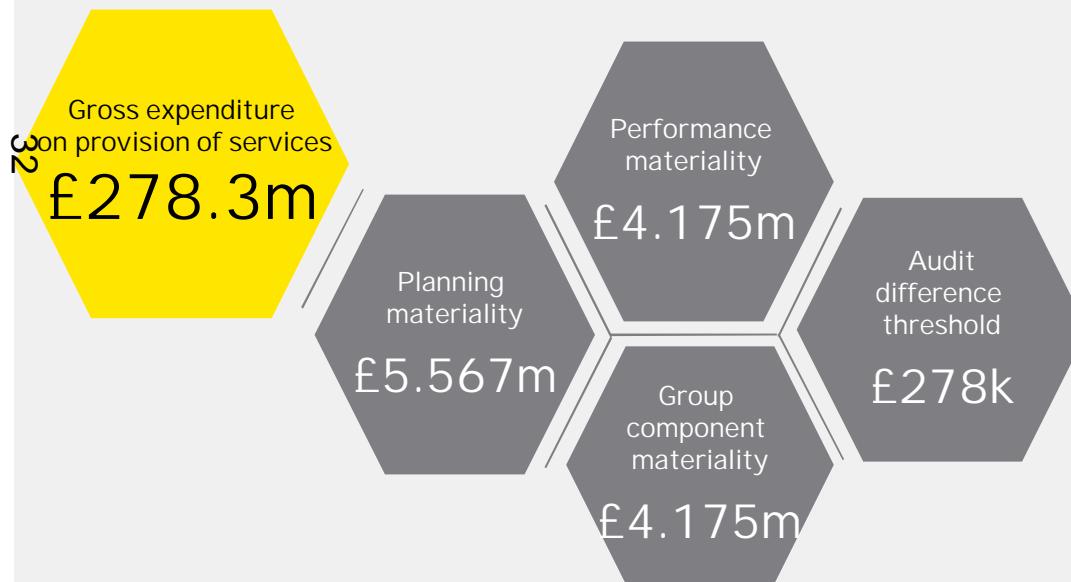


Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £5.567m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have set materiality using gross revenue expenditure as our expectation is that users of the Council's accounts are focussed on how it uses its resources to provide services to local people. We have used 2% based on our assessment of the Council's financial position, levels of public interest, lack of planned reorganisations and sources of borrowing.



We request that the Governance and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £4.175m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors during the audit. This expectation has been built on our experience of the Council in prior years.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund. Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Committee, or are important from a qualitative perspective.

Specific materiality – We have also set a materiality of £1k for remuneration disclosures, related party transactions, members' allowances and exit packages, which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these areas.



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05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's Group and single entity financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements, for the Council and the Group, under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

35 Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

35 Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Policy & Organisation Board. The successful use of analytics and a technologically enabled audit is an underpinning concept of our contract with PSAA.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit work, where they raise issues that could have an impact on the financial statements, the Narrative Statement or the Annual Governance Statement.



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06 Audit team





Audit team

Audit team structure:

Andrew Brittain
Associate Partner
abrittain@uk.ey.com

Malcolm Haines
Manager
mhaines@uk.ey.com

Taher Merimi
tmerimi@uk.ey.com

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2019/20 audit.

We will continue to keep our audit approach under review to streamline it where possible.

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Changes to the audit team

Malcolm and Taher have joined the audit team as Manager and Lead Senior for 2019/20. Both have worked for EY for more than 5 years, and have significant experience of leading teams across a range of local government clients. Both have been involved in the audit of Bracknell Forest previously.



Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Wilkes, Head and Eve – RICS Registered Valuers Council's Internal Surveyor EY Property specialists
Pensions disclosure	Barnett Waddington EY Actuaries PWC Actuary commissioned by NAO

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



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07 Audit timeline



Audit timeline

Timetable of communication and deliverables

Timeline

Below is an indicative timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion.

From time to time matters may arise that require immediate communication with the Governance and Audit Committee and we will discuss them with the Committee Chairs as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Governance and Audit Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes Walkthrough of key systems and processes	January		
	February		Audit Planning Report
Interim audit testing and completion of walkthrough of key systems and processes	March	26 March meeting	Audit Planning Report
	April		
	May		
	June		
Year end audit Audit Completion procedures	July	24 July meeting	Audit Results Report Audit opinions and completion certificates
	August		Annual Audit Letter



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Andrew Brittain, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

 One of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, no non-audit services have been undertaken, therefore the current ratio of non-audit fees to audit fees is zero. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2019

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 ended 1 July 2019 and can be found here:

https://www.ey.com/en_uk/who-we-are/transparency-report-2019

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed. Note that currently the Council does not fall under the definition of a PIE.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
 - A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
 - A narrow list of permitted services where closely related to the audit and/or required by law or regulation
 - Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- 4 An absolute prohibition on contingent fees.
- 5 Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
 - Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
 - A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
 - A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.



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09 Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2019/20 accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Total Fee - Code work	80,639	80,639	95,575 (Note 2)
Other non-audit services not covered above - Housing Benefits (HB) Subsidy Claim	(Note 1)	n/a	27,033 (Note 1)
Total fees	80,639	80,639	99,410

All fees exclude VAT

Note 1: The HB final fee relates to £18,771 for the baseline testing and £8,262 for extended testing. We have yet to agree a fee for the 2019/20 Housing Benefits (HB) Subsidy Claim.

Note 2: We have proposed a total additional fee of £14,936, to cover additional work, for 2018/19, on a value for money significant risks, valuations of property, plant and equipment, and work relating to the pension fund. The additional fee remains subject to agreement with officers and the PSAA.

Note 3: In addition we highlight the following areas where we anticipate a variation to the 2019/20 scale fee:

- There are additional risks presented by several areas of the Council's financial statements which require additional audit procedures and the need to engage specialists. This includes, but is not limited to work in relation to the valuation of:

- PPE and the net pension liability as noted on pages 12 and 13.
- Additional work that will be required to address the value for money risks identified, as noted on pages 17 and 18.
- In addition, we are in an unprecedented period of change. A combination of pressures are impacting Local Audit and has meant that the sustainability of delivery is now a real challenge. As an illustration, 85 organisations within the PSAA regime had not yet received their 2018/19 audit opinion as at the end of January 2020.
- This in combination, is requiring us to revisit with PSAA the basis on which the scale fee was set. The factors behind this are explained in more detail on the following pages.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being 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.

Appendix A

Fees

A combination of factors mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. In order to assist you to understand the reasons behind this, we have summarised the key factors below.

Summary of key factors

1. Status of sector. Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
 - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.
2. Audit of estimates. There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
 - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists.
3. Regulatory environment. Other pressures come from the changing regulatory landscape and audit market dynamics:
 - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
 - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.



Appendix A

Fees

Summary of key factors (cont'd)

- 4.
- As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.
- We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
 - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

Next steps

- In light of recent communication from PSAA, we will need to quantify the impact of the above to be able to accurately re-assess what the baseline fee is for the Council should be in the current environment. Once this is done we will be able to discuss at a more detailed level with you.

 Appendix B

Required communications with Those Charged with Governance

We have detailed the communications that we must provide to the Governance and Audit Committee.

Required communications	 What is reported?	 Our Reporting to you
		 When and where
Terms of engagement	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report (this report)
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 disclosuresSignificant difficulties, if any, encountered during the auditSignificant matters, if any, arising from the audit that were discussed with managementWritten representations that we are seekingExpected modifications to the audit reportOther matters if any, significant to the oversight of the financial reporting process	Audit results report (July 2020)



Appendix B

Required communications with Those Charged with Governance (continued)

Required communications	 What is reported?	 Our Reporting to you
		 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report (July 2020)
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 • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report (July 2020)
Fraud	<ul style="list-style-type: none"> • Enquiries of the Policy & Organisation Board 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 	Audit results report (July 2020)
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • 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 (July 2020)



Appendix B

Required communications with Those Charged with Governance (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
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 	Audit planning report Audit results report (July 2020)
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 (July 2020)
5 Consideration of laws and regulations	<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 Policy & Organisation Board 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 	Audit results report (July 2020)
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit results report (July 2020)
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report (July 2020)
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report (July 2020)
Auditors report	<ul style="list-style-type: none"> • Any circumstances identified that affect the form and content of our auditor's report 	Audit results report (July 2020)
Fee Reporting	<ul style="list-style-type: none"> • Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work 	Audit planning report Audit results report (July 2020)



Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Reading other information published with the financial statements, and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

5

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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**TO: GOVERNANCE AND AUDIT COMMITTEE
25TH MARCH 2020**

**ANNUAL AUDIT LETTER AND AUDIT RESULTS REPORT
DIRECTOR: FINANCE**

1 PURPOSE OF REPORT

- 1.1 To enable the Council's External Auditor to present to the Committee their annual audit letter covering the 2018/19 audit and their final audit results report for Bracknell Forest, updated following completion of the audit of the Berkshire Pension Fund accounts by Deloittes LLP.

2 RECOMMENDATION

- 2.1 The Committee receive the Annual Audit Letter and notes the final Audit Results Report for the 2018/19 financial year.**

3 REASONS FOR RECOMMENDATION(S)

- 3.1 To ensure that the Committee is aware of the final External Audit findings for the year 2018/19.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None available.

5 SUPPORTING INFORMATION

- 5.1 The Council's External Auditor Ernst and Young provided the Committee with a report setting out its initial audit findings in respect of the 2018/19 financial statements and value for money arrangements in July 2019. Members are aware of delays to finalising the 2018/19 audit due to Ernst and Young awaiting an assurance letter from Deloittes, covering the Berkshire Pension Fund.
- 5.2 Ernst & Young have only recently been able to finally complete their 2018/19 Audit and the accounts were formally signed off by Andrew Britain, the Director: Finance and the Chairman of Governance and Audit Committee on 9 March. Andrew Britain, Director, Ernst and Young will attend the meeting to present the Annual Audit letter, which summarises their findings. The final version of the audit results report is also attached to this report for information.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 Nothing to add to the report.

Borough Treasurer

- 6.2 Nothing to add to the report.

Equalities Impact Assessment

- 6.3 Not applicable

Strategic Risk Management Issues

6.4 None arising from this report.

Other Officers

6.5 Not applicable

7 CONSULTATION

Principal Groups Consulted

7.1 Not applicable

Background Papers

BFC Annual Audit Letter – Ernst & Young Report

BFC Audit Results Report – Ernst & Young Report

Contact for further information

Stuart McKellar, Director: Finance - 01344 352180

Stuart.mckellar@bracknell-forest.gov.uk

Bracknell Forest Council

Annual Audit Letter for the year
ended 31 March 2019

March 2020

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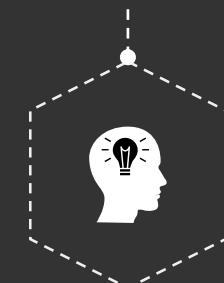
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Purpose and Responsibilities



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Focused on your future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA set 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. 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.



5

01 Executive Summary



Executive Summary

We are required to issue an annual audit letter to Bracknell Forest Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ► Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

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Area of Work	Conclusion
Reports by exception: ► Consistency of Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.



Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was first issued in July 2019 and considered by the Governance and Audit Committee on 24 July 2019. It has been updated and circulated for committee members ahead of the Governance and Audit Committee meeting on 26 March 2020.
 Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 9 March 2020.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Andrew Brittain
Associate Partner
For and on behalf of Ernst & Young LLP



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02

Purpose and Responsibilities



Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the Governance and Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 30 January 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2018/19 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the Annual Governance Statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500m. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned 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.



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03

Financial Statement Audit





Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 9 March 2019.

Our detailed findings were reported to the January and March Governance and Audit Committees.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 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.</p>	<p>We:</p> <ul style="list-style-type: none">▶ wrote to the s151 officer, Chair of the Governance and Audit Committee and the Head of Internal Audit in this regard and reviewed their responses;▶ documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;▶ tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;▶ reviewed accounting estimates for evidence of management bias; and▶ evaluated the business rationale for any significant unusual transactions. <p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>



Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risks	Conclusion
<p>Risk of fraud in revenue and expenditure recognition - Capitalisation of revenue expenditure</p> <p>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.</p> <p>We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.</p>	<p>We:</p> <ul style="list-style-type: none">▶ documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;▶ designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes; and▶ amended our sample sizes when testing PPE additions to reflect the existence of this risk, agreeing samples to source documentation to ensure the classification was reasonable <p>Our testing did not identify any material misstatements from revenue and expenditure recognition.</p>
<p>Pension Net Liability:</p> <p>The significance of the liability to the Council's balance sheet, as well as the difficulty in valuing some of the pension fund assets caused by their nature and size. Small changes in assumptions when valuing the pension net liability valuation can have a material impact on the financial statements.</p>	<p>We are satisfied that the Council correctly reflected the revised IAS 19 entries provided by their actuaries in the final set of financial statements. We are also satisfied that the actuaries are appropriately qualified and the reasonableness of their assumptions.</p> <p>We have liaised with the auditors of Berkshire Pension Fund, and received most of the required information in January 2020. However we had to perform additional pension scheme testing in January. The audit of the Berkshire County Pension Fund identified that the pension fund assets were overstated due to the valuation methods used, and the net liability position of the fund needed to be increased. The proportion of the increase which relates to Bracknell Forest's share of net pension liability is £8.991 million.</p> <p>This year, there has been an ongoing national issue which has meant that another change was required to the Council's pension net liability. It related to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the "McCloud ruling".</p> <p>The financial statements were amended as a result, increasing the past service cost by £4.4 million, which increased the pension liability by the same amount.</p> <p>Disclosures amendments were made to clarify how this ruling was included in the accounts.</p> <p>An amendment was also made to the disclosures to include all movements relating to actuarial assumptions.</p> <p>Bracknell Forest's share of the valuation of the Pension Fund assets was also amended during the course of the audit, decreasing them by £3.5 million to £262.0 million. This was based on the pension scheme actuary updating their valuation of the assets from their initial estimation at the balance sheet date.</p>



Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other key findings	Conclusion
<p>Valuation of Property, Plant and Equipment, and Investment Properties.</p> <p>The value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent the following significant balances in the Council's accounts:</p> <ul style="list-style-type: none">• Investment properties - £127.176 million• Land and buildings - £386.873 million <p>We selected a sample within these asset categories to test the assumptions and inputs that were used in their valuation.</p> <p>Management are required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>In assessing this risk, we considered the material valuations of operational and investment property held by the Council, the varied nature of these assets and the basis on which they are valued, including the need to apply judgement. We also considered the assets not revalued in year to assess the likelihood of material misstatement within the population.</p>	<p>We assessed the methodologies adopted by the valuers in undertaking their valuations in 2018/19 and of the key assumptions input into these valuations as reasonable.</p> <p>As part of our audit, the Council provided an analysis of the rolling programme of valuations and applied relevant indices, dependent on the last revaluation date for the asset class. This provided an indication as to whether the valuation of assets not revalued in year could be materially different to the value disclosed in the financial statements.</p> <p>We reviewed this analysis and challenged the Council on its appropriateness, concluding that changes needed to be made to ensure the relevant indices were applied based on the asset type and value. As a result of subsequent calculations there was a judgemental audit difference of £15.6m. The Council has agreed to:</p> <ul style="list-style-type: none">• make an adjustment of £14.5m; and• report the unadjusted remaining difference of £1.1m in their management representation letter.
<p>NDR Appeals Provision</p> <p>The Non Domestic Rates Appeals Provision is a judgemental balance in the Council's financial statements which is underpinned by a number of assumptions. The movement of the NDR Appeals Provision in 2018/19 was significant from an opening balance of £7.592 million to a closing balance of £9.416 million at 31 March 2019.</p> <p>The provision for NDR for 2018/19 was increased to reflect the latest information, at 31 March 2019. The position difficult to predict following the 2017 valuation and the Valuation Office Agency's (VOA) Check, Challenge and Appeal process. We needed to revisit the assumptions underpinning the NDR provision for the 2018/19 accounts based on the most up to date information available.</p>	<p>We:</p> <ul style="list-style-type: none">▶ reviewed the calculation of the provision for accuracy;▶ reviewed the assumptions used in the calculation based on the latest information in 2018/19;▶ considered the Council's use of its expert, Rates Plus, involved in the calculation. <p>We have no issues to report</p>



Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
PFI Accounting PFI is a complex area and we commissioned a detailed review of the Waste Recycling Group RE3 arrangements, for the three councils involved, namely Bracknell Forest, Reading and Wokingham Borough Councils. Our work, by our PFI specialist: <ul style="list-style-type: none">▶ included a review of the assumptions used in the Waste PFI accounting model;▶ commented on local adjustments, made by Bracknell Forest Council, following the changes to the accounting model held by the host council, Reading Borough Council;▶ reviewed the planned entries and disclosures for the Council's 18/19 accounts.	▶ We have no other issues to report.
New Accounting standards: IFRS9 Financial Instruments. This new accounting standard was applicable for local authority accounts from the 2018/19 financial year and changed how financial instruments are classified and measured, how the impairment of financial assets are calculated, and amend the disclosure requirements.	▶ The Council's draft financial statements reflected sufficient and appropriate knowledge of the new accounting standard. The required disclosures for the transition from IAS39 to IFRS9 were present within the accounts.
New Accounting standards: IFRS15 Revenue from Contracts with Customers This new accounting standard was applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.	▶ We reviewed the authority's implementation arrangements and impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. We identified no issues; ▶ For relevant revenue streams we confirmed that revenue was recognised in line with the requirements of IFRS 15; and that the disclosures were in line with the requirements of IFRS 15.



Financial Statement Audit (cont'd)

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	Thresholds applied
Planning materiality	We determined planning materiality to be £5.6 million, which is 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Governance and Audit Committee that we would report to the Committee all audit differences in excess of £278k.



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:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits.
- ▶ Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



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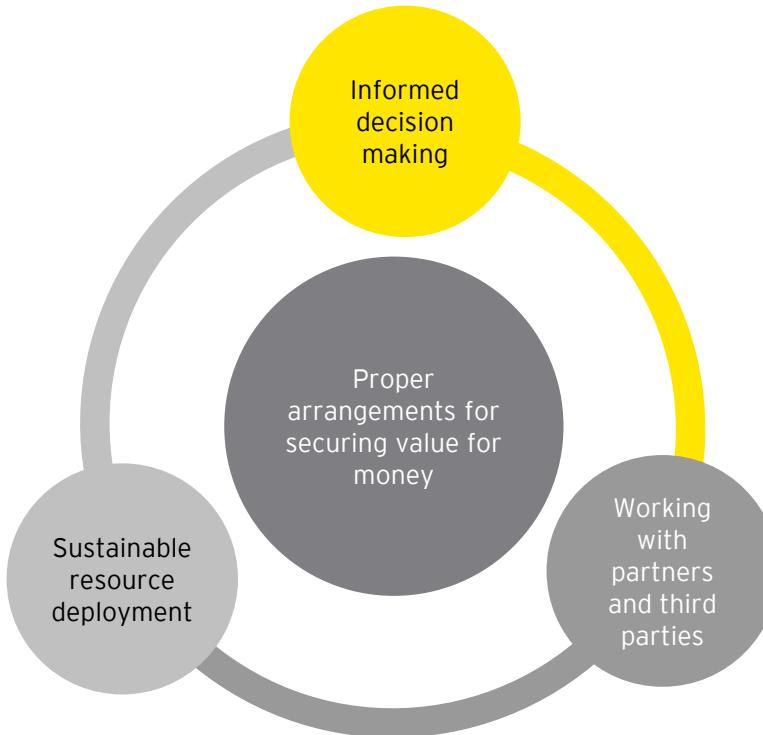
04 Value for Money

£ Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified two significant risks. These were:

- Delivery of a sustainable medium term financial plan; and
- Commercialisation and the purchase of investment properties

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



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What we did
Delivery of a robust Medium Term Financial Plan (MTFP)		
<p>In the Council's four year Medium Term Financial Plan (MTFP), reported to Cabinet in February 2018, the Council set a balanced budget for 2018/19. However, the cumulative shortfall of the MTFP through to 2020/21 is £9.4m, of which a £6m gap is predicted for 2020/21. The Council has a strategy in place to resolve the shortfall which is driven by commercial investment and transformational projects.</p> <p>The Council's transformational change programme is critical in enabling the Council to delivering the level of savings needed for a sustainable financial future. Progress is being made in the achievement of some £10.4 million of transformation savings and some £3.8 million of efficiency savings over the period of the MTFP until 2021/2022. There is also the planned "managed use" of the Council's Future Funding Reserve to smooth the impact of the Government planned changes to local government funding in 2020/21. £1 million of reserves was planned to be used in the Council's 2016 - 2020 Efficiency Plan as part of setting a balanced budget for 2019/20.</p> <p>However, there is significant demand increases for Children's Social Care causing financial pressure in 18/19 and in future years which will require a higher level of savings and additional income than originally predicted to balance the 2019/20 budget. The Council's commercial programme is being accelerated in order to deliver its planned target of £3 million of income generation by 2019/20. The current focus of the Council's Corporate Management Team is, therefore, its need to review its prioritisation of transformation and enabling resources to continue its successful delivery of change.</p> <p>We will review the Council's Medium Term Financial Plan to assess whether the financial planning in place is sufficient to position the Council on a sustainable financial footing in the medium term.</p>	Deploy resources in a sustainable manner	<p>We:</p> <ul style="list-style-type: none">assessed the key assumptions made within the annual budget and MTFP;reviewed the progress made in identifying savings for 2019/20 and beyond;assessed the effectiveness of project management by the Transformation Board in overseeing transformational projects and income generation opportunities;reviewed the Council's business planning process for both generating savings and also undertaking commercial projects; <p>Our findings are summarised overleaf.</p>

Delivery of a robust Medium Term Financial Plan (MTFP)

The Council is currently taking steps towards improving its financial resilience and long-term sustainability whilst demonstrating prudence in relation to medium-term financial planning, identifying future savings as well as commercialisation arrangements. The financial resilience tool indicates that the Medium Term Financial Plan (MTFP) may be sufficiently financially resilient. We have reviewed the key assumptions of the MTFP and obtained related working papers from the client which support the conclusion that all key assumptions appear reasonable. Assumptions and key elements of the MTFP are monitored on a quarterly basis by the Council. This allows the Council to keep track of actual to plan, and means it can take swift action that may include revising its estimates of subsequent financial years.

The delivery of the Council's strategic priorities has been underpinned by good financial forecasts, risks and assumptions which have been disclosed and reported by management to Council and to Members in 2019/20. As outlined in the Council's Efficiency Plan 2016-20 and the 2017/18 - 2019/20 MTFS, the Council considers the following measures when working towards achieving a balanced budget:

- taking a firm line to limit future year's pressures
- delivering efficiency savings and reducing back office costs
- increasing the Council Tax
- utilising available balances
- implementing transformational savings

The Council's transformational change programme is critical in enabling it to deliver the level of savings needed for a sustainable financial future. With the predicted level of additional savings expected to fall beyond 2020 (given most of the services will have been subject to a detailed review by then), it is likely that greater reliance will be placed upon Council Tax income to fund any budget gap(s). Council Tax was assumed to be at the maximum permissible amount of 2.99% in the 19/20 Revenue Budget and subsequent years in the MTFP. Additionally, the Future Funding Reserve has been created, supplemented through additional income from the Business Rate Pilot scheme(s), to help manage the transition to alternative funding arrangements.

It is important for the Council to find the right balance between achieving the significant savings outlined and budgeted in the MTFP to fund the budget gap whilst at the same time maintaining a certain level of service provision. Overall the Council has identified savings to date, whilst noting that improvements need to be made to continue to generate additional savings.

A risk will continue to remain upon the delivery of significant savings through the transformation programme. This has been acknowledged in budget papers and the Council's Strategic Risk register. This risk is likely to become even greater given the various financial uncertainties the Council currently faces and will continue to face in the future.



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What we did
Commercialisation and the purchase of investment properties		
<p>By November 2017, one year after the Council approved its Commercial Property Investment Strategy (CPIS), the Council has completed on the purchase of 5 properties at a total cost of £70 million. However the Council's CPIS may not deliver the target £3 million income by 2019/20 and therefore £20 million has been released from the 2018/19 capital programme to accelerate delivery of the CPIS programme which now totals £90 million.</p> <p>The Council uses an evaluation tool, to assist its Executive Committee in reviewing each investment opportunity, showing which parameters are acceptable for consideration and those which are not. It appears that all investments are subject to a full external due diligence process, which includes a building condition surveys including all M&E, independent RICS valuations and a legal audit as well as officer site inspection and market consideration. Any items considered less than satisfactory are reported.</p> <p>The Prudential Code, issued by CIPFA has always contained a statement (paragraph 46) that local authorities should not borrow more than, or in advance of, their needs purely in order to profit from the investment of the extra sums borrowed. However, paragraph 47 of the Statutory Guidance also states that where a local authority has chosen to disregard the Prudential Code and the Guidance, additional explanations and disclosures will be required, including risk management. The Guidance also requires investments to have regard to Security, Liquidity and Yield in that order.</p> <p>We will review the Council's arrangements for the purchase of investment properties to ensure that they are adequate in terms of providing value for money and comply with proper governance and risk management arrangements.</p>	Deploy resources in a sustainable manner	<p>We reviewed:</p> <ul style="list-style-type: none">• The underlying rationale for the Council's proposed investments and clarity on how this sits with the Council's strategy and objectives;• Legal powers and other advice obtained e.g. tax, investment decisions;• Compliance with sections 46 and 47 of Statutory Guidance on Local Authority Investments and the Prudential Code;• The Council's MRP policy;• Clarity of governance arrangements for the Council's decision making with regard to their investment property purchases;• Recognition and reporting of risks in the Council's strategic risk register. <p>We also considered the extent to which the Council has demonstrated the key Prudential Code considerations:</p> <ul style="list-style-type: none">• Existence of capital expenditure plans and a clear strategy that has regard to have regard to; service objectives, stewardship of assets, value for money, prudence and sustainability, affordability and practicality;• Demonstrating value for money in borrowing decisions• Security of borrowed funds;• Extent of borrowing for investments and borrowing overall• The nature of the investment;• Risks involved, including falling capital values, borrowing costs, illiquidity of assets.

Commercialisation and the purchase of investment properties

With many Local Authorities facing uncertainty over government funding in recent years, councils have already or are now turning towards commercial activities to increase sources of self-sufficient funding. Bracknell Forest's commercialisation activities are mainly centred around the Commercial Property Investment Strategy ('CPIS') which was approved by the Executive in December 2016, setting out the aim to invest in properties and achieve a beneficial return for the Council.

The core objective of the investment strategy is to generate a long-term revenue income stream for the Council to assist in meeting the budget gap as a result of government funding cuts and other financial pressures.

Discussion with the client and review of documentation provided indicates that a clear and consistent process was adopted and followed in identifying, investigating and presenting relevant investment proposals to various Council internal stakeholders. Within the process, there were a number of possible opportunities where each proposal could be discussed and alternative views could be presented. This indicates there are robust arrangements in place which allow the Council to exercise sufficient governance over key decisions relating to CPIS.

The CPIS programme has now fully invested the approved budget, meaning no further investment proposals are currently being considered. Going forward, half-yearly meetings will be held which will review each of the existing six property portfolios. The half-yearly review meetings help ensure that sufficient arrangements are now in place to ensure formal reporting and transparency takes place. Discussion with the client gave comfort that the Council does recognise the importance of formal reporting and transparency when considering and monitoring the performance of CPIS.

The Council also recognises the importance and reliance placed upon the success of the CPIS in generating a long-term revenue income stream that can be used to fund any budget gap(s) arising from government funding cuts and other financial pressures. Measures identified, such as the use of a voluntary revenue provision in addition to the mandatory revenue provision, demonstrate prudent decision making.

We find the risks identified by the Council to be appropriate and mitigated by the risk control procedures identified in the relevant risk registers. All investments are subject to a full external due diligence process. This includes building condition surveys including all Mechanical & Electrical (M&E), independent RICS valuations and a legal audit as well as officer site inspection and market consideration. Any items considered less than satisfactory are reported. This has led to one accepted bid being withdrawn following this rigorous due diligence process. Given the CPIS programme has now fully invested the approved budget, procurement risks should no longer be a concern to the Council, although it will need to ensure that sufficient risk management processes are in place to ensure its current investment portfolio is effectively managed and potential income generation is maximised.

The Council has ensured and outlined its compliance with relevant legislation, namely the Local Government Act 2003, CIPFA Prudential Code, MHCLG MRP and Investment Guidance and the CIPFA Treasury Management Code in its recent 2019/20 budget proposal presented to the full Council in February 2019.



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05 Other Reporting Issues





Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

The Council is below the specified audit threshold of £500m. Therefore, we were not required to perform any audit procedures on the consolidation pack

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Governance and Audit Committee on 3 December 2019. 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 regulatory and professional requirements.



Assessment of Control Environment

Internal financial control

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

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

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. We have, however, made the following observations relating to your overall control environment:

Risk management arrangements

The Council's risk management arrangements are identified as a governance issue to be addressed in the action plan in the Council's 2018/19 Annual Governance Statement. There was no formal internal audit review of the Council's risk management arrangements during 2018/19. Officers recognise that there are weaknesses in arrangements and have commissioned an internal audit consultancy report on risk management in 2019/20 which means that there will be no formal audit opinion on the findings. Through our work we have observed the following which could help improve the risk management arrangements:

- An independent internal audit of the effectiveness of the Council's risk management arrangements.
- Better documentation of the Council's Strategic Risk Register with clear actions and timescales on how risks are managed going forward.
- Reappraisal of the risk appetite to ensure that the Council is operating at a risk level commensurate with that documented for its strategic risks.
- The formalising of a risk register for the People Directorate following the combining of Adults and Children's services.
- Clarity on the role of the Governance and Audit Committee in providing assurance over the effectiveness of the Council's Risk Management arrangements, by understanding and commenting on the effectiveness of the whole process.

We will follow-up on the above as part of our VFM work for 2019/20.

Member declarations

When undertaking our procedures on related party transactions we checked declarations of interest, and we noted that six members had not completed a declaration. Whilst we are satisfied through alternative procedures that there were no transactions requiring disclosure, we would recommend that Members ensure that their declarations are complete and updated for changes. This is an important part of the process for the Council to identify related party transactions and protect itself from the risk of reputational damage.



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Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>
IASB Conceptual Framework	The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>
CIPFA guidance on property investment	On 15 November 2019 CIPFA released guidance to advise local authorities on what is expected of them when investing in property.	This guidance should be reviewed to ensure good practices are being adopted, and the Council's activities are consistent with the guidance.



07 Audit Fees



Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have undertaken non-audit work outside the NAO Code requirements in relation to the housing subsidy grant claim. Non-audit work is work not carried out under the Code. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee - Code work		Notes 1,2,3 & 4	80,639	80,639
Non-audit work for Housing subsidy grant claim	£27,033 - Note 5	18,771	Not applicable	20,100

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We are not yet in a position to quantify the final costs associated with this work but any variation to the fee will need to be agreed with officers and approved by PSAA. The areas we are proposing varying the fee relate to the following:

Note 1: Value for Money significant risks: We have undertaken additional work in relation to the two significant VFM risks, as discussed above. These were:

- Delivery of a sustainable medium term financial plan; and
- Commercialisation and the purchase of investment properties

Note 2 - Annual Governance Statement (AGS) review: Our work on the AGS also identified issues which required us to spend more time than planned on reviewing the Council's control environment and its risk management arrangements, as we have reported above.

Note 3: Waste PFI accounting model review: Our work on the assessment of the Waste PFI accounting model required us to spend more time than planned, as reported above.

Note 4: Pensions net liability: Our work on the Council's pension net liability was extended as a result of the McCloud judgement plus the additional time spent on obtaining the IAS 19 assurances from the pension scheme auditor, the additional work required where we did not receive the assurances we required and the auditing of the changes to the financial statements resulting from the pension scheme audit, as reported .

Note 5 - Housing benefit subsidy grant claim: From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body. The Council has appointed us to act as reporting accountants in relation to the housing subsidy claim.

The fee is based on:

- £18,771 plus VAT for the certification work
- £3,634 for the second set of extended ("40+") testing (as our agreed proposal of 7 September 2018, allowed for one set of 40+ testing)
- £2,314 for each subsequent set of extended testing of which there were two.

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**Bracknell Forest
Council
Audit results report**

Year ended 31 March 2019

March 2020

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Private and Confidential

9 March 2020



Dear Governance and Audit Committee Members

We are pleased to attach our updated audit results report for the forthcoming meeting of the Governance and Audit Committee. This report summarises our audit conclusion in relation to the audit of Bracknell Forest Council for 2018/19 and is an updated version of the report presented to you in January 2020. We have now completed our audit of Bracknell Forest Council for the year ended 31 March 2019.

We confirm that we have issued an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

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

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

We welcome the opportunity to discuss the contents of this report with you at the next Governance and Audit Committee meeting.

Yours faithfully

Andrew Brittain

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Governance and Audit Committee and management of Bracknell Forest Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance and Audit Committee and management of Bracknell Forest 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 Governance and Audit Committee and management of Bracknell Forest 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.



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01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the 30 January 2019 Governance and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements.

Materiality:

In our Governance and Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £5.6m, with performance materiality, at 75% of overall materiality, of £4.2m, and a threshold for reporting misstatements of £278k. We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, our overall materiality assessment has remained unchanged at £5.6m, with performance materiality, at 75% of overall materiality, remaining at £4.2m.

The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services.

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Status of the audit

We have completed our audit of the Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit planning report.

Audit differences

There are four adjusted audit differences of:

- PPE value increase of £14.5 million, as discussed on page 12.
- Pension liability increase of £4.4 million to £539.3 million, as discussed on page 11
- Pension assets value decrease of £3.5 million to £262.0 million, as discussed on page 11
- *Remeasurement of the Net Defined Benefit Pension Liability.* The proportion of the increase which relates to Bracknell Forest's share of net pension liability is £8.991 million - as discussed on page 11.

There was one unadjusted judgemental audit difference of £1.1 million, as discussed on page 12 .

Executive Summary

Areas of audit focus

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

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

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

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

Control observations

 We have adopted a fully substantive approach, so have not tested the operation of controls.

In addition, during the audit we identified a number of observations and improvement recommendations on the Council's Risk Management arrangements. These are set out in Section 7.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified two significant risks. These were:

- Delivery of a sustainable medium term financial plan; and
- Commercialisation and the purchase of investment properties

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. Following discussions with officers, amendments were made to present a more consistent view and therefore we have nothing further to report in this regard.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. There were no issues arising.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence. We have no matters to report.



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Areas of Audit Focus



Areas of Audit Focus

Significant risk

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Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

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

What did we do?

- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered of the effectiveness of management's controls designed to address the risk of fraud.

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

- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- ▶ Assessed accounting estimates for evidence of management bias, and
- ▶ Evaluated the business rationale for significant unusual transactions.

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

What are our conclusions?

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

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

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

Areas of Audit Focus

Significant risk

Misstatements due to fraud or error - capitalisation of revenue expenditure

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

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

What judgements are we focused on?

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

What are our conclusions?

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

What did we do?

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

- ▶ Tested a sample of capital expenditure at a lower testing threshold, to verify that revenue costs had not been inappropriately capitalised;
- ▶ Reviewed unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.

Areas of Audit Focus

Significant risk

Pension Net 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 Berkshire County Council Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Unitary Authority (RBWM).

The Council's pension fund deficit is a material estimated balance and the Code requires that the net liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £276.125m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to RBWM. Accounting for this scheme involves significant estimation and judgement and therefore management engages the actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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What judgements are we focused on?

The significance of the liability to the Council's balance sheet, as well as the difficulty in valuing some of the pension fund assets caused by their nature and size. Small changes in assumptions when valuing the pension net liability valuation can have a material impact on the financial statements.

What did we do?

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

- ▶ liaised with the auditors of the Berkshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Bracknell Forest Council.
- ▶ assessed the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

We are satisfied that the Council has correctly reflected the IAS 19 entries provided by their actuaries in the financial statements. We are also satisfied that the actuaries are appropriately qualified.

This year, there has also been an ongoing national issue which has meant that a late change is required to the Council's pension net liability. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the "McCloud ruling". Officers requested their actuary update their estimate of net pension scheme liability taking into account the McCloud ruling and any difference between actual and estimated return on pension scheme assets. As a result two adjustments have been made:

- Pension liability: The Council's Pension liability has increased by £4.4 million to £539.3 million
- Pension asset: This estimate decreased by £3.5 million to £262.0 million.

Remeasurement of the Net Defined Benefit Pension Liability. The audit of the Berkshire County Pension Fund identified that the pension fund assets were overstated due to the valuation methods used, and the net liability position of the fund was increased. The proportion of the increase for Bracknell Forest's share of net pension liability, which has been adjusted, is £8.991 million.

Areas of Audit Focus

Other risk

Other risk - valuation of property, including investment properties

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

In assessing this risk, we considered the material valuations of operational and investment property held by the Council, the varied nature of these assets and the basis on which they are valued, including the need to apply judgement. We also considered the assets not revalued in year to assess the likelihood of material misstatement within the population. The Code of Practice on Local Authority Accounting states that where assets are revalued, revaluations should be made with sufficient regularity such that the carrying amount does not differ materially from that using the current value at the end of the reporting period. Each class of asset should normally be valued at least every five years, subject to this requirement.

What judgements are we focused on?

Our work on valuations focussed on assessing the reasonableness of the methodologies adopted by the valuers in undertaking their valuations in 2018/19 and of the key assumptions input into these valuations.

We have also considered those assets that were not valued in 2018/19 and the potential for material misstatement in the valuation of those assets.

What are our conclusions?

We assessed the methodologies adopted by the valuers in undertaking their valuations in 2018/19 and of the key assumptions input into these valuations as reasonable.

As part of our audit, the Council provided an analysis of the rolling programme of valuations and applied relevant indices, dependent on the last revaluation date for the asset class. This provided an indication as to whether the valuation of assets not revalued in year could be materially different to the value disclosed in the financial statements.

What did we do?

We took a substantive approach to respond to this risk, undertaking the procedures set out below.

We disaggregated the Council's property portfolio to determine those asset classes where more judgement was required in the valuation of assets, resulting in a focus on the following:

- Investment properties - £127.176 million
- Land and buildings - £386.873 million

We selected a sample within these asset categories to test the assumptions and inputs that were used in their valuation.

We reviewed this analysis and challenged the Council on its appropriateness, concluding that changes needed to be made to ensure the relevant indices were applied based on the asset type and value. As a result of subsequent calculations there was a judgemental audit difference of £15.6m. The Council has agreed to:

- make an adjustment of £14.5m; and
- report the unadjusted remaining difference of £1.1m in their management representation letter.

We have reported the above differences in Section 4 of this report.



Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What we found
<p>NDR Appeals Provision</p> <p>The Non Domestic Rates Appeals Provision is a judgemental balance in the Council's financial statements which is underpinned by a number of assumptions. The movement of the NDR Appeals Provision in 2018/19 was significant from an opening balance of £7.592 million to a closing balance of £9.416 million at 31 March 2019.</p> <p>The provision for NDR for 2018/19 was increased to reflect the latest information, at 31 March 2019. The position difficult to predict following the 2017 valuation and the Valuation Office Agency's (VOA) Check, Challenge and Appeal process. We needed to revisit the assumptions underpinning the NDR provision for the 2018/19 accounts based on the most up to date information available.</p>	<p>We:</p> <ul style="list-style-type: none">▶ reviewed the calculation of the provision for accuracy;▶ reviewed the assumptions used in the calculation based on the latest information in 2018/19;▶ considered the Council's use of its expert, Rates Plus, involved in the calculation. <p>We have no issues to report</p>
<p>PFI Accounting</p> <p>PFI is a complex area and we commissioned a detailed review of the Waste Recycling Group RE3 arrangements, for the three councils involved, namely Bracknell Forest, Reading and Wokingham Borough Councils.</p> <p>Our work, by our PFI specialist:</p> <ul style="list-style-type: none">▶ included a review of the assumptions used in the Waste PFI accounting model;▶ commented on local adjustments, made by Bracknell Forest Council, following the changes to the accounting model held by the host council, Reading Borough Council;▶ reviewed the planned entries and disclosures for the Council's 18/19 accounts.	<ul style="list-style-type: none">▶ We have no other issues to report.

 Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?	What we found
<p>IFRS 9 Financial instruments</p> <p>This new accounting standard is applicable for local authority accounts from this financial year and changes:</p> <ul style="list-style-type: none">• how financial assets are classified and measured;• how the impairment of financial assets are calculated; and• the disclosure requirements for financial instruments.	<p>We:</p> <ul style="list-style-type: none">▶ assessed the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;▶ considered the classification and valuation of financial instrument assets;▶ reviewed the implementation of the new expected credit loss model impairment calculations for assets; and▶ checked additional disclosure requirements for compliance with the CIPFA Code.
<p>IFRS 15 Revenue from contracts with customers</p> <p>This new accounting standard is applicable for local authority accounts from this year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The impact on local authority accounting was likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue could change and new disclosure requirements have been introduced.</p>	<p>We have no issues to report.</p> <p>We:</p> <ul style="list-style-type: none">▶ assessed the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19.▶ consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and▶ checked additional disclosure requirements. <p>We have no issues to report.</p>



03 Audit Report



Audit Report

Audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRACKNELL FOREST COUNCIL

Opinion

We have audited the financial statements of Bracknell Forest Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement; and
- Related notes to the Core Financial Statements 1 to 42;
- Collection Fund and related notes 1 to 4;
- Group 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Bracknell Forest Council and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

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

Conclusions relating to going concern

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

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



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Director: Finance is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Bracknell Forest Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects;



Audit Report

Our opinion on the financial statements

Responsibility of the Director: Finance

As explained more fully in the Statement of the Director: Finance's Responsibilities set out on page 35, the Director: Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director: Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or

has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Bracknell Forest Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Bracknell Forest Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.



Audit Report

Our opinion on the financial statements

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

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

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

Certificate

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

Use of our report

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



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04 Audit Differences





Audit Differences

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

Summary of adjusted differences

Corrected differences

There were four judgemental difference that were identified during the course of our audit that was corrected by management.

- PPE valuation: This relates to our work on PPE valuation reviewing those assets not revalued as part of the 2018/19 valuation exercise and assessing whether they could be materially different to the value disclosed in the financial statements. The Council has adjusted their accounts and made an adjustment of £14.5m to increase PPE values.
- Pension liability:
 - McCloud adjustment: The Council's pension liability has increased by £4.4 million to £539.3 million due to recent appeal judgements, which have been made in cases affecting judges' and firefighters' pension in relation to age discrimination arising from pension scheme transition arrangements. It has been determined that this ruling also applies to transition arrangements in the Local Government Pension Scheme which has meant an increase in the estimated liability of the pension scheme.
 - Remeasurement of the Net Defined Benefit Pension Liability. The audit of the Berkshire County Pension Fund identified that the pension fund assets were overstated due to the valuation methods used, and the net liability position of the fund needed to be increased. The proportion of the increase which relates to Bracknell Forest's share of net pension liability is £8.991 million.
 - Pension asset: This estimate decreased by £3.5 million to £262.0 million as the pension scheme actuary has re-run its pension scheme reports and the change in valuation is due to better known information at the balance sheet date.

There were also one minor change to the disclosure notes that was made during the course of the audit.

Uncorrected differences

There was one judgemental difference which was above the reporting threshold for uncorrected differences of £278k.

- PPE valuation: As discussed above, there was one uncorrected judgemental difference of £1.1 million increase to the value of assets within the PPE balance that were not re-valued in 2018/19. This unadjusted remaining difference of £1.1m needs to be reported in the Council's management representation letter.

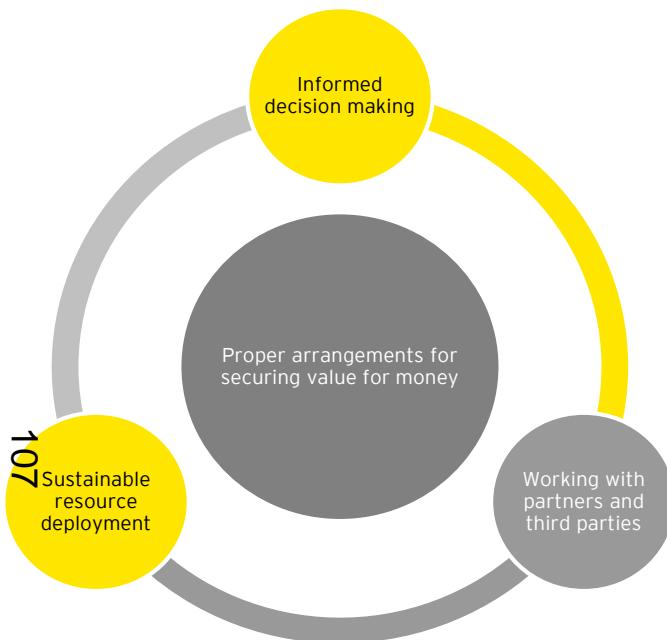
Whilst not representing an audit difference, we note that the disclosure on Earmarked reserves (note 28) has a total of £49.763 million of Earmarked reserves, of which there are £10.351 million of "other earmarked reserves" including the Better Care Fund Reserve (£2.091 million), the Regeneration of Bracknell Town Centre (£1.791 million), the Public Health Reserve (£1.56 million) and the Commuted Maintenance of Land Reserve (£1.687million). Disclosing these larger reserves would reduce the "Other reserve" total to £3.22 million which could improve the disclosure for the reader.



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Value for Money Risks



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

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

Overall conclusion

We identified two significant risks. These were:

- Delivery of a sustainable medium term financial plan; and
- Commercialisation and the purchase of investment properties

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



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What we did
Delivery of a robust Medium Term Financial Plan (MTFP)		
<p>In the Council's four year Medium Term Financial Plan (MTFP), reported to Cabinet in February 2018, the Council set a balanced budget for 2018/19. However, the cumulative shortfall of the MTFP through to 2020/21 is £9.4m, of which a £6m gap is predicted for 2020/21. The Council has a strategy in place to resolve the shortfall which is driven by commercial investment and transformational projects.</p> <p>The Council's transformational change programme is critical in enabling the Council to delivering the level of savings needed for a sustainable financial future. Progress is being made in the achievement of some £10.4 million of transformation savings and some £3.8 million of efficiency savings over the period of the MTFP until 2021/2022. There is also the planned "managed use" of the Council's Future Funding Reserve to smooth the impact of the Government planned changes to local government funding in 2020/21. £1 million of reserves was planned to be used in the Council's 2016 - 2020 Efficiency Plan as part of setting a balanced budget for 2019/20.</p> <p>However, there is significant demand increases for Children's Social Care causing financial pressure in 18/19 and in future years which will require a higher level of savings and additional income than originally predicted to balance the 2019/20 budget. The Council's commercial programme is being accelerated in order to deliver its planned target of £3 million of income generation by 2019/20. The current focus of the Council's Corporate Management Team is, therefore, its need to review its prioritisation of transformation and enabling resources to continue its successful delivery of change.</p> <p>We will review the Council's Medium Term Financial Plan to assess whether the financial planning in place is sufficient to position the Council on a sustainable financial footing in the medium term.</p>	Deploy resources in a sustainable manner	<p>We:</p> <ul style="list-style-type: none">assessed the key assumptions made within the annual budget and MTFP;reviewed the progress made in identifying savings for 2019/20 and beyond;assessed the effectiveness of project management by the Transformation Board in overseeing transformational projects and income generation opportunities;reviewed the Council's business planning process for both generating savings and also undertaking commercial projects; <p>Our findings are summarised overleaf.</p>

Delivery of a robust Medium Term Financial Plan (MTFP)

The Council is currently taking steps towards improving its financial resilience and long-term sustainability whilst demonstrating prudence in relation to medium-term financial planning, identifying future savings as well as commercialisation arrangements. The financial resilience tool indicates that the Medium Term Financial Plan (MTFP) may be sufficiently financially resilient. We have reviewed the key assumptions of the MTFP and obtained related working papers from the client which support the conclusion that all key assumptions appear reasonable. Assumptions and key elements of the MTFP are monitored on a quarterly basis by the Council. This allows the Council to keep track of actual to plan, and means it can take swift action that may include revising its estimates of subsequent financial years.

The delivery of the Council's strategic priorities has been underpinned by good financial forecasts, risks and assumptions which have been disclosed and reported by management to Council and to Members in 2019/20. As outlined in the Council's Efficiency Plan 2016-20 and the 2017/18 - 2019/20 MTFS, the Council considers the following measures when working towards achieving a balanced budget:

- taking a firm line to limit future year's pressures
- delivering efficiency savings and reducing back office costs
- increasing the Council Tax
- utilising available balances
- implementing transformational savings

The Council's transformational change programme is critical in enabling it to deliver the level of savings needed for a sustainable financial future. With the predicted level of additional savings expected to fall beyond 2020 (given most of the services will have been subject to a detailed review by then), it is likely that greater reliance will be placed upon Council Tax income to fund any budget gap(s). Council Tax was assumed to be at the maximum permissible amount of 2.99% in the 19/20 Revenue Budget and subsequent years in the MTFP. Additionally, the Future Funding Reserve has been created, supplemented through additional income from the Business Rate Pilot scheme(s), to help manage the transition to alternative funding arrangements.

It is important for the Council to find the right balance between achieving the significant savings outlined and budgeted in the MTFP to fund the budget gap whilst at the same time maintaining a certain level of service provision. Overall the Council has identified savings to date, whilst noting that improvements need to be made to continue to generate additional savings.

A risk will continue to remain upon the delivery of significant savings through the transformation programme. This has been acknowledged in budget papers and the Council's Strategic Risk register. This risk is likely to become even greater given the various financial uncertainties the Council currently faces and will continue to face in the future.



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What we did
Commercialisation and the purchase of investment properties		
<p>By November 2017, one year after the Council approved its Commercial Property Investment Strategy (CPIS), the Council has completed on the purchase of 5 properties at a total cost of £70 million. However the Council's CPIS may not deliver the target £3 million income by 2019/20 and therefore £20 million has been released from the 2018/19 capital programme to accelerate delivery of the CPIS programme which now totals £90 million.</p> <p>The Council uses an evaluation tool, to assist its Executive Committee in reviewing each investment opportunity, showing which parameters are acceptable for consideration and those which are not. It appears that all investments are subject to a full external due diligence process, which includes a building condition surveys including all M&E, independent RICS valuations and a legal audit as well as officer site inspection and market consideration. Any items considered less than satisfactory are reported.</p> <p>The Prudential Code, issued by CIPFA has always contained a statement (paragraph 46) that local authorities should not borrow more than, or in advance of, their needs purely in order to profit from the investment of the extra sums borrowed. However, paragraph 47 of the Statutory Guidance also states that where a local authority has chosen to disregard the Prudential Code and the Guidance, additional explanations and disclosures will be required, including risk management. The Guidance also requires investments to have regard to Security, Liquidity and Yield in that order.</p> <p>We will review the Council's arrangements for the purchase of investment properties to ensure that they are adequate in terms of providing value for money and comply with proper governance and risk management arrangements.</p>	Deploy resources in a sustainable manner	<p>We reviewed:</p> <ul style="list-style-type: none">• The underlying rationale for the Council's proposed investments and clarity on how this sits with the Council's strategy and objectives;• Legal powers and other advice obtained e.g. tax, investment decisions;• Compliance with sections 46 and 47 of Statutory Guidance on Local Authority Investments and the Prudential Code;• The Council's MRP policy;• Clarity of governance arrangements for the Council's decision making with regard to their investment property purchases;• Recognition and reporting of risks in the Council's strategic risk register. <p>We also considered the extent to which the Council has demonstrated the key Prudential Code considerations:</p> <ul style="list-style-type: none">• Existence of capital expenditure plans and a clear strategy that has regard to have regard to; service objectives, stewardship of assets, value for money, prudence and sustainability, affordability and practicality;• Demonstrating value for money in borrowing decisions• Security of borrowed funds;• Extent of borrowing for investments and borrowing overall• The nature of the investment;• Risks involved, including falling capital values, borrowing costs, illiquidity of assets.

Commercialisation and the purchase of investment properties

With many Local Authorities facing uncertainty over government funding in recent years, councils have already or are now turning towards commercial activities to increase sources of self-sufficient funding. Bracknell Forest's commercialisation activities are mainly centred around the Commercial Property Investment Strategy ('CPIS') which was approved by the Executive in December 2016, setting out the aim to invest in properties and achieve a beneficial return for the Council.

The core objective of the investment strategy is to generate a long-term revenue income stream for the Council to assist in meeting the budget gap as a result of government funding cuts and other financial pressures.

Discussion with the client and review of documentation provided indicates that a clear and consistent process was adopted and followed in identifying, investigating and presenting relevant investment proposals to various Council internal stakeholders. Within the process, there were a number of possible opportunities where each proposal could be discussed and alternative views could be presented. This indicates there are robust arrangements in place which allow the Council to exercise sufficient governance over key decisions relating to CPIS.

The CPIS programme has now fully invested the approved budget, meaning no further investment proposals are currently being considered. Going forward, half-yearly meetings will be held which will review each of the existing six property portfolios. The half-yearly review meetings should help ensure that sufficient arrangements are now in place to ensure formal reporting and transparency takes place. Discussion with the client gave comfort that the Council does recognise the importance of formal reporting and transparency when considering and monitoring the performance of CPIS.

The Council also recognises the importance and reliance placed upon the success of the CPIS in generating a long-term revenue income stream that can be used to fund any budget gap(s) arising from government funding cuts and other financial pressures. Measures identified, such as the use of a voluntary revenue provision in addition to the mandatory revenue provision, demonstrate prudent decision making.

We find the risks identified by the Council to be appropriate and mitigated by the risk control procedures identified in the relevant risk registers. All investments are subject to a full external due diligence process. This includes building condition surveys including all Mechanical & Electrical (M&E), independent RICS valuations and a legal audit as well as officer site inspection and market consideration. Any items considered less than satisfactory are reported. This has led to one accepted bid being withdrawn following this rigorous due diligence process. Given the CPIS programme has now fully invested the approved budget, procurement risks should no longer be a concern to the Council, although it will need to ensure that sufficient risk management processes are in place to ensure its current investment portfolio is effectively managed and potential income generation is maximised.

The Council has ensured and outlined its compliance with relevant legislation, namely the Local Government Act 2003, CIPFA Prudential Code, MHCLG MRP and Investment Guidance and the CIPFA Treasury Management Code in its recent 2019/20 budget proposal presented to the full Council in February 2019.



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06 Other reporting issues



Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements.

- The financial and non-financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

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

- We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We found that it was not consistent with other information from our audit of the financial statements, mainly in relation to the disclosure of the increased number of "limited" assurance reports from Internal Audit and the "limited" overall audit opinion from the Head of Internal Audit.

 We discussed this with officers and amendments were made to present a more consistent view of those items, and therefore we have nothing further to report in this regard.

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. As the Council's assets, income, liabilities and expenditure are below the threshold set by HM Treasury, detailed audit of the return is not required for Bracknell Forest Council.

We will submit the required return in due course and once the audit opinion has been signed.



Other reporting issues

Other powers and duties

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

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

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the 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;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We did not identify any issues.



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Assessment of Control Environment





Assessment of Control Environment

Internal financial control

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

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

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. We have, however, made the following observations relating to your overall control environment:

Risk management arrangements

The Council's risk management arrangements are identified as a governance issue to be addressed in the action plan in the Council's 2018/19 Annual Governance Statement. There was no formal internal audit review of the Council's risk management arrangements during 2018/19. Officers recognise that there are weaknesses in arrangements and have commissioned an internal audit consultancy report on risk management in 2019/20 which means that there will be no formal audit opinion on the findings. Through our work we have observed the following which could help improve the risk management arrangements:

- An independent internal audit of the effectiveness of the Council's risk management arrangements.
- Better documentation of the Council's Strategic Risk Register with clear actions and timescales on how risks are managed going forward.
- Reappraisal of the risk appetite to ensure that the Council is operating at a risk level commensurate with that documented for its strategic risks.
- The formalising of a risk register for the People Directorate following the combining of Adults and Children's services.
- Clarity on the role of the Governance and Audit Committee in providing assurance over the effectiveness of the Council's Risk Management arrangements, by understanding and commenting on the effectiveness of the whole process.

We will follow-up on the above as part of our VFM work for 2019/20.

Member declarations

When undertaking our procedures on related party transactions we checked declarations of interest, and we noted (at the time of writing) that six members had not completed a declaration.

Whilst we are satisfied through alternative procedures that there were no transactions requiring disclosure, we would recommend that Members ensure that their declarations are complete and updated for changes. This is an important part of the process for the Council to identify related party transactions and protect itself from the risk of reputational damage.

08 Data Analytics





Use of Data Analytics in the Audit

► Data analytics – Journals Testing

Analytics Driven Audit

Data analytics

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

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

In 2018/19, our use of these analysers in the authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

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

Journal Entry Analysis

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



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Independence



Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated January 2019, which we presented to the Governance and Audit Committee.

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

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

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

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

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

As at the date of this report, future non-audit services are limited to the reasonable assurance engagement for the housing subsidy grant claim. There are no other future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have undertaken non-audit work outside the NAO Code requirements in relation to the housing subsidy grant claim. Non-audit work is work not carried out under the Code. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee - Code work	Notes 1,2,3 & 4	80,639	80,639	104,726
Non-audit work for Housing subsidy grant claim 22	£27,033 - Note 5	18,771	Not applicable	20,100

We are not yet in a position to quantify the final costs associated with this work but any variation to the fee will need to be agreed with officers and approved by PSAA. The areas we are proposing varying the fee relate to the following:

Note 1: Value for Money significant risks: We have undertaken additional work in relation to the two significant VFM risks, as discussed in Section 5. These were:

- Delivery of a sustainable medium term financial plan; and
- Commercialisation and the purchase of investment properties

Note 2 - Annual Governance Statement (AGS) review: Our work on the AGS also identified issues which required us to spend more time than planned on reviewing the Council's control environment and its risk management arrangements, as we have reported in Sections 6 and 7 (Assessment of the Control Environment of this report).

Note 3: Waste PFI accounting model review: Our work on the assessment of the Waste PFI accounting model required us to spend more time than planned, as reported in section 2.

Note 4: Pensions net liability: Our work on the Council's pension net liability was extended as a result of the McCloud judgement plus the additional time spent on obtaining the IAS 19 assurances from the pension scheme auditor, the additional work required where we did not receive the assurances we required and the auditing of the changes to the financial statements resulting from the pension scheme audit, as reported in section 2.

Note 5 - Housing benefit subsidy grant claim: From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body. The Council has appointed us to act as reporting accountants in relation to the housing subsidy claim.

The fee is based on:

- £18,771 plus VAT for the certification work
- £3,634 for the second set of extended ("40+") testing (as our agreed proposal of 7 September 2018, allowed for one set of 40+ testing)
- £2,314 for each subsequent set of extended testing of which there were two.



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10 Appendices



 Appendix A

Required communications with the Governance and Audit Committee

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

Required communications	 What is reported?	 Our Reporting to you
		 When and where
Terms of engagement	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
 Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - 30 January 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - 30 January 2019
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 planning report - 30 January 2019



Appendix A

Required communications	 What is reported?	Our Reporting to you	
		 When and where	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Bracknell Forest Council's ability to continue for the 12 months from the date of our report.	
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report (this report)	
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Governance and Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report (this report)	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Governance and Audit Committee's responsibility. 	Audit results report (this report)	



Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority'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 Authority 	Audit results report (this report)
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>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report - 30 January 2019 and Audit results report (this report)



Appendix A

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations	
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Governance and 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 Governance and Audit Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.	
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report (this report) and Annual Audit Letter (March 2020).	



Appendix A

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

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ED None

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**TO: GOVERNANCE AND AUDIT COMMITTEE
25TH MARCH 2020**

**INTERNAL AUDIT INTERIM REPORT
1ST April 2019 – 11TH March 2020**

(Head of Audit and Risk Management)

1 PURPOSE OF REPORT

- 1.1 This report provides a summary of Internal Audit activity during the period April 2019 to 11th March 2020.

2 EXECUTIVE SUMMARY

- 2.1 The report summarises progress and outcome of work carried out by both internal audit contractors and the in-house team in accordance with the Annual Internal Audit Plan approved by the Governance and Audit Committee. Any significant developments since the time of writing will be reported verbally to the Committee and included in future assurance reports

3 RECOMMENDATION

- 3.1 **The Governance and Audit Committee are asked to note the attached report.**

4 REASONS FOR RECOMMENDATION

- 4.1 To ensure that the Governance and Audit Committee are aware of the internal audit work performed and conclusions reached.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 No alternative options available.

6 SUPPORTING INFORMATION

- 6.1 Under the Council's Constitution and Scheme of Delegation the Borough Treasurer is responsible for the administration of the financial affairs of the Council under Section 151 of the Local Government Act 1972. Professional guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) requires the provision of an effective Internal Audit function to partly fulfil his responsibilities under Section 151. Internal Audit are required to comply with the Public Sector Internal Audit Standards which set out the ethical and operational standards for internal audit.

- 6.2 The provision of Internal Audit services is largely outsourced to Mazars Public Sector Internal Audit. Mazars are responsible for delivering approximately two thirds of the audits set out in the Annual Internal Audit Plan approved by the Governance and Audit Committee in March 2019. IT audits are undertaken by TIAA Limited. The remaining audits are delivered by Wokingham internal audit team under an agreement under Section 113 of the Local Government Act 1972 which provides for the sharing of staff resources or are undertaken in house. Reading Borough Council provide Counter Fraud support and training under this same agreement. The attached report summarises delivery

to date on the audits approved under the Plan and other assurance activities carried out in-house within Audit and Risk Management.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 There are no specific legal implications arising from this report.

Borough Treasurer

- 7.2 There are no financial implications arising from this report. The work of internal audit is key to providing assurance about the effectiveness of the Council's internal control environment.

Equalities Impact Assessment

- 7.3 Not applicable.

Strategic Risk Management Issues

- 7.4 Internal Audit provides assurance on the Council's control environment based on the work undertaken and areas audited. Internal control is based upon an ongoing process designed to identify and prioritise risks and to evaluate the likelihood of those risks being realised and the impact should they arise. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure altogether. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance

Other Officers

- 7.5 Not applicable.

8 CONSULTATION

- 8.1 Not applicable.

Background Papers

Annual Internal Plan 2019/20

Strategic Risk Register

Contact for further information

Sally Hendrick – 01344 352092

sally.hendrick@bracknell-forest.gov.uk



**BRACKNELL FOREST COUNCIL
HEAD OF AUDIT AND RISK
MANAGEMENT'S INTERIM REPORT**

MARCH 2020

Sally Hendrick
Head of Audit and Risk Management
Sally.hendrick@bracknell-forest.gov.uk
01344 352092

1.BACKGROUND

1.1 The Council is required under the Accounts and Audit (Amendment) (England) Regulations to “maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.” This report summarises the activities of Internal Audit for the period April to December 2019 drawing together progress on the Annual Internal Audit Plan, risk management and other activities carried out by Internal Audit.

2. INTERNAL AUDIT

2.1 The basic approach adopted by Internal Audit falls broadly into four types of audit:

- System reviews provide assurance that the system of control in all activities undertaken by the Council is appropriate and adequately protects the Council's interests.
- Regularity (financial) checking helps ensure that the accounts maintained by the Council accurately reflect the business transacted during the year. It also contributes directly towards the external auditor's audit of the annual accounts.
- Computer/IT audits, carried out by specialist audit staff, provide assurance that an adequate level of control exists over the provision and use of computing facilities
- Certification as required by relevant Government departments that grant monies have been spent in accordance with grant terms and conditions.

2.2 Recommendations are made after individual audits, leading to an overall assurance opinion for the system or establishment under review and building into an overall annual assurance opinion on the Council's operations called the Head of Internal Audit Annual Opinion. The different categories of recommendation and assurance opinions are set out in the following tables.

2.3 Since 1st April 2019 we have been categorising our **audit opinions** according to our assessment of the controls in place and the level of compliance with these controls as follows::

Good	Good - There is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to the achievement of objectives and this is being complied with. Recommendations will only be of low priority.
Adequate	Adequate - there is basically a sound system of control but there are some areas of minor weakness and/or some areas of non-compliance which put the system/process objectives at risk. Recommendations will only be low or moderate in

	priority.
Orange	Partial - there are areas of weakness and/or non-compliance with control which put the system/process objectives at risk and undermine the system's overall integrity. Recommendations may include major recommendations but could only include critical priority recommendations if mitigated by significant strengths elsewhere.
Red	Inadequate - controls are weak across a number areas of the control environment and/or not complied with putting the system/process objectives at significant risk. Recommendations will include major and/or critical recommendations
Brown	None - There is no control framework in place and management is inadequate leaving the system open to risk of significant error or fraud.

2.4 We now categorise our recommendations according to their level of priority as set out below:

Red	Critical - Critical and urgent in that failure to address the risk could lead to factors such as significant financial loss, significant fraud, serious safeguarding breach, critical loss of service, critical information loss, failure of major projects, intense political or media scrutiny. Remedial action must be taken immediately.
Orange	Major - failure to address issues identified by the audit could have significant impact such as high financial loss, safeguarding breach, significant disruption to services, major information loss, significant reputational damage or adverse scrutiny by external agencies. Remedial action to be taken urgently.
Yellow	Moderate - failure to address issues identified by the audit could lead to moderate risk factors materialising such as medium financial loss, fraud, short term disruption to non-core activities, scrutiny by internal committees, limited reputational damage from unfavourable media coverage. Prompt specific remedial should be taken.
Green	Low - failure to address issues identified by the audit could lead to low level risks materialising such as minor errors in system operations or processes, minor delays without impact on service or small financial loss. Remedial action is required.

2.3 We formerly categorised our **audit opinion** according to the following:::

Green	Significant - there is a sound system of internal controls to meet the system objectives and manage risks and testing performed indicates that controls tested are consistently complied with
Yellow	Satisfactory - there is basically a sound system of internal controls to manage risk although there are some minor weaknesses in controls and/or there is evidence that the level of non-compliance may put some minor systems objectives at risk
Orange	Limited - there are some weaknesses in the adequacy of the internal control system and management of risks which put the systems objectives at risk and/or the level of compliance or non-compliance puts some of the systems objectives at risk.
Red	No assurance - control is weak and management of risks is inadequate leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

2.5 We previously categorised our **recommendations** according to their level of priority as per the following.

Red	Priority 1- Fundamental weakness in the design of controls or consistent non-compliance with controls that puts the achievement of systems objectives at risk.
Yellow	Priority 2 - Weakness in the design of controls or inconsistency in compliance with controls puts the achievement of systems objectives at risk.
Green	Priority 3- Recommended best practice to improve overall control.

3. SUMMARY OF INTERNAL AUDIT RESULTS TO DATE

- 3.1 The Annual Internal Audit Plan for 2019/20 was considered and approved by the Governance and Audit Committee on 27th March 2019. This will be updated for the new assurance and recommendation definitions once the operational effectiveness of these has been confirmed. The delivery of the individual audits is largely undertaken by our contractors Mazars Public Sector Internal Audit. In addition, IT audit is undertaken by TIAA Ltd and 9 reviews will be carried out under the Section 113 arrangement with Wokingham Borough Council's Internal Audit Team. In addition, all grants are scheduled to be audited in house.
- 3.2 During the period April to December 2019, 4 grants were certified, 10 memos without an opinion were finalised, 27 reports were finalised, 5 reports were received for client side review and in 12 cases audit work was in progress.
- 3.3 Delivery against the planned programme is behind original schedule due to the number of audits which have had to be deferred to later in the year to ensure there was time to address weaknesses previously identified. Whilst there are always deferrals in any audit year, there are sound reasons for these audits to be deferred and the percentage of audit deferrals is significantly higher than in previous years. Staff turnover at Mazars is also currently causing delays in timely delivery of reports.
- 3.4 Details on the status and outcome of all audits are attached at Appendix C. Audits which have been deferred from the original timetabling are clearly noted in the status column where they are marked with "D". A summary of the outcome of finalised and audits with reports issued in draft are set out below.

APRIL TO AUGUST 2019/2020 ASSURANCE LEVELS	NUMBER OF AUDITS	2018/19 ASSURANCE LEVELS	NUMBER OF AUDITS
Good	5	Significant	0
Adequate	20	Satisfactory	30
Partial	4	Limited	19
Inadequate	2		
No assurance	0	No Assurance	0
<u>Total for Audits with an Opinion</u>	<u>31</u>	<u>Total for Audits with an Opinion</u>	<u>49</u>
Follow Up Memos with Major Recommendation and no Opinion	3	Follow Up Memos with Priority 1 Recommendation and no Opinion	5

Other Follow Up Memos/ Reports with no Opinion	7	Other Follow Up Memos/ Reports with no Opinion	1
Total Audits	41	Total Audits	55
Grant Certifications	4	Grant Certifications	5

Identified High Priority Control Issues

3.6 Audits which have identified high priority recommendations will generally be revisited in 2020/21, to ensure successful implementation of agreed recommendations. No critical recommendations have been raised to date in 2019/20 however a number of recommendations falling under our major recommendation category have been raised resulting in inadequate or partial audit opinions most of which have already been reported in the interim reports in September 2019 and January 2020. No high priority weaknesses were identified in reports finalised since January 2020.

Update of 2018/19 Audits with Limited Assurance Opinions and/or Priority 1 Recommendations

3.7 Since April 2019, ten reports and memos have been issued following follow up or re-audit of audits previously issued with a limited opinion. As shown in Appendix B, in four cases priority 1 recommendations had not been addressed and further major recommendations were raised in accordance with our new definitions. In one case a priority 1 recommendations had only been partially addressed and in another case issues with annual reviews which were not directly relevant to the area audited were found again. These matters will be followed up at the social care pathway follow up in March 2020.

Quality Assurance and Improvement Programme

3.9 As shown below, 88% of the client questionnaires indicated the auditees were satisfied with the service. In two cases the auditee gave an unsatisfactory assessment due to delays during the audit and in 3 other cases whilst auditees said they were satisfied , they also did draw attention to delays at their own audits.. In 42% of cases internal audit providers delivered the first draft report within 15 days of the exit meeting.

	Client Questionnaires		Draft Report /Memo Produced within 15 Days of Exit meeting
	Received	Satisfactory	
1st April to 31st December 2019	18	88%	42%
2018/19	20	100%	70%

4. PROGRESS ON INTERNAL CONTROL ENVIRONMENT 2019/20

- 4.1 The weakening in controls in 2018/19 is being monitored as audits are delivered to monitor improvement in the control environment. Under the new CMT approach there is now a specific slot for audit and governance every few weeks. A number of limited assurance audits reports from 2018/19 were deferred at officer request to quarter 4 and these are still ongoing hence it is too early to provide a reasonable prediction of the opinion for 2019/20.

5. RISK MANAGEMENT

- 5.1 Since the last Committee meeting, the memo on the independent review of risk management arrangements has been received and the outcome will be reported separately to the Committee.

6. FRAUD AND IRREGULARITY

National Fraud Initiative (NFI)

- 6.1 The NFI is a biennial data matching exercise first introduced in 1996 and conducted by the Audit Commission to assist in the prevention and detection of fraud and error in public bodies. Bracknell Forest Council is obliged to participate in this. The core mandatory data submitted in the autumn of 2018 was on:

- payroll
- pensions
- trade creditors
- housing waiting lists
- housing benefits (provided by the DWP)
- council tax reduction scheme
- council tax (required annually)
- electoral register (required annually)
- private supported care home residents
- transport passes and permits (including residents' parking, blue badges and concessionary travel)

- licences – market trader/operator, taxi driver and personal licences to supply alcohol
- personal budget (direct payments)

Matches for investigation came through in stages during 2019 and the outcome will be reported in due course.

Benefits Investigations

6.2 A detailed update was provided to the Committee in January 2020 . the next update will be included in the Head of Audit and Risk Management's annual report in June 2020.

Single Person Discount

6.3 During Quarter 3, the Revenues Team started to undertake a further proactive counter fraud exercise on Council Tax Single Person Discount (SPD). This exercise is ongoing and the results will be reported to the Governance and Audit Committee in due course.

Potential Irregularities

6.4 During quarter 4 a number of potential concerns have been raised which Reading Counter Fraud are assisting with. These all relate to external parties and to welfare services.

Fraud Awareness Training

6.5 During quarter 4 we are seeking to arrange a further training session for the People directorate to supplement the Council wide sessions already completed in June and September 2019 and the counter fraud training for bursars in September 2019.

APPENDIX A

DIRECTORATE	AUDITS WITH HIGH PRIORITY ISSUED REPORTED IN PREVIOUS INTERIM REPORTS
COUNCIL WIDE	<p><u>Purchase Cards (Also limited in 2018/19)</u> Four major recommendations were raised in respect of weaknesses in compliance with approval processes, inadequate processes to identify card holders in schools who have left school employment, lack of supporting information for transactions and splitting transactions to circumnavigate delegation limits. It is intended that moving forward Internal Audit will carry out regular sample spot checks and report non-compliance to senior managers. The findings of the audit should be considered in the context of the level of purchase card expenditure for the Council which was £224k for the 12 months to December 2019.</p>
DELIVERY	<p><u>Officers Expenses (Also limited in 2018/19, 2017/18 and 2016/17)</u> Two major recommendations were raised in respect of lack of explanation and/or receipts to support expenditure and system weaknesses in the treatment of VAT for expense transactions. It is intended that moving forward Internal Audit will carry out regular sample spot checks and report non-compliance to senior managers.</p> <p><u>Car Parks (Follow Up Memo. Also limited in 2017/18)</u> One priority one recommendation on income reconciliations had not been addressed and a further major recommendation was raised.</p> <p><u>Cyber Security (Follow Up Memo. Also limited in 2018/19)</u> One major recommendation was raised on documenting the recovery processes for the VOIP telephone system.</p> <p><u>GDPR</u> The audit of GDPR was requested by the Executive Director: Delivery to assess level of compliance with the new Regulations. Ten major recommendations were raised. Audit have been advised that significant work is ongoing to address the gaps in compliance. And that NHS accreditation has now been obtained. We have been asked to bring forward the follow up audit from 2020/21 to February 2020.</p> <p><u>Home to School Transport (Follow Up Memo. Also limited in 2018/19, 2017/18 and 2016/17)</u> A major recommendation was raised again due to weaknesses where DBS checks have not yet been received. Audit have been advised that action will now be undertaken to further mitigate risks by undertaking checks to the manual barred list.</p>
FINANCE	<p><u>Agresso IT System</u> Two major recommendations were raised relating to the absence of a Data Protection Impact Assessment (DPIA)</p>

DIRECTORATE	AUDITS WITH HIGH PRIORITY ISSUED REPORTED IN PREVIOUS INTERIM REPORTS
	and overdue review of the support agreement. Audit have been advised that the support agreement has now been reviewed and is considered to be fit for purpose and a DPIA will now be produced. The opinion also reflects ongoing issues around the system covered by recommendations in previous creditors and officers expenses' audit reports.
PEOPLE	<u>Disabled Facilities Grants</u> One major recommendation was raised due to procurement weaknesses. Audit have been advised that action is being taken to raise awareness with staff and undertake random supervisory checks on procurements.
SCHOOL GOVERNING BODIES	<u>School C</u> Two major recommendations were raised in relation DBS checks for governors and frequency of budget monitoring by governors.

APPENDIX B

AUDITS WHERE HIGH PRIORITY ISSUES HAVE BEEN IDENTIFIED IN PREVIOUS YEARS	CURRENT AUDIT POSITION
COUNCIL WIDE	
● Officers Expenses	Re-audited in quarter 3 and a partial assurance was concluded. See Appendix C.
● Debt Management	Currently being re-audited 4
● Purchase Cards	Re-audited in quarter 3 and an inadequate assurance was concluded. See Appendix C
● Absence Management	Currently being re-audited
● Social Media	Follow up completed in quarter 3 and all recommendations had been implemented
PEOPLE	
● SEN Resource Provisions (Follow Up Memo in 2018/19. Also limited in 2017/18)	To be re-audited in 2020/21
● Personal Education Plans (Follow Up Memo. Also limited in 2017/18)	Followed up in quarter 3 and all recommendations had been implemented
● Forestcare (Follow Up Memo. Also limited in 2017/18)	To be followed up as part of the Council wide debt management audit
● Adult Social Care Pathway (Qtr 4 2017/18 Audit)	To be followed up in quarter 4
● Housing Rents and Deposits	Currently being re-audited
● Adults Residential Care	To be followed up in quarter 4 as part of the Contracts audit
● Direct Payments	Followed up in quarter 3 and one low and two moderate recommendations were raised. Weaknesses were still identified in completion of annual reviews that were raised separately as responsibility for these rests outside of the Direct Payments Team.

● Public Health	To be followed up in quarter 4
● Domiciliary Care	To be followed up in quarter 4 as part of the Contracts audit
DELIVERY	
● Car Parks	Followed up in quarter 3 and one major and one moderate recommendation was raised.
● Cyber Security (Also Limited Assurance in 2017/18)	Followed up in quarter 3 and one major, 4 moderate and one low recommendation were raised.
● IT Asset Management (Also Limited Assurance in 2015/16)	Follow up completed in quarter 3 and all recommendations had been implemented
● Enterprise Agreement	Follow up completed in quarter 3 and all recommendations had been implemented
● Business Rates (Also Limited Assurance in 2017/18)	Recommendations currently being followed up
● Council Tax (Also Limited Assurance in 2017/18)	Recommendations currently being followed up
FINANCE	
● Creditors System (Also limited in 2017/18, 2016/17, 2015/16 and 2014/15)	Currently being re-audited
PLACE, PLANNING AND REGENERATION/FINANCE	
● CIL/S106	Followed up in quarter 3 and three recommendations relating to Finance, one of which was priority one, had only been partially implemented. Further recommendations have been raised which will be followed up again in March 2020.
SCHOOL GOVERNING BODIES	

● School A (Also Limited Assurance in 2017/18)	To be re-audited in quarter 1 of 2020/21
● School L (Also Limited Assurance in 2017/18)	To be re-audited in quarter 1 of 2020/21

APPENDIX C

2018/19 AUDITS

* Draft report produced within 15 working days of exit meeting to discuss audit findings

“D” Audit deferred at service areas request

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AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level			Recommendations Priority			Status
				Significant	Satisfactory	Limited	1	2	3	
COUNCIL WIDE Governance Under the New Structure	29/3/19	27/6/19	X	N/A – Memo. No opinion given				10		Final

2019/20 AUDITS

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendations Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
COUNCIL WIDE Officer Expenses (Ltd 2018/19)	10/6/19	12/8/19	✓			✓			2	5		Final
Debt Management Including the Accounts Receivable Team (Joint audit Ltd 2018/19)	3/2/20											“D” Work In Progress
Purchase Cards (Ltd)	26/9/19	5/12/19	X				✓		4	3		Final

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendations Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
2018/19)												
Absence Management – (Ltd 2018/19)	13/1/20											"D" Work In Progress
Procurement	1/8/19	6/1/20	X		✓				1	5	1	Final
Risk Management	12/12/19	29/1/20	✓	N/A- presentation to Strategic Risk Management Group and memo								Final
Revenue Budgeting/Transformation savings	7/10/19	22/1/20	X									Received for client side review
Alternative Delivery Models Governance	22/10/19	16/12/19	X	N/A advisory review setting on best practice governance for alternative delivery models								Final
IT AUDIT Social Media Follow Up (Ltd 2018/19)	12/11/19	22/11/19	✓	N/A Follow up with no opinion								"D". Final
Cyber liability Follow Up (Ltd 18/19)	16/10/19	29/11/19	X	N/A Follow up with no opinion					1	4	1	Final
IT asset management (Ltd 18/19)	26/9/19	24/10/19	✓	N/A Follow up with no opinion								Final
Enterprise Agreement Follow Up (Ltd 18/19)	15/10/19	28/11/19	X	N/A Follow Up. Incorporated into the Enterprise Programme review report								Final
Enterprise Programme (365 Project) Review	15/10/19	28/11/19	X		✓				Final		4	Final
Remote Access VPN Solution	16/10/19	29/11/19	X		✓					2	4	D". Final
ICT Continuity Management	27/1/20	25/2/20										Received for client side review
GDPR	6/6/19	19/7/19	✓				✓		12	10	2	Final
Agresso IT system	13/5/19	19/7/19	✓			✓			2	4	1	Final

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendations Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Business Rates- Follow Up	8/12/19											progress
Creditors	10/2/20											Work in progress
CIL/S106 Follow Up (Ltd 2018/19)	15/7/19	28/10/19	X	N/A -follow up without an opinion						3		Final
CIL/S106 Second Follow Up												Quarter 3 audit
PLACE, PLANNING, AND REGENERATION Ringway contract – street lighting	30/11/20	3/3/20										Received for client side review
Public Transport	15/7/19	25/9/19	X		✓					5		Final
The Look Out	30/9/19	6/1/20	X		✓					3	1	Final
Highways Network Management	8/7/19	2/8/19	✓		✓					3		Final
ORGANISATIONAL DEVELOPMENT, TRANSFORMATION AND HUMAN RESOURCES Pre-Employment Checks Including DBS	8/11/19		X	✓							!	Final
DELIVERY Libraries including use of volunteers –joint audit	3/12/19											"D". Work in progress
Car Parks Follow Up	4/11/19	26/11/19	✓	N/A -follow up without an opinion					1	1		Final

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendations Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
(Ltd 2017/18)												
Electoral Registration	21/10/19	13/11/19	✓	✓							4	Final
Registrars	8/7/19	22/8/19	✓	✓							2	Final
Members Expenses and Governance Declarations	2/12/19	27/1/20	✓	✓								Final
Waste Collection-management of Suez	16/9/19	31/10/19	X	✓							2	Final
Home to School Transport Follow Up (Ltd 16/18, 17/18, 18/19)	8/7/19	31/7/19	✓	N/A – follow up memo. No opinion given				1				Final
PEOPLE Contracts governance and monitoring in adults and children												"D". Quarter 4 audit
Hospital Discharge and Reablement	5/8/19	21/10/19	X		✓					4	2	Final
Blue Badges	14/10/19		X		✓				1			Final
Continuing Care												Audit cancelled. To be audited in 2020/21
Deprivation of Liberties	27/1/20	9/3/20										Received for client side review
Social Care Pathway Follow up (Ltd 2017/18)												"D". Quarter 4 audit.

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendations Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Domiciliary Care Follow up (Ltd 2018/19)												To be followed up as part of the Contracts audit in Quarter 4
ASC Residential care contracts Follow up (Ltd 2018/19)												"D". To be followed up as part of the Contracts audit in Quarter 4
Direct payments Follow up (Ltd 2018/19)	16/9/19	24/9/19	✓	N/A – follow up memo. No opinion given						2	1	Final
CSC Residential Contracts	24/6/19	11/7/19	✓		✓					2	1	Final
Parenting assessments under FSM												Audit cancelled. To be audited in 2020/21
Multi Agency Strategy Meetings	5/9/19	23/10/19	✓		✓					3	1	Final
Fostering reviews												Quarter 4 audit
Forestcare Follow Up (Ltd 2017/18 and 2018/19)												"D". To be followed up as part of the

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendations Priority				Status	
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low		
												Council wide debt manage't audit in Quarter 4	
Housing Benefit and Council Tax Reduction	20/1/20											Work in progress	
Housing Rents and Deposits Re-Audit joint audit (Ltd 2018/19)	27/1/20											Work in progress	
Homelessness												Audit cancelled. To be audited in 2020/21	
Disabled Facilities Grants	22/7/19	9/8/19	✓				✓			1	2	1	Final Additional audit in lieu of above cancelled audit.
Nursery places	3/6/19	11/7/19	✓		✓					2	1	Final	
Public Health Follow Up (Ltd 18/19)												Quarter 4 audit	
SEN	23/9/19	19/12/19	X		✓					2		"D". Final	
PEP Follow up (Ltd 2017/18 and 2018/19)	July 2019	24/10/19	X	N/A – follow up memo. No opinion given								Final	
Services to Schools												Audit cancelled.	

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendations Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
												To be audited in 2020/21
SCHOOLS School A (follow up -Ltd 2017/18 and 2018/19)												Audit cancelled. To be audited in 2020/21
School B (School limited in 2016/17)	17/6/19	11/7/19	✓		✓					4	1	Final
School C (due 2018/19 but deferred)	5/6/19	7/8/19	X			✓			2	8	1	Final
School D	1/7/19	7/8/19	X		✓					1	2	Final
School E	21/10/19	6/2/20	X		✓					6		Draft issued
School F												Audit cancelled. To be audited in 2020/21
School G	12/11/19	3/2/20	X		✓					5	1	Final
School H	9/12/19											Work in progress
School I	8/1/20											Work in progress
School J	28/11/19											Work in progress
School K	20/11/19	11/2/20			✓					4		Work in progress
School L (follow up -Ltd 2017/18 and 2018/19)												Audit cancelled.

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendations Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
												To be audited in 2020/21
THEMED SCHOOL AUDITS Safeguarding/Governance												Audit cancelled

OFFICIAL SENSITIVE

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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**TO: GOVERNANCE AND AUDIT COMMITTEE
25TH MARCH 2020**

INTERNAL AUDIT PLAN 2020/21 (Head of Audit and Risk Management)

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to set out the underlying principles applied in the Internal Audit planning process and seek the Governance and Audit Committee's approval of the Internal Audit Plan for 2020/21.

2 EXECUTIVE SUMMARY

- 2.1 To review and approve the Annual Internal Audit Plan.

3 RECOMMENDATION

- 3.1 **To approve the Internal Audit Plan for 2020/21 attached at Appendix A.**

4 REASONS FOR RECOMMENDATION

- 4.1 To ensure that the Council meets its statutory responsibilities for internal audit.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 There is no alternative option.

6 SUPPORTING INFORMATION

INTERNAL AUDIT PLAN

Internal Audit Requirements

- 6.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." The Council delegates its statutory responsibilities for the provision of the internal audit service under the Accounts and Audit (England) Regulations 2015 to the Borough Treasurer.

- 6.2 More specifically, Internal Audit aims to: -

- satisfy the legal requirements of a Local Authority Internal Audit Service and provide an annual opinion on the adequacy of the Council's control environment risk management and governance processes;
- comply with Public Sector Internal Audit Standards;

- examine, evaluate and report independently and objectively on the adequacy of management's arrangements to secure the proper use of resources (economy, efficiency and effectiveness);
 - assist management in achieving its objectives, managing its risks and establishing and maintaining adequate systems of internal control;
 - assist management, where appropriate, in the investigation of alleged fraud, theft, corruption or other irregularity; and
 - ensure External Audit can place reliance on Internal Audit's work to inform their planning, avoid duplication and minimise audit fees.
- 6.3 Internal Audit provides independent assurance on the control environment but for Internal Audit to provide full assurance on all activities and transactions across the organisation, the Council would need to commit significantly more resources to internal audit services than is realistically available. Historically, the Council has taken the view that spend on internal audit should be limited to only what is necessary to undertake sufficient audit work to enable an annual evidence based opinion to be given. Responsibility for the prevention and detection of fraud rests with management. However, in undertaking all audit assignments audits are mindful to the risk of fraud and fraud and look to ensure that managers have put adequate procedures in place to address the risk of fraud.
- 6.4 The approach to schools audits changed three years ago and schools are now risk assessed on a cyclical basis to identify if an audit visit is required.
- 6.5 Delivery of the audits in the Council's internal audit plan is outsourced. Internal audit services are delivered via two main sources. Mazars LLP and TIAA Ltd whilst a small proportion of general audits are carried out by Wokingham Council Internal Audit Team and some are carried out in-house, including most grant claims. Counter fraud training will be delivered by Reading Borough Council Fraud Investigation Team.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

7.1 Nothing to add.

Borough Treasurer

7.2 There are no financial implications arising from the report. However, a strong internal control environment helps ensure that the Council is not exposed to unexpected financial risks and ensure value for money. The Internal Audit programme is focused primarily on key financial controls as well as high risk areas identified by the Head of Internal Audit and senior managers across the organisation. As such, it is to be expected that some areas may receive limited assurance reports. Where weaknesses are identified it is important that they are addressed as quickly as possible.

Equalities Impact Assessment

7.3 Not applicable.

Strategic Risk Management Issues

- 7.4 Robust internal audit arrangements are an important part of effective risk management. Audit plans should be targeted to areas of greatest risk to the Council and individual internal audit reviews should focus on controls in place to mitigate risk and highlight any gaps in assurance.

8 CONSULTATION

Principal Groups Consulted

- 8.1 The Chief Executive, Director of Finance, Borough Solicitor, Directors and Assistant Directors, ICT and the Council's external auditors and the Council's internal audit services contractors (Mazars and TIAA), DMTs and CMT.

Method of Consultation

- 8.2 The development of the Annual Internal Audit Plan for 2020/21 has involved extensive consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered. This was based on one to one discussions with senior officers noted above and Mazars and TIAA as our key internal audit service providers for general and IT audit.

Representations Received

- 8.3 Not applicable.

Background Papers

Public Sector Internal Audit Standards

Contact for further information

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APPENDIX A

BRACKNELL FOREST COUNCIL

INTERNAL AUDIT PLAN 2020/21

Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Executive Directors/ Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be discussed and agreed with the S151 officer.

The Internal Audit Team

The internal audit service is led by Sally Hendrick, Head of Audit and Risk Management supported by Michele Woodhatch, Internal Audit Contract Manager. Delivery of audits is mainly outsourced to Mazars LLP, with some general audit work being undertaken by Wokingham Council internal audit team and all IT audit work being carried out by TIAA Ltd. In addition, counter fraud support is provided by Reading Borough Council Fraud Investigation Team.

Conformance with internal auditing standards

The internal audit service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In March 2016, Ian Withers, the Audit and Governance Manager at the London Borough of Croydon was commissioned to complete an external quality assessment of Bracknell Forest Council's internal audit services against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by a credible source. Ian Withers holds a master's degree in internal audit and management (MSc), is a fully qualified member of the Chartered Institute of Public Finance & Accountancy (CPFA) and the Chartered Institute of Internal Auditors (CMIIA and FCIIA). He has more than thirty years' experience of internal audit including eleven years as a local government Head of Internal Audit and previous experience of conducting numerous similar reviews at major public sector organisations.

In considering all sources of evidence the external assessor concluded:

'Based on the scope of the work carried out, the overall conclusion of this review is that internal audit at Bracknell Forest Council GENERALLY CONFORMS with the Public Sector Internal Audit Standards with a high level of compliance.'

Some minor areas for improvement were identified.

Conflicts of Interest

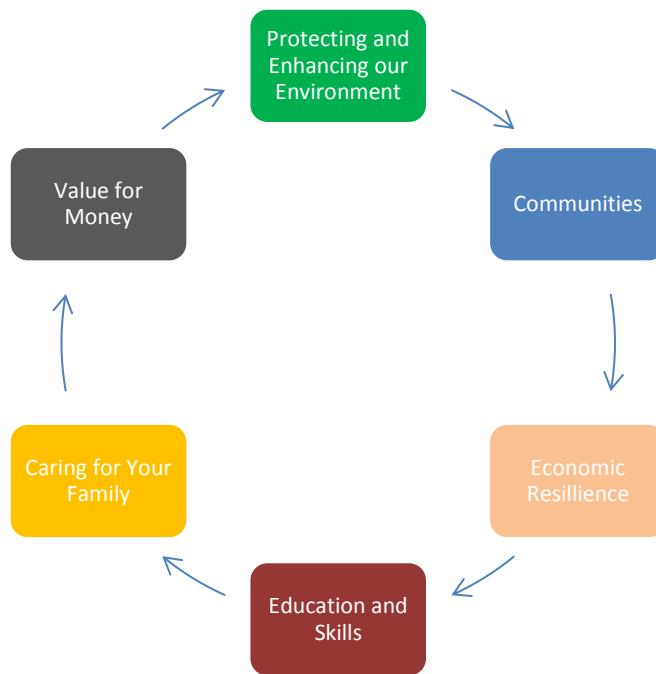
We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

The Council Plan

The Public Sector Internal Audit standards state that:

"The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals"

The organisation's current goals are set out in the Council Plan 2019 -2023 which was developed to address the financial challenges facing the Council and deliver the commitments made in the 2019 election manifesto. The 2020/21 Internal Audit Plan has been developed to link to the organisation's current goals as set out in the strategic themes in the Council Plan 2019-2023 as set out below:



Council Risk

The Council has a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

REF.	STRATEGIC RISK
Risk 1	Finance
Risk 2	Staffing
Risk 3	Brexit
Risk 4	School Places
Risk 5	Demands for Services
Risk 6	Adult Social Care Supply Chain
Risk 7	Safeguarding
Risk 8	IT Strategy and Digital Infrastructure
Risk 9	Cyber
Risk 10	Information Security
Risk 11	Business Continuity
Risk 12	Internal Control Environment
Risk 13	Housing Health and Safety
Risk 14	Coronavirus

Developing the internal audit plan 2020/21

We have used various sources of information and discussed priorities for internal audit with the following groups:

- Chief Executive
- Corporate Management Team
- Directorate Management Teams
- Executive Directors/Directors
- Assistant Directors
- ICT
- Internal Audit Providers

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the organisation the Head of Audit and Risk Management has developed an annual audit plan for the coming year.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. We will however continue to monitor closely the of other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained



2020/21 INTERNAL AUDIT PLAN

AUDIT	DAYS BY QUARTER				TOTAL DAYS	TOTAL DAYS 2019/20
	Q1	Q2	Q3	Q4		
1.GOVERNANCE	15	12	15	31	73	61
2.COUNCIL WIDE AUDITS	15	47	10	20	92	105
3.CORE FINANCIAL SYSTEMS	17	7	41	10	75	68
4.IT AUDIT	29	13	19	10	71	57
5.PLACE, PLANNING, AND REGENERATION	0	10	14	0	24	25
6.ORGANISATIONAL DEVELOPMENT, TRANSFORMATION AND HUMAN RESOURCES	0	0	15	0	15	8
7.DELIVERY	20	0	30	7	57	47
8.PEOPLE	31	51	32	32	146	99
9.SCHOOLS	8	0	15	15	38	47
TOTAL	135	140	191	125	591	517

DETAILED BREAKDOWN

1.GOVERNANCE

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Strategic Theme (s)
Officer Expenses (Ltd 2018/19 and 2019/20)	7	7	0	0	0	Director of Finance	1	Value for Money
Safeguarding governance arrangements	7	0	0	7	0	Executive Director:People	7	Caring for Your Family
Security camera controls including assignment of responsibility and consistency of and compliance with specification requirements	7	0	0	0	7	Executive Director:Delivery	7&10	Caring for Your Family
Business Continuity	15	0	0	0	15	Executive Director:Delivery	11 & 14	Caring for Your Family
Counter Fraud Counter Fraud Training	5	1	1	1	2	Director of Finance	1-12	Value for Money
Proactive and reactive fraud	20	5	5	5	5	Director of	1-12	Value for

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Strategic Theme (s)
work						Finance		Money
Grant Certifications Bus Service Operator	1	0	1	0	0	Director of Place, Planning and Regeneration	1	Value for Money
Integrated Transport Block Allocation	3	0	3	0	0	Director of Place, Planning and Regeneration	1	Value for Money
Troubled Families	8	2	2	2	2	Executive Director: People	1	Caring for Your Family
TOTAL	73	15	12	15	31			

2. COUNCIL WIDE

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor(s)	Strategic Risk	Strategic Theme (s)
Income targets/projects/digital analysis/assessment of statutory responsibilities supporting the budget setting process	15	15	0	0	0	Director of Finance	1	Value for Money
Purchase Cards (Ltd 2018/19 and 2019/20)	10	0	10	0	0	Director of Finance	1	Value for Money
Debt management	10	0	0	0	10	Director of Finance	1	Value for Money
Mileage and Essential Car User	12	0	12	0	0	Director of OD, transformation and HR	1	Value for Money
Additional staff payments advisory review – honorariums, retention payments, market premiums, pay protections	15	0	15	0	0	Director of OD, transformation and HR	1	Value for Money
Contingency	30	0	10	10	10			
TOTAL COUNCIL WIDE AUDITS	92	15	47	10	20			

3. CORE FINANCIAL SYSTEMS

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Strategic Theme (s)
Main Accounting and Reconciliations	10	0	0	10	0	Director of Finance	1	Value for Money
Staff establishment costs (Joint HR and Finance audit budgeted under OD, Transformation and HR)	0	0	0	0	0	Director of Finance	1	Value for Money
Cash Management	7	0	7	0	0	Director of Finance	1	Value for Money
Council Tax	10	10	0	0	0	Director of Finance	1	Value for Money
Business Rates	10	10	0	0	0	Director of	1	Value for

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Strategic Theme (s)
						Finance		Money
Creditors	12	0	0	0	12	Director of Finance	1	Value for Money
Housing Benefit and Council Tax Reduction	15	0	0	15	0	Executive Director: People	1	Value for Money
TOTAL	75	17	7	41	10			

4. IT AUDIT

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4		Strategic Risk	Strategic Theme (s)
Cyber liability	9	0	0	9	0	Executive Director:Delivery	9	Value for Money
Data Maturity Model	10	10	0	0	0	Executive Director:Delivery	1	Value for Money
Digital Strategy and ICT Strategic Planning	9	0	9	0	0	Executive Director:Delivery	8	Value for Money
Emergency Duty Service System including telephony	9	0	0	9	0	Executive Director:People	7	Caring for Your Family
One System- Education	9	9	0	0	0	Executive Director: People		Education and skils
Uniform System	9	9	0	0	0	Director of Place, Planning and Regeneration		Protecting and Enhancing the Environment
Forestcare IT systems including telephony	9	0	0	0	9	Executive Director:People	7	Caring for Your Family
Agresso (Follow up- partial assurance 2019/20)	3	0	3	0	0	Director of Finance	1	Value for Money
IT Audit Management	4	1	1	1	1	Executive Director:Delivery		
TOTAL	71	29	13	19	10			

5. PLACE, PLANNING, AND REGENERATION

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Strategic Theme (s)
Spending processes and controls in parks and countryside- advisory review	7	0	0	7	0	Director of Place, Planning and Regeneration	1	Protecting and Enhancing the Environment
SANG – general compliance audit including records, maintenance contracts and enhancements.	10	0	10	0	0	Director of Place, Planning and Regeneration	1	Protecting and Enhancing the Environment
S106 – Use of the monies in compliance with development in the	7	0	0	7	0	Director of Place, Planning and Regeneration	1	Value for Money

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Strategic Theme (s)
relevant geographic area								
TOTAL	24	0	10	14	0			

ORGANISATIONAL DEVELOPMENT, TRANSFORMATION AND HUMAN RESOURCES

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Strategic Theme (s)
Staff Establishment	15	0	0	15	0	Director of OD, transformation and HR	1 and 2	Value for Money
TOTAL	15	0	0	8	0			

7. DELIVERY

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Strategic Theme
Health and Safety	10	0	0	10	0	Executive Director:Delivery	1 & 13	Communities
Commercial Property	10	10	0	0		Executive Director:Delivery	1	Value for Money
Reactive Maintenance Contracts	10	0	0	10	0	Executive Director:Delivery	1	Value for Money
Cemetery and Crematorium	7	0	0	0	7	Executive Director:Delivery	1	Value for Money
Public Protection Partnership	10	10	0	0	0	Executive Director:Delivery	1 & 13	Value for Money
Car Parks	10	0	0	10	0	Executive Director:Delivery	1	Value for Money
TOTAL	57	20	0	30	7			

8. PEOPLE

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Startegic Theme
Transport in CTPLD-advisory piece	7	7	0	0	0	Executive Director:People	1 & 7	Value for Money
Equipment Spend	7	7	0	0	0	Executive Director:People	1	Value for Money
Direct payments-approval of plans and changes, identifying and following up potential frauds- advisory piece	10	0	10	0	0	Executive Director:People	1 & 7	Value for Money
Continuing Health Care	10	0	0	0	10	Executive	1 & 7	Value for

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Startegic Theme
						Director:People		Money
Breakthrough	5	0	0	0	5	Executive Director:People	1	Communities
Transition from children's to adults	10	0	10	0	0	Executive Director:People	7	Caring for your Family
Foster Panel Processes-advisory audit	7	7	0	0	0	Executive Director:People	7	Caring for your Family
Foster Panels-compliance audit	7	0	0	0	7	Executive Director:People	7	Caring for your Family
Parenting assessments under FSM	7	0	0	7	0	Executive Director:People	7	Caring for your Family
Strategy Meetings	7	0	7	0	0	Executive Director:People	7	
Deferred payments	7	0	7	0	0	Executive Director:People	1	Value for Money
Access to Services-advisory piece	10	0	0	0	10	Executive Director:People	1 & 7	Value for Money
DAAT- inspection outcome implementation of actions coming out of the inspection	7	0	7	0	0	Executive Director:People	7	Caring for your Family
Glenfield- mental health supported living	5	0	0	5	0	Executive Director:People	7	Caring for your Family
Emergency Duty Service	10	0	0	10	0	Executive Director:People	7	Caring for your Family
Housing Management	10	0	0	10	0	Executive Director:People	13	Communities
Housing and welfare fraud touchpoints	10	0	10	0	0	Executive Director:People	1	Value for Money
Disabled Facilities Grants- advisory piece	10	10	0	0	0	Executive Director:People	1	Communities
TOTAL	146	31	51	32	32			

9. SCHOOLS

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Startegic Theme
School A I (follow up -Ltd 2017/18 and 2018/19)	2	2	0	0	0	Executive Director:People	1	Value for Money
School B	4	4	0	0	0	Executive Director:People	1	Value for Money
School C (follow up -Ltd 2018/19)	2	2	0	0	0	Executive Director:People	1	Value for Money
SCHOOL AUDIT CONTINGENCY FOR SCHOOLS ON ROTATION	30	0	0	15	15	Executive Director:People	1	Value for Money
TOTAL	38	8	0	15	15			

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Agenda Item 10

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