



**Bracknell Forest
Council
Audit results report**

Year ended 31 March 2019

March 2020



EY

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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

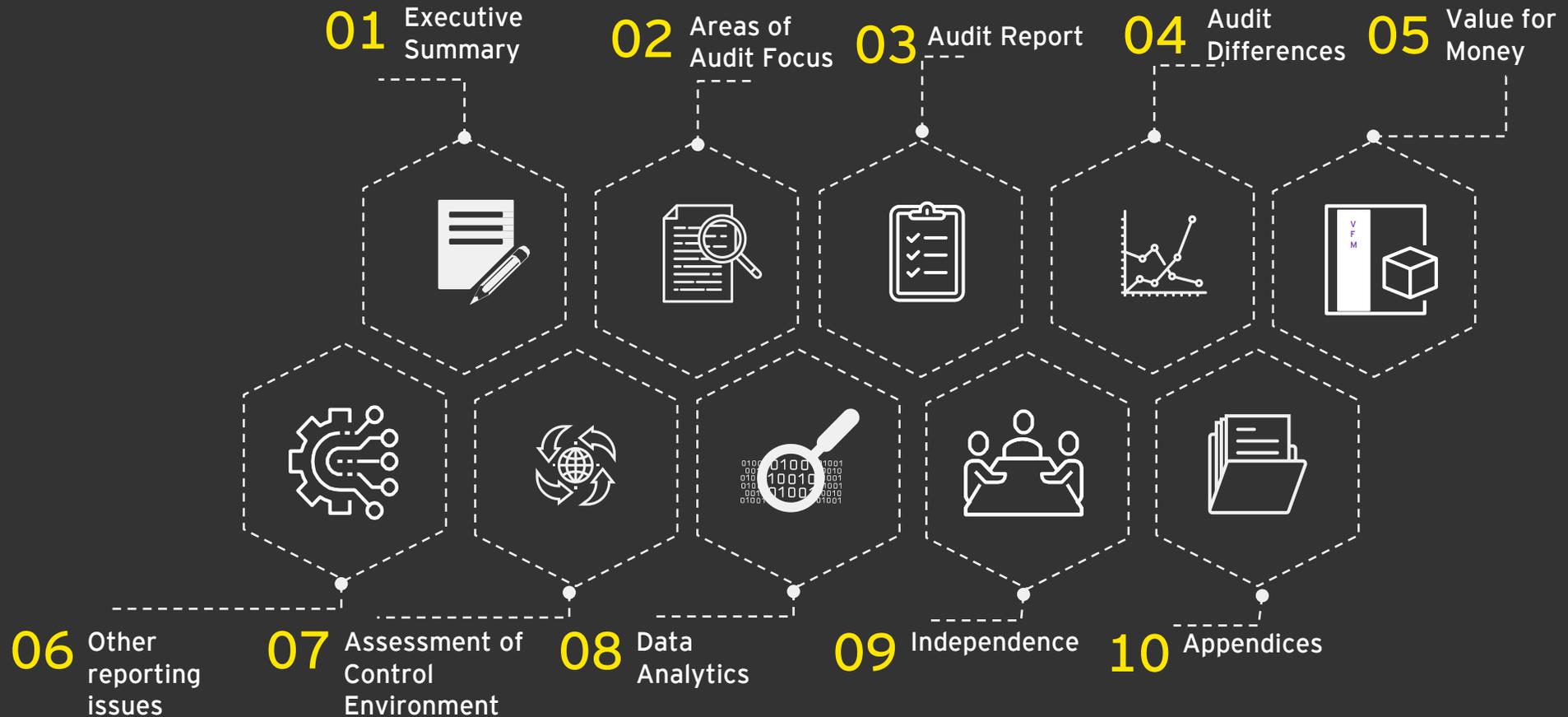
Andrew Brittain

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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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.



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, we 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.

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.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

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

What judgements are we focused on?

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

What did we do?

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

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

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

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

What are our conclusions?

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

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

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



Areas of Audit Focus

Significant risk

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 in year financial transactions that impact the medium to longer term projected financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

What judgements are we focused on?

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

What did we do?

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

- ▶ Tested a sample of capital expenditure at a lower testing threshold, to verify that revenue costs had not been inappropriately capitalised;
- ▶ 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.

What are our conclusions?

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



Areas of Audit Focus

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.

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 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.

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.

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><u>NDR Appeals Provision</u></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><u>PFI Accounting</u></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.

Other areas of audit focus (continued)

What is the risk/area of focus?

IFRS 9 Financial instruments

This new accounting standard is applicable for local authority accounts from this financial year and changes:

- how financial assets are classified and measured;
- how the impairment of financial assets are calculated; and
- the disclosure requirements for financial instruments.

IFRS 15 Revenue from contracts with customers

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.

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.

What we found

We:

- ▶ 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.

We have no issues to report.

We:

- ▶ 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.

We have no issues to report.



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 have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the 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.

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.

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

04 Audit Differences



Audit Differences

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

Summary of adjusted differences

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.

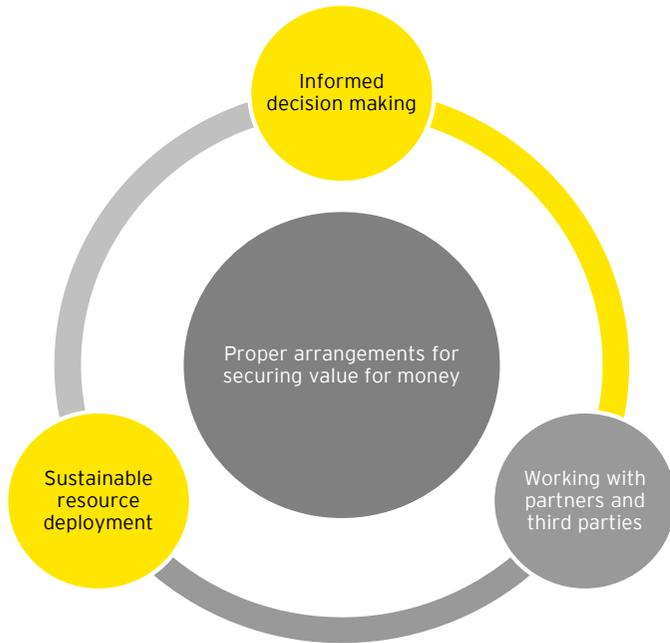


05

Value for Money Risks



Value for Money



Background

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

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

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

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

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

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

Overall conclusion

We identified two 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>	<p>Deploy resources in a sustainable manner</p>	<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>	<p>Deploy resources in a sustainable manner</p>	<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 legalisation, 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.



06 Other reporting issues

Other reporting issues

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

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

- 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 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.



07

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.



09

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.

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your 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	£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.

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

10 Appendices

Appendix A

Required communications with the 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:

 Our Reporting to you		
Required communications	 What is reported?	  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

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about 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 we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and those charged with governance 	Audit results report (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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