



BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

TELEPHONE: 020 8464 3333

CONTACT: Graham Walton
graham.walton@bromley.gov.uk

DIRECT LINE: 0208 461 7743

FAX: 020 8290 0608

DATE: 20 November 2019

To: Members of the

GENERAL PURPOSES AND LICENSING COMMITTEE

Councillor Pauline Tunnicliffe (Chairman)

Councillor Stephen Wells (Vice-Chairman)

Councillors Gareth Allatt, Vanessa Allen, Mary Cooke, Robert Evans, Kira Gabbert, Josh King, Christopher Marlow, Russell Mellor, Tony Owen, Neil Reddin FCCA, Melanie Stevens, Harry Stranger and Michael Turner

A special meeting of the General Purposes and Licensing Committee will be held at Bromley Civic Centre on **THURSDAY 28 NOVEMBER 2019 AT 7.00 PM**

MARK BOWEN

Director of Corporate Services

Copies of the documents referred to below can be obtained from
<http://cds.bromley.gov.uk/>

A G E N D A

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

2 DECLARATIONS OF INTEREST

3 QUESTIONS

In accordance with the Council's Constitution, general questions are not taken at special meetings.

Questions specifically on reports on the agenda should be received within two working days of the normal publication date of the agenda. Please ensure that any questions specifically on reports on this agenda are received by the Democratic Services Team by **5pm on Friday 22nd November 2019.**

4 AUDIT OF FINANCIAL STATEMENTS 2018/19 (Pages 3 - 150)

.....

This page is left intentionally blank

Report No.
FSD19104

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: GENERAL PURPOSES AND LICENSING COMMITTEE

Date: 28th November 2019

Decision Type: Urgent Non-Executive Non-Key

Title: AUDIT OF FINANCIAL STATEMENTS 2018/19

Contact Officer: Tracey Pearson, Chief Accountant
Tel: 0208 313 4323 E-mail: Tracey.Pearson@bromley.gov.uk

Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

1.1 This report sets out the Council's 2018/19 pension fund accounts for approval by Members in accordance with the requirements of the Accounts and Audit Regulations 2015 and provides an update on the audit of the Council's main accounts. The report also details the conclusions and significant issues arising from the work carried out in relation to the audit of the 2018/19 accounts.

2. **RECOMMENDATION(S)**

2.1 **The Committee is requested to:**

- (a) Approve the Council's pension fund accounts for 2018/19 (Appendix 4);
- (b) In accordance with the requirements of the Accounts and Audit Regulations 2015, authorise the Chairman of this Committee to sign and date the pension fund statements on page 40 as a formal record of the Committee's approval;
- (c) Note that the audit of the Council's main accounts is not yet concluded (paras 3.5 to 3.9)
- (d) Consider the external auditor's reports on the Council's main accounts (Appendix 1) and pension fund Accounts (Appendix 2);
- (e) Note the auditor's conclusion on Value for Money (VFM);
- (f) Confirm agreement with the auditor's conclusion on their independence and objectivity;
- (g) Note the objections to the accounts as set out in paras 3.21 to 3.23;

- (h) Authorise the Chairman of this Committee to sign the letter of representation for the 2018/19 pension fund audit on behalf of the Council (Appendix 3);**
- (i) Approve the Annual Governance Statement which accompanies the statutory statement of accounts (Appendix 5).**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None arising directly from this report
-

Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Excellent Council
-

Financial

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Council wide
 4. Total current budget for this head: £151m 2018/19 budget (excluding GLA precept)
 5. Source of funding: N/A
-

Personnel

1. Number of staff (current and additional): 2,038 fte posts (per 2018/19 Budget) which includes 504 for budgets delegated to schools
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: Statutory Requirement: The statutory duties relating to financial reporting are covered within the Local Government Act 1972, the Local Government Finance Act 1998, the Local Government Act 2000, the Local Government Act 2002 and the Accounts and Audit Regulations 2015.
 2. Call-in: Not Applicable
-

Procurement

1. Summary of Procurement Implications: None arising directly from this report
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2018/19 final accounts reflect the financial impact of the Council's strategies and service plans which impact on all of the Council's customers, including council tax payers and users of our services.
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Council Wide

3. COMMENTARY

- 3.1 The Accounts and Audit Regulations 2015 require the Statement of Accounts to be considered and approved by resolution of a Committee or Full Council. Following approval, the Statement of Accounts must be signed and dated by the person presiding at the meeting at which that approval was given.
- 3.2 Before the Committee is able to approve, the Director of Finance must re-confirm on behalf of the authority that he is satisfied that the Statement of Accounts presents a true and fair view of the financial position of the authority at the end of the financial year and of the authority's income and expenditure for that year.
- 3.3 Following approval, but no later than 31st July, the authority must publish the Statement of Accounts together with any audit certificate or opinion, the Annual Governance Statement and the Narrative Statement. Where an audit of accounts has not been concluded before the 31st July the authority must publish a notice stating that it has not been able to publish the Statement of Accounts and its reasons for this. The Statement of Accounts must then be published "as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit".
- 3.4 This is the second year of the new accelerated accounts closure timetable implemented under the Accounts and Audit Regulations 2015. The pre-audited accounts must be signed and certified by the Responsible Financial Officer by 31st May (previously 30th June) and the audited accounts must be published by 31st July (previously 30th September). The draft accounts were approved by the Director of Finance on 31st May 2019 and were published on the Council's website. The audit commenced on 3rd June 2019.
- 3.5 The audit has not progressed as smoothly or quickly as planned and a briefing document was issued to Members of this Committee on 18th July 2019 providing some background and setting out the reasons for the delay in completion of the audit. A 'Notice of Delayed Audit' was published on the Council's website on 31st July 2019.
- 3.6 Ernst & Young LLP (EY) have not yet been able to conclude their audit of the Council's main accounts due to issues relating to asset valuations. In all other respects the audit is now substantially complete. The Council's valuations are carried out by Cushman and Wakefield (C&W) under the responsibility of the Assistant Director – Strategic Property. As set out on page 12 of the auditor's report (Appendix 1) their work identified pervasive and material errors in the external valuation of the Council's land and buildings. These errors covered both the accuracy of base data used to inform the valuations, eg. floor areas, and the key assumptions made by the valuer, eg. estimates of asset yield. C&W have since re-valued 59 properties and the Glades was re-valued by Knight Frank. The external auditor's valuation specialists, EY Real Estate (EYRE) have reviewed a sample of 16 of these in detail and are satisfied that the revised valuations produced are materially accurate.
- 3.7 Under the requirements of the CIPFA Code of Practice on Local Authority Accounting (the Code), items of property, plant and equipment (PPE) are normally revalued once every five years (as a minimum) barring any unusual movement in the value of a particular asset class which may require more frequent or one-off valuations. This is done using a rolling programme and provides sufficient regularity to ensure that the carrying amount does not differ materially from the current value at the end of the reporting period. Investment Properties (IP) are required to be revalued annually to ensure that the carrying value reflects market conditions at the end of the reporting period. The value of PPE and IP represent significant balances in our accounts (£0.6bn). The Code's adoption of IAS16 requires that the carrying value of non-current assets in local authority Balance Sheets are materially accurate at 31st March.

- 3.8 As a result of material variations between the original and revised valuations, combined with a lack of consistency in the type of error, there is no reasonable way to argue that the errors are isolated to the assets reviewed or that the results of the revised valuations could be extrapolated. It will therefore be necessary for the Council to produce and account for the impact on our financial statements, effectively re-stating both the 2017/18 and 2018/19 accounts (prior period adjustment). In order to do this C&W will be required to undertake a full revaluation exercise and re-value 100% of the Council's assets, a further 361 properties as at 31st March 2019. This will then be used as a starting point from which to apply backward indexation to determine values as at 31st March 2018 and 1st April 2017. For assets that have been disposed of during this period, or those that have transferred between asset classes, further valuations may be required.
- 3.9 Officers are in discussion with C&W concerning a timetable for this work to be complete and have provided an initial deadline of 31st December 2019. This is to allow the time necessary for officers to re-state the accounts and for EY to audit those restatements. It is critical that this is concluded prior to 31st March 2020 to avoid any further impact which could, in turn, result in delays in producing the 2019/20 accounts. At the time of writing, C&W have yet to confirm whether this is achievable and a verbal update will be provided at the meeting.
- 3.10 The audit of the Council's pension fund accounts is substantially complete and the pension fund statement of accounts is attached at Appendix 4. At the time of writing, the auditors anticipate issuing an unqualified audit opinion on the pension fund financial statements. In accordance with the Accounts and Audit Regulations 2015 the Director of Finance, as responsible financial officer, has authenticated and signed the amended pension fund accounts and the authorised for issue date has been updated to 28th November 2019.
- 3.11 The Local Government Pension Scheme Regulations 2013 require the pension fund annual report to be published on or before 1st December. The pension fund accounts form an integral part of the annual report and the external auditor's opinion on the pension fund statement of accounts must also be included. Members are therefore requested to approve the pension fund accounts for 2018/19 as set out in Appendix 4.
- 3.12 Although not specifically required by legislation, the annual report should be formally reviewed by Pensions Investment Sub-Committee and authorised by the Chairman and the Director of Finance. This should not be confused with the separate process for the review and approval of the Council's accounts. As the audit had not yet concluded, a draft annual report was reported to Pensions Investment Sub-Committee on 24th July 2019. At its meeting on 27th August 2019, the Pensions Investment Sub-committee agreed to delegate authority for approving the final annual report to the Director of Finance in consultation with the Chairman and Vice-Chairman following conclusion of the audit. This was to enable the annual report to be published before the statutory deadline of 1st December. The annual report will then be presented to the Sub-Committee at its meeting on 3rd December for information.
- 3.13 The external auditors, EY, have issued their report on the main financial statements and accounts for 2018/19 (Appendix 1) and the pension fund accounts (Appendix 2). These reports include the findings from the interim and final audits and recommendations for improvement. As the audit for the main accounts is not yet concluded, both the audit report and the management representation letter included in Appendix 1 are in draft form at this stage. A final audit results report will be presented to this Committee following conclusion of the audit.

- 3.14 In accordance with ISA260, the auditors are required to report all uncorrected audit differences, other than those that they believe are clearly trivial, to those charged with governance. They are also required to report any material misstatements which have been corrected and which they believe should be communicated to the Committee to assist in fulfilling governance responsibilities. A number of amendments will be required to correct for the material errors in the valuation of the Council's long term physical assets in both the current and previous year accounts. A number of other amendments have been made to the financial statements as a result of the audit work which the auditors do not consider to be sufficiently significant to bring to the Committee's attention. None of these matters have an impact on the Council's revenue accounts or general fund balance. There are no non-trivial audit differences which remain uncorrected on either the pension fund or the financial statements.
- 3.15 As required by ISA 260 and other ISAs specifying communication requirements, the auditors are required to inform the Committee of any significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. There are no matters that the auditors wish to draw to the attention of the Committee other than those highlighted in the auditor's report.
- 3.16 The auditor's report also reviews accounting systems and systems of internal control as part of an assessment of the control environment. They are required to report to this Committee any significant deficiencies in internal control. They have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the financial statements. They have, however, identified three areas where internal control should be improved and these are included on pages 31 to 33 of Appendix 1 (the same three recommendations are included on pages 21 to 23 of Appendix 2). There are a further two recommendations arising from the valuation of land and buildings and these are included on page 13 of Appendix 1.
- 3.17 Value For Money (VFM) Conclusion
- 3.17.1 The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the Authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'. 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". At planning, the auditors identified no significant risks relating to the Council's arrangements. As part of their year-end programme of work they have updated their understanding of the Council's arrangements including consideration of the financial outturn and remain satisfied that there are no significant risks. As a result they expect to issue a conclusion that they are satisfied the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of the resources for the year ended 31st March 2019.
- 3.18 2018/19 is the first year that the audit has been undertaken by EY who were appointed as Bromley's external auditors from 1st April 2018. Public Sector Audit Appointments (PSAA) is responsible for appointing an auditor for the five-year period to 2022/23 to relevant authorities that have chosen to opt into its national auditor appointment arrangements. In August 2017 PSAA wrote to the Council to formally consult on the appointment of Ernst & Young LLP as Bromley's external auditor for 5 years from 2018/19. The appointment was confirmed in December 2017.

- 3.19 The auditor's report details the requirement for annual disclosure of all relationships between EY and the Council that may reasonably be thought to bear on their integrity or objectivity, including those that could compromise independence. In conclusion they have confirmed that, in their professional judgement, EY is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements. They have also confirmed that there are no relationships from 31st March 2018 to the date of their report which they consider may reasonably be thought to bear on their independence and objectivity. This Committee is requested to consider the matters detailed in the external audit report and confirm agreement with their conclusion on independence and objectivity.
- 3.20 The Council's Accounts and related records were made available for public inspection for 30 working days between 3rd June 2019 and 12th July 2019. This is a requirement of the Regulations and must take place prior to the completion of the audit.
- 3.21 An elector in the Bromley borough has raised an objection to the 2018/19 accounts. It is difficult to ascertain from the lengthy and detailed document (47 pages) sent to the external auditor what, precisely, the objection relates to. There are a range of matters set out in the document which primarily relate to waste management and waste collection services but also include grounds maintenance contract, street cleansing contract and civic centre empty offices. These are similar issues to those raised in previous objections but have been extended to include matters relating to the tendering and letting of the new environmental services contract. The objection was submitted on 6th July and the auditor will contact the authority in due course outlining the approach that will be taken.
- 3.22 Members will be aware of the objections made to the 2016/17 and 2017/18 accounts relating to the Council's waste management and waste collection services, and the on-going management of the waste management and street cleansing contracts. The 2017/18 objection also includes areas relating to the grounds maintenance contract as well as civic centre empty offices. At the time of writing these objections have not yet been concluded.
- 3.23 The objections to the 2016/17, 2017/18 and 2018/19 accounts are from the same elector. As a result of these objections the audit for these years cannot be formally concluded and an audit certificate issued.
- 3.24 The Council has very little discretion over the format of its Accounts as they must be presented in the form laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA) under the oversight of the Financial Reporting Advisory Board. The Code requires authorities to produce accounts based on International Financial Reporting Standards (IFRS) while at the same time recognising the particular position of local government where legislative requirements override accounting principles in some areas.
- 3.25 The sections that follow provide a brief commentary on the main points to note in the pension fund accounts.
- 3.25.1 These are the accounts of the London Borough of Bromley pension fund that provides pension benefits for staff, excluding Teachers and staff in the NHS pension scheme. The accounts relate to the whole fund including the assets and liabilities of the scheduled and admitted bodies.
- 3.25.2 During 2018/19 the net assets of the Fund increased by £72m, mainly as a result of investment performance (net return of £81m) offset by other net cash outflows of £9m.

3.25.3 The Fund actuary values the fund every three years and the most recent full valuation was carried out during 2016/17 on the position at 31st March 2016. The actuary found a solvency level of 91%, an increase of 9% compared to the position at the 31st March 2013. The next full valuation (as at 31st March 2019) will be reported to Council in February 2020 following consideration by Pensions Investment Sub-Committee and this Committee. This will determine a revised Fund position and set employer contribution rates for the three years 2020/21, 2021/22 and 2022/23.

3.26 Annual Governance Statement (AGS)

3.26.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. Regulation 6 (2) of the Regulations requires that the AGS should be considered and approved by a Committee or Full Council. The statement must then be published with the Statement of Accounts.

3.26.2 The draft AGS was approved by Audit Sub Committee on 4th June 2019. There has been one change relating issues identified on the valuation of fixed assets and this has been added as a governance issue on page 4. An updated AGS has been circulated to Members of Audit Sub-Committee and this Committee is requested to formally approve the audited AGS which will be published alongside the Statement of Accounts.

4. FINANCIAL IMPLICATIONS

4.1 The final revenue and capital outturn for 2018/19 were reported to the Executive on 21st May 2019. Members are referred to these reports for detailed information on variations from approved budgets.

4.2 At the time of writing, there are no adjustments to the accounts that have an impact on the Council's general fund balance for 2018/19. Accordingly, there is no impact on the level of reserves previously reported to the Executive in the Provisional Final Accounts report on 21st May 2019.

4.3 In line with accounting Regulations, changes arising from the revised asset valuations will be posted through revenue accounts but will be reversed through the Movement in Reserves Statement (MIRS) into unusable capital reserves (revaluation reserve and capital adjustment account).

4.4 Cushman and Wakefield have confirmed that the revaluations will be carried out at no additional cost to the Council. They have also confirmed that they will meet any additional audit costs arising from this work and any reasonable costs incurred by the Council as a result of the 2017/18 and 2018/19 accounts having to be amended.

4.5 Details of estimated external audit fees are set out on page 39 of Appendix 1 and page 25 of Appendix 2. The fee for the pension fund audit is in line with the planned fee (£16k) but the fee for the main accounts is estimated at £212k (an increase of £120k) primarily relating to the required work on asset revaluations and required restatements relating to the McCloud judgement. It is not yet possible to estimate the costs relating to objections to the 2016/17, 2017/18 and 2018/19 accounts.

5. LEGAL IMPLICATIONS

- 5.1 The Accounts and Audit Regulations 2015 require the Statement of Accounts to be signed and dated by the responsible financial officer by 31st May immediately following the end of the financial year and subsequently to be considered and approved by a Committee of the Council, or by the Council meeting as a whole, before 31st July. The responsible financial officer must firstly re-confirm that the accounts present a true and fair view of the financial position of the authority at the end of the financial year to which it relates and the authority's income and expenditure for that financial year. Regulation 10(1) requires the publication of the accounts and other prescribed information.
- 5.2 Regulation 10(2) sets out the provisions that apply where an audit of accounts has not been concluded before 31st July in that the authority must publish a notice stating that it has not been able to publish the Statement of Accounts and its reasons for this under Regulation 10(2)(a). Regulation 10(2)(b) requires compliance with Regulation 10(1) but substitutes the date of 31st July with a requirement to publish "as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit which is issued before the conclusion of the audit".

Non-Applicable Sections:	Impact on Vulnerable Adults and Children Policy, Personnel, Procurement Implications
Background Documents: (Access via Contact Officer)	Provisional Final Accounts – Executive 21 st May 2019; Capital Programme Outturn – Executive 21 st May 2019; Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; Service Reporting Code of Practice 2018/19; The Accounts and Audit Regulations 2015; Final accounts supporting papers are held by the Technical and Control (Accountancy) Team. LGPS Regulations 2013 (as amended)

This page is left intentionally blank

London Borough of Bromley

Audit

Year ended 31 March 2019

November 2019

15 November 2019



Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the General Purposes and Licensing Committee. This report summarises our audit conclusion in relation to the audit of the London Borough of Bromley for 2018/19. We have substantially completed our audit of the Council for the year ended 31 March 2019, subject to auditing adjustments made to the financial statements to correct current and prior year valuation of the Council's long term physical assets, which have resulted in delays to the audit process. We consider this issue further in the detailed report. We will not be able to fully conclude until these adjustments are made.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form that appears in Section 3.

We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

This report is intended solely for the use of Committee Members 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 General Purposes and Licensing Committee meeting on 28 November 2019.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Janet Dawson', is placed above the printed name.

Janet Dawson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



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.psa.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 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. 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.



01

Executive Summary

Executive Summary

Scope update

In our audit planning report presented to the 26 February 2019 Audit Sub-Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

- Changes in materiality:
 - We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £9.71 million (Audit Planning Report – £9.59 million). This results in updated performance materiality, at 75% of overall materiality, of £7.28 million, and an updated threshold for reporting misstatements of £485,000.
 - Changes in our assessment of risk and areas of audit risk:
 - We identified a new area of audit focus, being restructuring undertaken in the period required the Council to re-analyse, re-present and re-state the portfolio analysis of its service level income and expenditure disclosed in the Comprehensive Income and Expenditure Statement (CIES). We were required to audit this restatement.
 - We assessed provisions raised by the Council to be a high inherent risk estimate relevant to our significant risk of misstatement due to fraud and error.
- We consider this updated assessment of risks impacting the financial statements in Section 2 of this Report.

Status of the audit

We have substantially completed our audit of the London Borough of Bromley's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our audit planning report. Subject to satisfactory completion of the following outstanding items, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise.

We have completed our audit work, with the exception of the following matters which are outstanding at the time of writing this report:

- Correction of current and prior year valuation of the Council's long term physical assets, amendment of the financial statements to fully reflect the impact of those corrections and audit of the adjustments made.
- Receipt of the signed Letter of Representation. This cannot be received until the outstanding work on the valuation of long term physical assets is fully complete.
- Final review of the file by the Associate Partner.
- Full review of the final version of the financial statements.
- Completion of subsequent events review.
- Audit of the Council's updated Whole of Government Accounts return based on the amended financial statements.
- Final approval of the amended accounts by the Committee.

A national issue has resulted in changes to the Council's accounts and IAS19 disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. This matter was not recognised in the Council's draft financial statements. Since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal, which suggested that the changes in the Council's liability arising from the ruling can be fully calculated and so included in the IAS19 liability disclosed within the financial statements. We consider the impact of this on the financial statements further in Section 4.



Executive Summary

Audit differences

We expect to identify no audit differences that management will not adjust. We will update the General Purposes and Licensing Committee at the meeting on 28 November 2019 if we identify any issues from the work that remains outstanding at the time of writing this report.

Amendments will be made to the financial statements to correct for material errors in the valuation of the Council's long term physical assets in the current and comparative years. The Council's actuary has reassessed defined benefit pension liabilities under IAS19 as result of the McCloud ruling. This has resulted in a number of amendments being made to the draft financial statements. A number of other amendments were made to the financial statements as a result of our audit work which we do not consider to be sufficiently significant to bring to your attention.

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 General Purposes and Licensing Committee.

Control observations

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

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

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

There are no significant deficiencies to bring to your attention. We have, however, identified through our work some areas where internal control should be improved. These are considered further in Section 7 of this Report.



Executive Summary

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 no significant risks relevant to our work.

We expect to conclude that we are satisfied the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. Section 5 of this report gives further details.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council and compliance with relevant guidance. Some amendments will be made to the Annual Governance Statement to detail actions the Council intends to take to correct the errors in the current Year valuation of its long term physical assets.

Objection to the financial statements

During the audit we received correspondence from a local elector formally objecting to the 2018/19 financial statements. We are continuing to consider this matter and have yet to determine the objection. We will not be able to issue our certificate to conclude the audit formally until the objection is determined.

Independence

Please refer to Section 9 for our update on Independence.



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) 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?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets as a potential area of manipulation, which is recorded as a separately identified significant risk - Inappropriate capitalisation of revenue expenditure.

Our work on estimates focussed on land and building valuation, IAS19 pension estimates and provisions. We consider land and buildings valuation as a separately identified significant risk. We consider IAS 19 valuation as an area of audit focus. Finally, we consider provisions as high inherent risk estimates as part of work in this area.

What did we do?

- We:
- Identified fraud risks during the planning stages.
 - Inquired of management about risks of fraud and the controls put in place to address those risks.
 - Gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
 - Considered the effectiveness of management's controls designed to address the risk of fraud.
 - Determined an appropriate strategy to address those identified risks of fraud.
 - Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
 - Evaluated the business rationale for significant unusual transactions.
 - Considered whether management bias was present in the key accounting estimates and judgements in the financial statements.

What are our conclusions?

Having completed our work:

- We have not identified any evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions.
- We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Although we have identified no evidence of management bias in the Council's approach to accounting for provisions and are satisfied that a prudent approach is taken, there is scope to make provisions more accurate by basing them on the Council's actual historic experience of credit losses.



Areas of Audit Focus

Significant risk

Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure

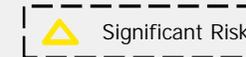
What is the risk?

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.

We have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements to improve the financial position of the general fund.

Capitalized revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid. Alternately, other sources such as capital receipts or grants could be inappropriately used to finance the expenditure.

Inappropriate classification of revenue expenditure as REFCUS (revenue expenditure funded by capital under statute) could also have the same impact, removing the spend incorrectly from the general fund through applying statutory overrides.



What did we do?

Our approach focused on:

- We selected a sample of PPE additions to test and confirm the item was appropriate to capitalise through agreement to evidence such as invoices and capital expenditure authorisations.
- We selected a sample of REFCUS items to test to confirm the appropriateness of the classification of these items
- When performing journals testing, we challenged entries that could be indicative of inappropriate capitalisation, such as journals which reclassify transactions originally recorded as revenue expenditure to capital or REFCUS.

What are our conclusions?

We have not identified any material inappropriate capitalisation of revenue expenditure.

Our work in this area required us to gain a more granular understanding of the Council's processes for capital, from the initiation of transactions through to reporting in the financial statements. Although we do not test these processes and associated controls in detail as part of our approach our consideration has not highlighted any issue we need to draw to your attention.

Our testing of PPE and investment property addition and REFCUS identified no instances of the inappropriate capitalisation of revenue expenditure.



Significant risk

Significant risk

Valuation of Land and Buildings

What is the risk?

Material misstatement of the assets of the Council as a result of inappropriate judgemental inputs and/or estimation techniques to calculate the year-end balances recorded in the balance sheet.

The fair value of Property, Plant and Equipment (PPE) and Investment property (IP) represents a significant balances in the Council's accounts and is 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.

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 did we do?

We:

- Considered 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;
- Challenged the assumptions used by the Council's valuer by reference to external evidence using our EY valuation specialists
- Sample tested key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre);
- Considered 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 IP. We also considered whether any specific changes to the assets were properly communicated to the valuer;
- Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested that accounting entries have been correctly processed in the financial statements.



Areas of Audit Focus

Valuation of Land and Buildings (continued)

What are our conclusions?

Our work identified pervasive and material errors in the external valuation of the Council's PPE and IP undertaken by its external valuer, Cushman and Wakefield. Our initial review of the valuation undertaken identified areas of risk and prompted us to involve our specialist EY Real Estate (EYRE) valuation specialists. EYRE reviewed in detail:

- A sample of five operational PPE assets valued at Depreciated Replacement Cost (DRC), with a total gross carrying value of approximately £34 million in the draft financial statements.
- A sample of eleven Operational PPE and Investment Property assets valued at Market Value or Market Value in Existing Use Value (EUV), with a total gross carrying value of approximately £102 million in the draft financial statements.

EYRE identified pervasive errors in the work of the external valuer covering both the accuracy of base data used to inform the valuation, for example floor areas, and the key assumptions made by the valuer to inform the valuation, for example estimates of asset yield. As a result of this Cushman and Wakefield and Knight Frank produced revised valuations for the assets considered by EYRE in their review. We are satisfied that the revised valuations produced are materially accurate.

Following their review EYRE identified the following errors based on the sample of assets selected for testing:

- Assets carried at EUV were overstated by a net value of approximately £19.6 million and a gross value of approximately £21.9 million.
- Assets carried at DRC were understated by a net value of approximately £5 million and a gross value of approximately £7.6 million.

Due to the material and pervasive nature of the errors identified it will be necessary for the Council to produce, disclose and account for the impact in the financial statements of revised valuations covering the year of account, comparative year and start of the comparative year. Although the errors were as a result of errors and weaknesses in the valuation approach of the External Valuer there is more the Council should do to ensure the carrying value of long term physical assets in its financial statements are correct. Specifically:

- It is important the Council clearly specifies in its instructions to its External Valuer the approach that should be taken and then monitors the performance of the Valuer against this instruction. It is also then important that a signed valuations report is obtained from the Valuer in support of the valuations produced.
- No internal checks were undertaken by the Council on the accuracy of the valuation prior to accounting for it in the financial statements.

We have raised recommendations for improvement on the following page.



Areas of Audit Focus

Valuation of Land and Buildings (continued)

What are our recommendations?

Recommendation 1

Clearly specify the requirements of the valuation in the valuation instruction to the external Valuer and monitor performance against this. Routinely obtain a signed valuation report from the Valuer in support of future asset valuations undertaken.

Management Response:

We will fully implement this recommendation with immediate effect and ensure a signed valuation report is received.

Responsible Officer:

Assistant Director – Strategic Property.

Recommendation 2

Use appropriately qualified and skilled staff in the Council to review the reasonableness of assets valuations undertaken prior to accounting for them in the financial statements.

Management Response:

Agreed.

Responsible Officer:

Assistant Director – Strategic Property.



Areas of Audit Focus

Other areas of audit focus

Pension Liability Valuation

What is the risk?

The Code of Practice on Local Authority Accounting and IAS 19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is a scheduled body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement.

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?

We focused on the following:

- The reasonableness of the underlying assumptions used by the Council's expert – Mercers.
- Ensuring the information supplied to the actuary in relation to the London Borough of Bromley was complete and accurate
- Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from the actuary.

What did we do?

- Liaised with the auditors of the administering authority (Bromley Pension Fund), to obtain assurances over the information supplied to the actuary in relation to the London Borough of Bromley.
- Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.

What are our conclusions?

We have concluded that we could rely on the work of the actuary and that the values and entries from the actuarial report were correctly reflected in the draft financial statements.

As considered more fully in Section 4 of this report the Council re-engaged the actuary to produce an updated IAS 19 valuation to consider the impact of the McCloud ruling. The actuary was also able to consider the actual rather than estimated value of the Council's share of pension fund assets at year end.

We are satisfied that the re-assessment of the IAS 19 liability is reasonable and that it has been correctly reflected in the revised financial statements. Details of the amendments made are set out more fully in Section 4 of this report.



Areas of Audit Focus

Other areas of audit focus

Spring Capital Loan

What is the risk?

The Council entered into an agreement with Spring Capital to loan Spring Capital funds to purchase a nursing home and detached house in 2017/18. This is being used to provide Homeless Accommodation for the Council until such time as they can be developed for private residence. The Council may also lend Spring Capital the funds to develop the site if planning permission is granted. This is treated as a loan secured on assets at 6% return (rising to 7.5% return if the Loan To Value exceeds 70%).

What did we do?

We:

- Confirmed the holding value of the loan of £2.3 million through agreement of the balance paid.
- Considered how the loan had been accounted for in the financial standards having regard to the requirements of the relevant accounting standard - IFRS 9 on financial instruments.

What are our conclusions?

We:

- Confirmed the loan passes both the Solely Payments of Principal and Interest (SPPI) and Business Model tests under IFRS 9. The Council have therefore correctly held and disclosed the associated financial asset at amortised cost in its financial statements.
- In line with the IFRS 9 we also considered whether the Council had correctly accounted for any expected credit losses (ECL). As the collateral exceeds the value of the loan we have concluded that the Council's assessment that no ECL is required to be accounted for is reasonable.

We also note that the total value of the loan is well below of our assessed level of performance materiality and therefore of itself does not present a risk of material misstatement.



Areas of Audit Focus

Other areas of audit focus

New Accounting Standards

What is the risk?

IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) apply from 1 April 2018. Based on our understanding to date we expect the impact of IFRS 15 will have limited impact on your accounts.

IFRS 9 will change:

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

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of Practice on Local Authority Accounting provides guidance on the application of IFRS 9.

Central government has indicated following consultation that statutory overrides for certain classes of financial assets will be put in place. However, until these are confirmed there remains some uncertainty on the full accounting treatment.

What did we do?

We performed the following:

- Assessed the Council's implementation arrangements and accounting for 2018/19.
- Specifically, for IFRS 9, we have:
- Considered the classification and valuation of financial instrument assets.
 - Reviewed the implementation of the new ECL model impairment calculations for assets.
 - Checked additional disclosure requirements for compliance with the CIPFA Code.

What are our conclusions?

The Council was able to show that implementation of IFRS 15 had no material impact on its financial reporting arrangements.

For IFRS 9 we are satisfied that:

- Required changes to the classification and accounting for financial instruments were made correctly.
- CIPFA Code disclosure requirements have been met.

Although we are satisfied that provisions made for the likely impairment of financial assets are not understated, the Council has not been able to show that its historic experience of losses incurred has consistently been used to inform provisions for impairment accounted for in the financial statements.



Areas of Audit Focus

Other areas of audit focus

CIES Restatement

What is the risk?

Restructuring undertaken in the period required the Council to re-analyse, re-present and re-state the portfolio analysis of its service level income and expenditure disclosed in the Comprehensive Income and Expenditure Statement (CIES). This required the restatement of relevant prior period information in the financial statements.

What did we do?

We focused on the following:

- ▶ A review of the analysis of how service level income and expenditure figures are derived, how the ledger system has been re-mapped to reflect the Council's new organisational structure and how overheads are apportioned across the service areas reported.
- ▶ Agreement of restated comparative figures.

What are our conclusions?

We did not identify any issues with regard to the restatement of the CIES, Expenditure and Funding Analysis and related disclosure notes.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF BROMLEY

Opinion

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

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement and the related notes 1 to 48, and the Expenditure and Funding Analysis on page 14.
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Bromley 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 the authority 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 of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of 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.

Other information

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



Audit Report

Draft audit report

Our opinion on the financial statements

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, the London Borough of Bromley 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

Responsibility of the Director of Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the Director of 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 of 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.



Audit Report

Draft audit report

Our opinion on the financial statements

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 London Borough of Bromley 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 London Borough of Bromley put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 London Borough of Bromley 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.

Pension Fund financial statements

On xx we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2019 included within the Statement of Accounts.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the members of the London Borough of Bromley, 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 the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

We highlight any misstatements greater than £7.28 million which have been corrected by management during the course of our audit. There are no corrected misstatements above this level to bring to your attention at this stage, but adjustments made to the carrying value of long term assets in the current and comparative years to be made in the final financial statements will exceed this value. We report to you any uncorrected misstatements greater than our nominal value of £485,000. There are no uncorrected misstatements to bring to your attention.

A number of amendments were made to the financial statements as a result of our audit work which we do not consider to be sufficiently significant to bring to your attention.

We report adjustments related to the McCloud ruling separately below as we do not consider them to be adjustments arising from the audit.

McCloud ruling

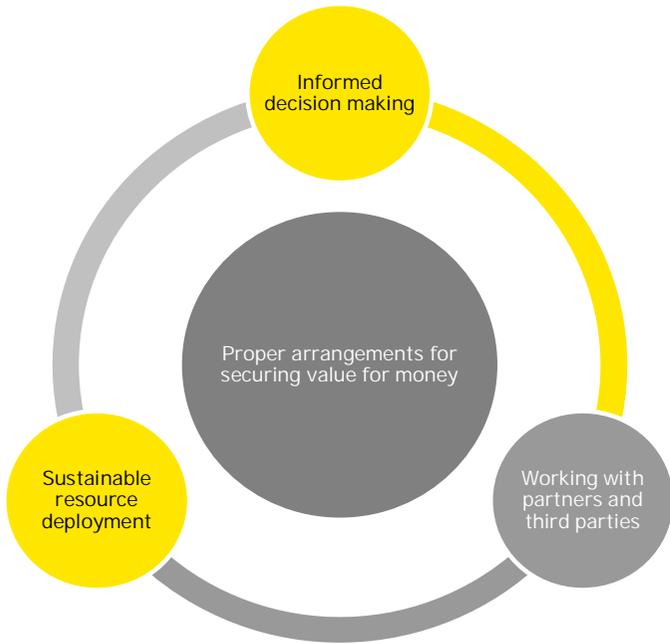
As noted in the Executive Summary a national issue has resulted in a relatively late change to the accounts and IAS19 liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts recognised this matter as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government’s appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS19 liability disclosed within the financial statements. The actuary has now estimated the impact of the McCloud ruling by updating the IAS19 assessment for the Council. In doing this the IAS19 assessment was also updated for one other issue. It is usual practice the original IAS19 valuation was based on an estimate of fund assets at the end of the year. This has been updated to reflect the value of fund assets in the draft 2018/19 Bromley Pension Fund financial statements.

We are satisfied that the updated IAS19 valuation has been correctly accounted for in the revised financial statements. This has the net impact of increasing the IAS19 pension liability reported by approximately £23.7 million.



05

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

At planning, we identified no significant risks relating to the Council's arrangements. We have updated our understanding of the Council's arrangements, including a consideration of its financial outturn and position and the specific risks and issues it currently faces, as part of our year-end programme of work. We remain satisfied there are no significant risks relating to the Council's arrangements.

As a result we expect to issue a conclusion that we are satisfied the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 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.

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 Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. Some amendments have been made to the Annual Governance Statement to detail actions the Council intends to take to correct the errors in the current Year valuation of its long term physical assets.

Whole of Government Accounts (WGA)

The Council's WGA submission will need to be revised to reflect the impact of the current and prior year corrections required for material errors detected in the valuation of the Council's long term physical assets. We have, therefore, not yet been able to complete the work we are required to complete on the Council's WGA submission. We have notified the National Audit Office, the group auditor for WGA, of this delay.

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 Council 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 Council, 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 reporting 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;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations

We have no matters to report in these areas not otherwise considered elsewhere in this report. We have raised recommendations to improve the Council's arrangements for the valuation of its long term assets in Section 2 of this Report. We have also raised recommendations to address control weaknesses detected as part of the audit in Section 7 of this Report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

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, identified three areas where internal control should be improved which we consider in the remainder of this Section of our Report. We have also raised two recommendations for improvement relating to the Council's processes for the valuation of its long term physical assets which are set out in Section 2 of this report.

Assessment of Control Environment

Observation

The Council accounts and Pension Fund accounts are not set up as separate and discrete company codes on the General Ledger. This results in some journal entries appearing to be one-sided in either the Council or Pension Fund accounts. We have undertaken work to show that journals are in balance overall with there then being one final balancing journal transaction which is reflected as a non-material temporary loan by the Council to the Pension Fund on the Council's Balance Sheet. Although we are satisfied this does not have a material impact on the financial statements internal control should be improved by accounting for the Council and Pension Fund on separate and discrete company codes on the General Ledger.

Recommendation 3

Establish separate and discrete company codes on the General Ledger to fully separate Council and Pension Fund transactions.

Page 43

Management comment

The financial system currently holds a separate coding range to identify pension fund transactions and balances. However, the way in which the current financial system was configured on implementation in 2006 means that there is no capability to establish separate organisation units (company codes). This will be explored as part of the future financial systems options appraisal which is currently being considered.

Responsible officers:

Chief Accountant, Head of Finance (ASCHH) and Financial Systems Manager.

Observation

Although Bromley Pension Fund has its own bank account this is not currently used. All cash receipts and payments relating to both the Council and Pension Fund are made out of the main Council bank account. Although we satisfied that cash is correctly disclosed in the Council's financial statements we note It is a requirement of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that all pension schemes should operate their own bank account.

Recommendation 4

Use the separate Pension Fund bank account for Pension Fund cash transactions.

Management comment

Some of the work required to implement this recommendation will impact on the Council's external contractor and this requirement was included in the recent tendering of the Exchequer Services contract. However, significant development work will be required to the Council's current financial system to allow the use of a separate bank account. This needs to be incorporated into the financial systems options appraisal to determine whether this work should proceed separately to any future decisions around potential system upgrades/ replacement.

Responsible officers:

Chief Accountant, Head of Finance (ASCHH) and Financial Systems Manager.

Observation

Manual journals are not subject to any authorisation or second review. Although our review and testing of journals has not highlighted any evidence of material error or fraud, appropriate review of journals prior to posting is a key management control, particularly for significant value journal entries.

Recommendation 5

Establish a proportionate control so that at least significant value manual journals are subject to review and authorisation prior to processing on the General Ledger.

Management comment

A process has been put in place for a sample of journals to be tested on a quarterly basis. This is rotated between members of the finance management team to ensure an independent check across all services. This is in addition to any testing undertaken by internal and external audit.

Responsible Officers:

Financial Management Team.



08 Data Analytics



Use of Data Analytics in the Audit

- ▶ Data analytics – Income & expenditure testing, payroll testing and journals

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 Council's audit included general income and expenditure, payroll costs and journals 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 of the Council's 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 more effectively to identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the General Ledger and perform procedures to understand the data and identify unusual items. We also reconcile the GL amount to the payroll subledger. We then analyse the data against a number of specifically designed procedures.



9

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 25 March 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you 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 meeting of the General Purposes and Licensing Committee on 28 November 2019.

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, and its directors and senior management and its affiliates, including 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 the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 31 March 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

Below 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.

We confirm that none of the services recorded has been provided on a contingent fee basis.

Independence

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 not undertaken non-audit work outside the NAO Code requirements. Non-audit work is work not carried out under the Code.

	Final Proposed Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19
	£	£	£
Total Audit Fee – Code work	211,689*	91,689	91,689

All fees exclude VAT

- the 2018/19 final fee includes a scale fee variation of £120,000 for work undertaken on asset valuation, restatement of the CIES, EFA and related notes, and other difficulties in delivering the audit which we consider to be changes in audit scope.



10 Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit. In 2018/19 we have taken a wholly substantive approach to gaining audit assurance and have not sought to test controls.

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

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

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
PPE	As we identified a significant risk of inappropriate capitalisation of revenue expenditure relating to PPE additions, we segregated this account from the rest of PPE, testing at a higher level compared to the remainder of PPE.	Additions were tested at the same threshold as the remainder of PPE.	We amended our approach to focus on the risks of misstatements in the accounts

Appendix B

Summary of communications

Date	Nature	Summary
8 November 2018	Meeting	The audit partner and the audit manager met with key officers of the Council to discuss the progress of the audit and discuss emerging issues.
18 February 2019	Meeting	The audit partner met with key officers of the Council to discuss progress of the audit.
26 February 2019	Meeting	The audit partner met with the Audit Sub-Committee as an introductory meeting and presented the audit plan and set out our considerations of risk.
4 April 2019	Meeting	The audit manager met with key officers of the Council to discuss the progress of the audit and discuss emerging issues and the responses to our Assurance letters.
4 June 2019	Meeting/Report	The audit manager attended the Audit Sub-Committee.
28 November 2019	Meeting	The lead partner in charge of the audit of Bromley Council (Janet Dawson) attended the General Purposes and Licensing Committee and discussed the status of the audit of the main Council and the Pension Fund

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the General Purposes and Licensing Committee

There are certain communications that we must provide to the 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 General Purposes and Licensing 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, presented to the Audit Sub-Committee, which had been given delegated responsibility by the General Purposes and Licensing Committee - February 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 - February 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 Results Report - November 2019

Appendix C

Our Reporting to you

Required communications	What is reported?	When and where
Major Local Audits	<p>For the audits of financial statements of public interest entities/Major Local Audits our written communications to the audit committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	<p>Audit Planning Report – February 2019</p> <p>Audit Results Report – November 2019</p>

Appendix C

		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 have been identified to date, either individually or together to raise any doubt about the London Borough of Bromley'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 – November 2019
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the General Purposes and Licensing Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report – November 2019
Fraud	<ul style="list-style-type: none"> • Enquiries of the General Purposes and Licensing Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council • 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 Council, 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 General Purposes and Licensing Committee responsibility. 	<p>Audit results report – November 2019</p> <p>Enquiries were made during the audit, and there are no issues to report to you</p>

Appendix C

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 Council’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 Council 	<p>Audit Results Report – February 2019</p> <p>No issues to report</p>
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> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors’ objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	<p>Audit Planning Report – February 2019</p> <p>Audit Results Report – November 2019</p>

Appendix C

		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 General Purposes and Licensing Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of. 	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. 	We have not identified any significant deficiencies in internal controls. Areas where improvements in control are required have been reported as part of this Audit Results Report.

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report – November 2019
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report – November 2019 No issues to 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 – November 2019 No such circumstances identified
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 – February 2019 Audit results report – November 2019

Management representation letter

Management Rep Letter

Ernst & Young LLP
Janet Dawson
Partner
Ernst & Young LLP
1 More London Riverside
London
SE1 2AF

This letter of representations is provided in connection with your audit of the financial statements of the London Borough of Bromley ("the Council") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of the London Borough of Bromley as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Management representation letter

Management Rep Letter

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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

3. We have made available to you all minutes of the meetings of the Council and committees held through 2018/19 and 2019/20 to the most recent meeting of the General Purposes and Licensing Committee.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

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

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements. . .

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

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 45 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.

Management representation letter

Management Rep Letter

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment property, assets held for sale and the pension fund asset and liability. We have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates

Valuation of Property, Plant and Equipment

Valuation of Pension Fund assets and liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

3. We confirm that no further adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

J Comparative information – comparative financial statements

1. As part of your audit significant errors were detected in the carrying value of the Council's long-term physical assets. The errors in our valuation approach led to misstatements which were present prior to the start of the comparative year. Restatement and disclosure of corrected opening balances at the start of the comparative year has also been required.

2. The comparative amounts have been correctly restated to reflect the above matters and appropriate note disclosure of these restatements have also been included in the current year's financial statements.

3. There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the financial statements for the year ended 31 March 2018 are solely the result of reclassifications for comparative purposes.

Yours faithfully,

Peter Turner

Director of Finance

Councillor Pauline Tunnicliffe

Chairman of the General Purposes and Licensing Committee

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

**Bromley Pension Fund
Audit results report**

Year ended 31 March 2019

11 November 2019

11 November 2019



Dear Committee Members

We are pleased to attach our Audit Results report for the General Purposes and Licencing Committee. This report summarises our preliminary audit conclusion in relation to the audit of Bromley Pension Fund for 2018/19.

As at the date of this report our audit of Bromley Pension Fund for the year ended 31 March 2019 is substantially complete.

Subject to concluding the outstanding matters listed in our report, we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3.

This report is intended solely for the use of the Pensions Investment Sub-Committee, the General Purposes and Licencing 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.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. Park' or similar, written in a cursive style.

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

01 Executive Summary



02 Areas of Audit Focus



03 Audit Report



04 Audit Differences

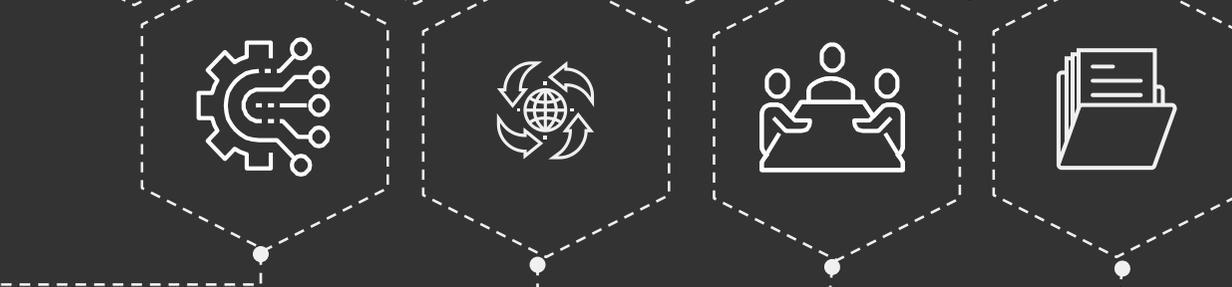


05 Other reporting issues

06 Assessment of Control Environment

07 Independence

08 Appendices



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.psa.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 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 statute, and covers matters of practice and procedure which are of a recurring nature.

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

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



01

Executive Summary



Executive Summary

Scope update

In our Audit Plan presented to the 4 June 2019 Audit Sub-Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We have carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy. We have updated our planning materiality assessment using the draft accounts and have also reconsidered our risk assessment. Based on our materiality measure of net assets, we have updated our overall materiality assessment to £10.39 million (Audit Plan – £9.67 million). This results in updated performance materiality, 75% of overall materiality, of £7.79 million, and an updated threshold for reporting misstatements of £0.519 million.

Status of the audit

Our audit of the Bromley Pension Fund financial statements for the year ended 31 March 2019 is substantially complete. We have performed the procedures outlined in our Audit Plan. Subject to the satisfactory completion of our final review procedures we anticipate issuing an unqualified opinion in the form which appears at Section 3. However until work is complete, further amendments may arise.

Our final procedures include:

- Review of the final version of the financial statements
- Completing final quality review processes
- Completing a subsequent events review
- Receiving and reviewing the signed management letter of representation.

We will update the 28 November 2019 General Purposes and Licensing Committee on completion of the above procedures.

Audit differences

There are no unadjusted audit differences.

In common with other local government pension schemes this year, whilst the draft accounts were prepared with the most up to date information at the time of preparation, the Fund has subsequently requested updated information from it's actuary to reflect two issues.

The impact of the McCloud case is to increase the total present value of promised retirement benefits by £12 million to £1,213 million.



Executive Summary

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Bromley Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on judgements 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 Pensions Investment Sub-Committee or the General Purposes and Licencing Committee.

Control observations

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

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

There are no significant deficiencies to bring to your attention. We have, however, identified through our work some areas where internal control should be improved. These are considered further in Section 6 of this Report.

Other reporting issues

We have reviewed the information presented in the annual report for consistency with the financial statements and our knowledge of the Fund. We have no matters to report.

Independence

Please refer to Section 7 for our update on Independence. We have no independence issues to highlight.



02

Areas of Audit Focus





Areas of Audit Focus

Significant risk

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with our response

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.

We have identified the posting of journals related to the valuation of investment assets as a specific area where misstatements due to fraud and error may arise.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We tested a sample of investment income and asset journals to ensure that they were appropriate
- We performed mandatory procedures regardless of specifically identified fraud risks, including;
 - testing of journal entries and other adjustments in the preparation of the financial statements;
 - reviewing accounting estimates for evidence of management bias; and
 - evaluating the business rationale for significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing; and
- We tested journal entries for evidence of management bias and evaluated them for business rationale.
- We reconciled the asset valuations to custodian reports and agreed the valuations to third party evidence such as valuation reports.

What are our conclusions?

We have completed our work in response to this risk.

- 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 have not identified any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.
- Our testing has not identified any material misstatements of investment income or year end investment assets as a result of inappropriate journals.



Areas of Audit Focus

Other areas of audit focus

What is the area of focus?

Valuation of Investments under Level 2 Fair Value hierarchy

Level 2 includes pooled funds and private equity investments, where fair value is based on observable inputs such as bid price in the market for similar instruments. There is a risk that the comparable input are not appropriate and valuation could be misstated.

What did we do?

- ▶ Agreed valuations reported in the accounts (the detailed investments note) to the information in fund manager and custodian reports and investigated any reconciling differences;
- ▶ Checked the Fund’s reconciliation of holdings included in the Net Assets Statement back to fund manager and custodian reports; and
- ▶ For quoted investment income we checked that the disclosures agreed to information in the fund manager and custodian reports and publically available information.

We performed our testing without the need to use the work of a specialist.

Our testing has not identified any material misstatements from investment income or year end investment assets.

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.

What are our conclusions?

We have not identified any issues with the valuation of investments under the level 2 fair value hierarchy.



Areas of Audit Focus

Other areas of audit focus

What is the area of focus?

Application of new IFRS standards

The 2018/19 edition of the Code introduces two new financial reporting standards IFRS 9 (financial instruments) and IFRS 15 (revenue from contracts). There is a risk that these new standards have not been appropriately implemented by the Pension Fund.

What did we do?

We have:

- ▶ Assessed the Pension Fund's implementation arrangements that 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 new expected credit loss model impairment calculations for assets; and
- ▶ Checked additional disclosure requirements.

There was no significant impact from the application of the new IFRS standards.

What are our conclusions?

There was no significant impact from the application of the new IFRS standards.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BROMLEY

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 20. 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 pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared 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 the pension fund 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 of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund'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 of 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.

Matters on which we report by exception

We report to you if:

- 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.

Responsibility of the Director of Finance

As explained more fully in the “*Statement of the Responsibilities*” set out on page 40, the Director of Finance is responsible for the preparation of the Authority’s Statement of Accounts, which includes the pension fund 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 of Finance is responsible for assessing the Pension Fund’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 Pension Fund either intends to cease operations, or have no realistic alternative but to do so.



Audit Report

Our opinion on the financial statements

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.

Use of our report

This report is made solely to the members of London Borough of Bromley, 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 the London Borough of Bromley and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
Date

The maintenance and integrity of the London Borough of Bromley's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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

At the date of this report there are no unadjusted audit differences arising from our audit. We will update the Committee of any adjustments arising from our work subsequent to issuing this report.

McCloud, GMP and Assets

As noted in the Executive Summary, a national issue has resulted in a relatively late change to the accounts and IAS26 disclosure. It relates to legal rulings regarding age discrimination (commonly known as the McCloud case). Since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government’s appeal against the McCloud ruling, which suggested that the amounts relating to these rulings should be able to be fully calculated. The Fund subsequently requested the actuary to estimate the impact of the McCloud ruling. This has led to an increase the total present value of promised retirement benefits by £12 million to £1,213 million. The Fund has also made some other related disclosures changes, including changes to the disclosure of sources of estimation uncertainty and post balance sheet events.



05 Other reporting issues

Other reporting issues

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

We have reviewed the consistency of the financial and non-financial information in the Bromley Pension Annual Report with the audited financial statements. We have no matters to report.

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 Fund’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report in respect of these matters.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Fund 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 Fund 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, identified three areas where internal control should be improved which we consider in the remainder of this Section of our Report.

Observation

The Council accounts and Pension Fund accounts are not set up as separate and discrete company codes on the General Ledger. This results in some journal entries appearing to be one-sided in either the Council or Pension Fund accounts. We have undertaken work to show that journals are in balance overall with there then being one final balancing journal transaction which is reflected as a non-material temporary loan by the Council to the Pension Fund on the Fund's Balance Sheet. Although we are satisfied this does not have a material impact on the financial statements internal control should be improved by accounting for the Council and Pension Fund on separate and discrete company codes on the General Ledger.

Recommendation 3

Establish separate and discrete company codes on the General Ledger to fully separate Council and Pension Fund transactions.

Management comment

The financial system currently holds a separate coding range to identify pension fund transactions and balances. However, the way in which the current financial system was configured on implementation in 2006 means that there is no capability to establish separate organisation units (company codes). This will be explored as part of the future financial systems options appraisal which is currently being considered.

Responsible Officer - Chief Accountant, Head of Finance (ASCHH) and Financial Systems Manager

Assessment of Control Environment

Observation

Although Bromley Pension Fund has its own bank account this is not currently used. All cash receipts and payments relating to both the Council and Pension Fund are made out of the main Council bank account. Although we satisfied that cash is correctly disclosed in the Fund's financial statements we note It is a requirement of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that all pension schemes should operate their own bank account.

Recommendation 4

Use the separate Pension Fund bank account for Pension Fund cash transactions.

Page 86

Management comment

Some of the work required to implement this recommendation will impact on the Council's external contractor and this requirement was included in the recent tendering of the Exchequer Services contract. However, significant development work will be required to the Council's current financial system to allow the use of a separate bank account. This needs to be incorporated into the financial systems options appraisal to determine whether this work should proceed separately to any future decisions around potential system upgrades/ replacement.

Responsible Officer - Chief Accountant, Head of Finance (ASCHH) and Financial Systems Manager

Observation

Manual journals are not subject to any authorisation or second review. Although our review and testing of journals has not highlighted any evidence of material error or fraud, appropriate review of journals prior to posting is a key management control, particularly for significant value journal entries.

Recommendation 5

Establish a proportionate control so that at least significant value manual journals are subject to review and authorisation prior to processing on the General Ledger.

Management comment

A process has been put in place for a sample of journals to be tested on a quarterly basis. This is rotated between members of the finance management team to ensure an independent check across all services. This is in addition to any testing undertaken by internal and external audit.

Responsible Officer - Finance Management Team



07

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 27 March 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that the Audit Committee considers 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 meeting of the General Purposes and Licensing Committee on 28 November 2019.

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 Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, 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 the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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 not undertaken non-audit work outside the NAO Code requirements.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19
	£	£	£
Total Audit Fee - Code work	16,170	16,170	16,170

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 Pension Fund; and the Pension Fund has an effective control environment.



08

Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet.

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

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

Net Assets Statement category	Audit Approach in current year
Investment Assets and Liabilities	Substantively tested all relevant assertions
Current Assets	Immaterial - Substantively tested presentation and disclosure
Cash in hand	Substantively tested all relevant assertions
Current Liabilities	Immaterial - Substantively tested presentation and disclosure
Long term liabilities	Nil disclosure - Substantively tested presentation and disclosure

Appendix B

Summary of communications

Date 	Nature 	Summary 
8 November 2018	Meeting	The lead partner in charge of the audit of Bromley Council (Janet Dawson) and the audit manager for the Pension Fund met with key officers of Bromley Council.
18 February 2019	Meeting	The lead partner in charge of the audit of Bromley Council (Janet Dawson) met with key officers of the Council.
26 February 2019	Meeting	The lead partner in charge of the audit of Bromley Council (Janet Dawson) met with the Audit Sub-Committee as an introductory meeting and set out our initial considerations of risk.
4 April 2019	Meeting	The audit manager met with key officers of the Council to discuss the progress of the audit and discuss emerging issues and the responses to our Assurance letters.
4 June 2019	Meeting/Report	The audit manager of the audit of Bromley Pension Fund, on behalf of the partner in charge of the audit of Bromley Pension Fund (Suresh Patel), presented the audit plan to the Audit Sub-Committee.
28 November 2019	Meeting	The lead partner in charge of the audit of Bromley Council (Janet Dawson) attended the General Purposes and Licensing Committee and discussed the status of the audit of the main Council and presented audit results reports for the main Council and the Pension Fund

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the those charged with governance

There are certain communications that we must provide to those charged with governance of the Pension Fund. At Bromley the Audit Sub-Committee and Pensions Investment Sub-Committee receive our reporting but the General Purposes and Licencing Committee is responsible for governance, advised by the Audit Sub-Committee. 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 General Purposes and Licencing 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 Plan - 4 June 2019 Audit Sub-Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 4 June 2019 Audit Sub-Committee
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 ▶ Findings and issued regarding opening balances on initial audits 	Audit Results Report - 28 November 2019 General Purpose and Licencing Committee

Appendix C

		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 	We have asked management and those charged with governance. We have not identified any going concern issues.
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 - 28 November 2019 General Purpose and Licensing Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Pensions Investment Sub-Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have not identified any subsequent events.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the General Purposes and Licencing 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 General Purposes and Licencing Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.

Appendix C

		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 Fund'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 	We have no matters to 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 Results Report - 28 November 2019 General Purpose and Licensing Committee
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 no matters to report.
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 - 28 November 2019 General Purpose and Licensing Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
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 General Purposes and Licencing Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the General Purposes and Licencing 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.
Written representations we are requesting from management and TCWG	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 28 November 2019 General Purpose and Licencing Committee
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 	
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	
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 Plan - 4 June 2019 Audit Sub-Committee Audit Results Report - 28 November 2019 General Purpose and Licencing Committee

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2019 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

This page is left intentionally blank



Financial Services
Civic Centre, Stockwell Close, Bromley BRI 3UH

Telephone: 020 8464 3333 Internet: www.bromley.gov.uk
Direct Line: 020 8313 4338
Email: peter.turner@bromley.gov.uk

28th November 2019

Ernst & Young
1 More London Place
London
SE1 2AF

Dear Mr Patel

This letter of representations is provided in connection with your audit of the financial statements of London Borough of Bromley Pension Fund (“the Fund”) for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2018 to 31 March 2019 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2019, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Fund Scheme (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - Involving financial improprieties;
 - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements;

- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties. Although Bromley Pension Fund has its own bank account this is not currently used. All cash receipts and payments relating to both the Council and Pension Fund are made out of the main Council bank account. It is a requirement of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that all pension schemes should operate their own bank account;
- Involving management, or employees who have significant roles in internal control, or others; or
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have made available to you all minutes of the meetings of the Pension Investments Sub-Committee and General Purposes and Licensing Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on 28 November 2019.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. That other than impact of the McCloud case described in the IAS 26 disclosure to the Pension Fund financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the statement of accounts 2018/19 and Pension Fund Annual Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

I. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

1. The latest report of the actuary Mercer as at 31 March 2016 and dated March 2017 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value investment assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

Valuation of Investments

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the valuation of investments appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

Yours faithfully,

Peter Turner,
Director of Finance

Councillor Pauline Tunncliffe

Chairman of the General Purposes and Licensing Committee

This page is left intentionally blank

APPROVAL OF THE PENSION FUND STATEMENT OF ACCOUNTS

I hereby confirm that the Pension Fund Statement of Accounts for the year ending 31st March 2019, as signed by the Director of Finance on the 28th November 2019, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 28th November 2019.

Councillor Pauline Tunnicliffe
Chairman of the General Purposes and Licensing Committee
28th November 2019

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required:

- * to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance;
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- * to approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

- * selected suitable accounting policies and then applied them consistently;
- * made judgements and estimates that were reasonable and prudent; and
- * complied with the Code of Practice.

The Director of Finance has also:

- * kept proper accounting records which were up to date;
- * taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director of Finance

I certify that the Pension Fund accounts set out on pages 45 - 58 of the Pension Fund Annual Report give a true and fair view of the financial position of the Authority as at 31st March 2019 and its income and expenditure for the year ended 31st March 2019.

Peter Turner
Director of Finance

Dated

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BROMLEY

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 20. 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 pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared 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 the pension fund 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 of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund'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.

Other information

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

Matters on which we report by exception

We report to you if:

- 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

Responsibility of the Director of Finance

As explained more fully in the Statement of Responsibilities set out on page 41, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 of Finance is responsible for assessing the Pension Fund'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 Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

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.

Use of our report

This report is made solely to the members of London Borough of Bromley, 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 the London Borough of Bromley and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
Date

The maintenance and integrity of the London Borough of Bromley's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PENSION FUND

PENSION FUND ACCOUNT

2017/18		Note	2018/19	
£000	£000		£000	£000
Dealings with members and employers				
Contributions and similar payments				
6,284		6	6,604	
22,954		6	24,984	
<u>3,568</u>			<u>2,655</u>	
	32,806			34,243
Benefits				
(26,332)			(27,531)	
(5,025)			(6,255)	
<u>(776)</u>			<u>(335)</u>	
	(32,133)			(34,121)
Payments to and on account of leavers				
(171)			(152)	
(1,196)			(1,280)	
<u>(2,646)</u>			<u>(2,336)</u>	
	(4,013)			(3,768)
	<u>(3,340)</u>			<u>(3,646)</u>
	(4,768)			
	<u>(8,108)</u>			<u>(8,564)</u>
Returns on investments				
8,805		9	20,627	
52,898		10	59,947	
	<u>61,703</u>			<u>80,574</u>
	53,595			72,010
	913,385			966,980
	<u>966,980</u>			<u>1,038,990</u>

PENSION FUND

NET ASSETS STATEMENT

31st March 2018			31st March 2019	
(restated)				
£000	£000		£000	£000
	150	London Collective Investment Vehicle (CIV)		150
		Investment assets		
		Equities - UK (quoted)		
28,567			35,945	
546,112		- overseas (quoted)	600,529	
		Pooled investments		
		- UK unitised insurance policies	11,444	
155,148		- UK open ended investment companies	332,434	
212,858				
		Pooled property investments		
		- UK open ended investment companies	48,573	
15,925				
11,634		Cash deposits held by investment managers	9,652	
2,016		Investment income due	2,279	
238		Other investment balances - sales	97	
(911)		- purchases	-	
<u>971,587</u>		Total investment assets	<u>1,040,953</u>	
<u>971,737</u>		Total net investments		<u>1,041,103</u>
-		Long-term debtors	70	
		Current assets and liabilities		
<u>1,075</u>		Current assets - debtors	<u>2,661</u>	
	1,075			2,731
(3,928)		Short term borrowing	(2,738)	
<u>(1,904)</u>		Current liabilities - creditors	<u>(2,106)</u>	
	(5,832)			(4,844)
<u>966,980</u>		Net assets of the fund available to fund benefits at the end of the reporting period		<u>1,038,990</u>

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The Actuarial present value of promised retirement benefits is disclosed in Note 14.

The balance as at 31st March 2018 has been restated to separate the investment in the London Collective Investment Vehicle (CIV) from investment assets

PENSION FUND

Notes to the Accounts

1 Description of Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the London Borough of Bromley Pension Fund Annual Report 2018/19 and the underlying statutory powers underpinning the scheme, which are listed below.

(a) General

The London Borough of Bromley Pension Fund is part of the LGPS and is administered by the London Borough of Bromley. It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of the Council and of other organisations with scheduled or admitted body status within the Fund. Teachers are not included as they are members of the Teachers' Pension Scheme, administered by the Department for Education. Former NHS public health health staff who transferred to Bromley in April 2013 are also not included as they remain members of the NHS Pension Fund, administered by the Department for Health.

The Fund is governed by the Public Services Pensions Act 2013 and is administered in accordance with with the following legislation:

- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016.
- The LGPS Regulations 2013 (as amended).

The Fund is overseen by the London Borough of Bromley Pensions Investment Sub-Committee.

(b) Membership

Membership of the Fund is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal pension arrangements outside the scheme.

Organisations participating in the Fund include:

- Administering Authority: The London Borough of Bromley
- Scheduled Bodies: Academies, Colleges and Foundation Schools whose staff are automatically entitled to be members of the Fund
- Admitted Bodies: Other organisations that participate in the Fund under admission agreements with the Fund. These may include voluntary, charitable and similar bodies or private contractors carrying out local authority functions after outsourcing to the private sector.

The following table shows the total membership of the Fund as at 31st March 2019 and 2018.

	2019	2018
Number of employers	113	110
Number of employees in scheme		
London Borough of Bromley	1,747	1,648
Other employers	4,569	4,550
	<u>6,316</u>	<u>6,198</u>
Number of pensioners		
London Borough of Bromley	4,511	4,456
Other employers	859	729
	<u>5,370</u>	<u>5,185</u>
Deferred pensioners		
London Borough of Bromley	3,748	3,831
Other employers	1,998	1,706
	<u>5,746</u>	<u>5,537</u>
Total number of members in pension scheme	<u>17,432</u>	<u>16,920</u>

PENSION FUND

Notes to the Accounts

1 Description of Fund continued

(c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active scheme members in accordance with the LGPS Regulations 2013 and, in 2018/19, ranged from 2.8% to 12.0% of pensionable pay. Contributions are also made by employers and these are set based on triennial actuarial valuations.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay. In 2018/19, total employer rates ranged from 5.6% to 38.0% of pensionable pay.

(d) Benefits

Pension benefits accrued prior to 1st April 2014 are based on final pensionable pay and length of pensionable service and are calculated as follows:

Service pre 1st April 2008:

- Pension: each year worked is worth $1/80$ x final pensionable salary.
- Lump sum : automatic lump sum of $3/80$ for each year worked x final pensionable salary. A proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

Service post 31st March 2008:

- Pension: each year worked is worth $1/60$ x final pensionable salary.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

With effect from 1st April 2014, the LGPS became a career average scheme and pension benefits accrued after 31st March 2014 are calculated as follows:

- Pension: for each year of scheme membership, a pension equal to $1/49$ of pensionable pay for that year will be added to an employee's pension account. Annual additions are then made to ensure the accrued pension keeps pace with inflation.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

As well as a change to the way in which benefits are calculated, the scheme normal retirement age for benefits accrued after 31st March 2014 changed to State Pension Age or 65, whichever is later.

There is a range of additional benefits for members of the scheme including, but not limited to, early retirement, ill health retirement and death benefits.

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its position as at 31st March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector, as well as guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 14.

The accounts have been prepared on a going concern basis.

3 Summary of Significant Accounting Policies

(a) Contribution income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the scheme actuary in the payroll period to which they relate.

PENSION FUND

Notes to the Accounts

3 Summary of Significant Accounting Policies continued

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid is classified as a current financial asset. Employer deficit contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of an agreement, on a receipts basis.

(b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

(c) Investment Income

(i) Interest income

Interest income is recognised in the Fund account as it accrues. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

(ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period are disclosed in the net assets statement as "current assets".

(iii) Distributions from pooled funds

Distributions from distributing share class pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. For accumulating share classes, the change in market value also includes income, net of withholding tax, which is re-invested in the fund.

(iv) Movement in the net market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments.

(d) Benefits payable

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund, as appropriate.

(e) Taxation

The Fund is a registered public service scheme under the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

(f) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016)", as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

PENSION FUND

Notes to the Accounts

3 *Summary of Significant Accounting Policies continued*

Investment management expenses are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 8 and grossed up to increase the change in value of investments. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

(g) Investment management expenses

All investment management expenses are accounted for on an accruals basis and investment manager fees are agreed in the respective mandates governing their appointments. Broadly, these are based on a percentage of the total market value of investments under management and therefore increase or decrease as the total value of investments changes.

(h) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 18).

(i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

(j) Cash and cash equivalents

Cash comprises cash investments placed by the Fund managers and cash held internally by the Fund. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

(k) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to it. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

(l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed every three years by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As is permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see Note 14). A summary of the results of the last full actuarial valuation is shown in Note 13.

(m) Additional voluntary contributions (AVCs)

The Council provides an AVC scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and each contributor receives an annual statement showing the amount held in their account and the movements in the year. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts, but are disclosed in Note 15.

(n) Contingent Assets and Liabilities

A contingent asset or liability arises where an event has taken place giving rise to a possible asset or liability whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

PENSION FUND

Notes to the Accounts

4 *Critical Judgements in Applying Accounting Policies, Assumptions on the Future and Other Major Sources of Estimation Uncertainty*

The Pension Fund liability is calculated every three years by the scheme actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 13. The assumptions were determined after taking into account historical experience, current trends and other factors. This estimate is subject to significant variations based on changes to the underlying assumptions. Consequently, actual results may be materially different from estimates.

The actuarial present value of promised retirement benefits is included in Note 14. Estimation of the net liability to pay pensions and the judgements used are carried out by the scheme actuary. The significant judgements relate to the discount rate used, salary increase projections, inflation and demographic assumptions. Additionally the actuary has included the impact of the McCloud judgement in June 2019. This is estimated to increase liabilities by approximately 1% which amounts to £12m as at 31st March 2019.

5 *Events after the Balance Sheet Date*

There has been one adjusting event that provides additional information about conditions that existed at the end of the reporting period. There has been additional evidence regarding the McCloud case judgement, including a legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal. The impact on the present value of future retirement benefit is included within Note 14.

6 Contributions receivable	2017/18	2018/19
	£000	£000
Employer Contributions		
L.B. Bromley part of Fund		
L.B. Bromley - normal	7,880	7,968
- augmentations	453	1,055
- deficit funding	2,100	2,100
Scheduled bodies - Foundation Schools	147	157
	<u>10,580</u>	<u>11,280</u>
Other		
Scheduled bodies - normal - academies	10,283	11,061
- normal - colleges	634	688
Admitted bodies - normal	988	1,477
- deficit funding	469	478
	<u>22,954</u>	<u>24,984</u>
Member Contributions		
L.B. Bromley part of Fund		
L.B. Bromley	3,061	3,074
Scheduled bodies - Foundation Schools	40	42
	<u>3,101</u>	<u>3,116</u>
Other		
Scheduled bodies - academies	2,612	2,810
- colleges	265	289
Admitted bodies	306	389
	<u>6,284</u>	<u>6,604</u>

Details of the scheduled and admission bodies are included in Note 1 (b).

7 Management Expenses	2017/18	2018/19
	£000	£000
Administrative costs	500	530
London CIV implementation & service chg	100	90
External audit costs	21	21
PSAA refund re 2016/17 audit	-3	0
Investment management expenses	3,991	4,113
Oversight and governance costs	159	164
	<u>4,768</u>	<u>4,918</u>

PENSION FUND

Notes to the Accounts

8 Investment Management Expenses	2017/18	2018/19
	£000	£000
Management fees	3,654	3,807
Custody fees	125	162
Transaction costs	212	144
	<u>3,991</u>	<u>4,113</u>
9 Investment Income	2017/18	2018/19
	£000	£000
Income from equities	8,842	10,386
Pooled property investments	0	1,866
Pooled investments	0	8,424
Interest on cash deposits	-37	-49
	<u>8,805</u>	<u>20,627</u>

10 Investments

Following a review of the Fund's investment strategy in 2017, to help manage the projected cashflow negative position of the Fund, contracts were awarded for two income distributing Multi-Asset Income Funds (20% of the Fund) and a Property Fund (5% of the Fund) in December 2017, funded by the disinvestment of the two Diversified Growth Funds, and a reduction in the allocations to Global Equities and Fixed Income. The managers as at 31st March 2019 were as follows:

Global equities: Baillie Gifford, Blackrock and MFS.

Fixed income: Baillie Gifford and Fidelity.

Multi-Asset Income: Fidelity and Schroders.

Pooled Property: Fidelity.

In addition, the Fund has £150k of unlisted shares in the London LGPS CIV Ltd (London CIV), which was set up to manage/pool the investments of LGPS funds across London.

The bid value of the Fund as at 31st March 2018 and 2019 was divided between the Fund managers as follows:

	31st March 2018		31st March 2019	
	£000	%	£000	%
Baillie Gifford - global equities	380,801	39.19%	418,276	40.18%
- fixed income	58,039	5.97%	59,158	5.68%
Fidelity - fixed income	75,635	7.78%	78,671	7.56%
- multi-asset income	79,192	8.15%	78,784	7.57%
- pooled property	15,925	1.64%	48,573	4.67%
MFS - global equities	206,847	21.29%	230,226	22.11%
Blackrock - global	155,148	15.97%	11,444	1.10%
Schroders - multi-asset income	0	0.00%	115,821	11.12%
London CIV	150	0.02%	150	0.01%
	<u>971,737</u>	<u>100.00%</u>	<u>1,041,103</u>	<u>100.00%</u>

The carrying amounts of financial assets held by Fund managers are held as fair value through profit and loss, with the exception of the London CIV investment which is held at cost.

There is no impact from the adoption of IFRS 9 Financial Instruments.

Pooled investments shown in the Net Assets Statement include the following:

	31st March	31st March
	2018	2019
	£000	£000
Multi-Asset Income Fund (2)	79,192	194,605
Property Fund (1)	15,925	48,573
Global Equity Fund (1)	155,148	11,444
Sterling Bond Funds (2)	133,666	137,829
	<u>383,931</u>	<u>392,451</u>

PENSION FUND

Notes to the Accounts

10 Investments continued

The table below analyses movements in market values between the start and end of the year.

	Value at 31st March 2018 £000	Purchases £000	Sales £000	Change in value £000	Value at 31st March 2019 £000
Equities	574,679	104,582	(91,630)	48,843	636,474
Pooled investments	383,931	155,240	(153,573)	6,853	392,451
	<u>958,610</u>	<u>259,822</u>	<u>(245,203)</u>	<u>55,696</u>	<u>1,028,925</u>
Cash deposits	11,634			4,251	9,652
Amounts receivable for sales	238				97
Investment income due	2,016				2,279
Amounts payable for purchases	(911)				-
Net investment assets	<u>971,587</u>			<u>59,947</u>	<u>1,040,953</u>

The change in market value (MV) of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including gains and losses realised on sales of investments and unrealised changes in market value. All gains and losses recognised arose from financial instruments valued at fair value through profit and loss.

Transaction costs, comprising costs charged directly to the scheme such as fees, commissions, stamp duty and other fees, are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year totalled £144k (£212k in 2017/18). Indirect costs are also incurred through the bid-offer spread on investments within pooled investment vehicles, but amounts are not separately provided to the scheme.

The Code requires the Council to disclose any single investments exceeding either 5% of the net assets available for benefits or 5% of any class or type of security. Details are shown below.

	31st March 2018		31st March 2019	
	£000	% of total	£000	% of total
Baillie Gifford				
- Sterling Aggregate Plus Bond Fund	49,780	5.12	52,085	5.01
Blackrock - Ascent Life Global Equities Fund	155,148	15.97	11,444	1.10
Fidelity				
- Institutional Aggregate Bond Fund	75,627	7.78	78,671	7.57
- Diversified Income Fund	79,192	8.15	78,784	7.58
- UK Real Estate Fund	15,925	1.64	48,573	4.68
Schroders - Global Multi Asset Income	-	-	115,821	11.15

11 Current assets and liabilities

Current assets and liabilities are held respectively on the Balance Sheet as loans and receivables and financial liabilities at amortised cost.

	2017/18	2018/19
	£000	£000
<u>Short term debtors</u>		
Contributions due from employers and employees	1,072	1,323
Dividend income due	0	1,334
Other	3	4
	<u>1,075</u>	<u>2,661</u>
<u>Current liabilities</u>		
Fund management fees	734	736
Transfers out (group)	1,165	1,280
Other	5	90
	<u>1,904</u>	<u>2,106</u>

PENSION FUND

Notes to the Accounts

12 Long term debtors	2017/18	2018/19
<u>Long term debtors</u>	£000	£000
Reimbursement of lifetime tax allowances	0	70
	0	70

13 Funding Arrangements

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme Regulations 2013. The Fund's actuary, Mercer Ltd, carried out a full valuation of the Fund as at 31st March 2013, when its solvency level was calculated at 82%.

The 2013 actuarial valuation set the level of employer contributions required to attain 100% solvency within 15 years. It set employer rates for the years ending 31st March 2015, 2016 and 2017 at an average of 15.3% (excluding past deficit adjustment) and specified total annual lump sum past-deficit contributions of £6.0m.

The most recent full valuation of the Fund (as at 31st March 2016) was carried out by the actuary during 2016/17. This calculated a new solvency funding level of 91% and set a common employer contribution rate of 20.3% and total annual lump sum past-deficit contributions of £2.6m from 1st April 2017 until 31st March 2020 with the aim of recovering that deficit over 12 years.

A significant number of schools adopted academy status between 2014/15 and 2017/18. Calculations of deficit shares and contribution rates for academies are carried out individually by the Council's actuary and are set at either the same rate as the Council or at a rate sufficient to ensure that the deficit share is recovered within 12 years.

The following assumptions were employed in the 2013 and 2016 valuations.

	2013	2016
<u>Economic assumptions</u>	% p.a.	% p.a.
Increases in earnings - long term	4.1	3.7
- short term (3 years)	1.0	n/a
General Inflation	2.6	2.2
Increases in pensions	2.6	2.2
Investment return - Overall discount rate	4.95	4.2
<u>Mortality assumptions</u>	Years	Years
Life expectancy - male aged 65 now	22.9	23.2
- at 65 for male aged 45 now	25.1	25.8
- female aged 65 now	25.3	25.9
- at 65 for female aged 45 now	28.2	28.2

Commutation assumption - It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take a 3/80ths cash sum (the standard for pre April 2008 service).

14 Actuarial Present Value of Promised Retirement Benefits

The net liability of the London Borough of Bromley part of the Fund in relation to the actuarial promised retirement benefits and the net assets available to fund these benefits (both based on IAS 19 information available as at 31st March) is shown in detail in Note 45 to the main financial statements. The figures shown in the Net Assets Statement are in respect of the Whole Fund. The Fund is also required to disclose the actuarial present value of future benefits for the Fund as a whole. This was assessed by the Council's actuary under IAS 26 as £1,201m as at 31st March 2019 (£1,111m as at 31st March 2018). The Government Actuary's Department (GAD) has estimated that the impact of the McCloud judgement for the LGPS as a whole could be to increase active member liabilities by 3.2% (around 1% of overall liabilities) based on a given set of actuarial assumptions. Based on the calculation carried out by the Fund actuary the estimated increase in promised retirement benefits arising from the McCloud judgement is £12m increasing the total present value of promised retirement benefits to £1,213m. The demographic assumptions used in the IAS 26 report were the same as those used for the 2016 full valuation (see Note 13) and the following financial assumptions were used:

	2018	2019
	% p.a.	% p.a.
Increases in earnings	3.6	3.7
Increases in pensions	2.2	2.3
Inflation	2.1	2.2
Investment return - Overall discount rate	2.6	2.4

PENSION FUND

Notes to the Accounts

15 Additional Voluntary Contributions

Contributing members have the right to make AVCs to enhance their pensions. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2017/18 and 2018/19 and the total value of AVC Funds as at 31st March 2018 and 2019 is shown below.

	2017/18	2018/19
	£000	£000
AVC contributions		
- to Aviva	47	18
- to Equitable Life *	-	-
Total contributions	47	18

* the total contribution to Equitable Life was zero in 2017/18, and zero in 2018/19.

	2017/18	2018/19
	£000	£000
Market Value		
- Aviva	899	881
- Equitable Life	66	46
Total Market Value	965	927

16 Related Parties

Two members of the Pensions Investment Sub-Committee during the year were in receipt of a pension, and one is a deferred pensioner.

A special responsibility allowance of £1,970 was paid to the Chairman of the Sub-Committee in both 2017/18 and 2018/19. No other payments were made for meeting attendance.

The Council incurred costs of £662k (£593k in 2017/18) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

Two key management personnel of the Fund (the Director of Corporate Services and the Director of Finance) are active members of the Fund. Their remuneration is set out below.

	2017/18	2018/19
	£000	£000
Short-term benefits	9	12
Post-employment benefits	1	2
	10	14

17 Nature and extent of risks arising from financial instruments

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 requires disclosure of the nature and extent of risks arising from financial instruments. This requirement extends to the specific risks related to Pension Fund investments. Detailed disclosures concerning these risks are included in this note on the next two pages.

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk, price risk, currency risk and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet its forecast cash-flows. The Authority manages these investment risks as part of its overall Pension Fund risk management programme.

PENSION FUND

Notes to the Accounts

17 Nature and extent of risks arising from financial instruments continued

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. The Fund has an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Director of Finance. Further details of current policy are included in the Fund's Statement of Investment Principles. To mitigate market risk, the Authority and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Fund officers review these metrics with Fund managers at each quarter.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Authority to ensure it is within limits specified in the Fund's investment strategy.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the base currency of the Fund, i.e. £Sterling.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from jurisdictions outside of the market on which those securities are quoted. Over the long-term, currency rates reflect value in a particular territory and, to the extent that a particular security is exposed to currency risk in a particular territory, investment managers make decisions about this in their analysis of what securities to buy, sell or hold.

The Fund manages this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Director of Finance and the Pensions Investment Sub-Committee every quarter.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

PENSION FUND

Notes to the Accounts

17 Nature and extent of risks arising from financial instruments continued

Credit Risk continued

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one bank or building society. In addition, the Council may invest in AAA-rated money market funds to provide diversification.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund had temporary borrowing of £2.7m under its treasury management arrangements at 31st March 2019 (£3.9m as at 31st March 2018). Although the Pension Fund Revenue Account balance was cash negative for the year, the new income distributing funds (see note 9) are intended to rectify this position going forward, and, as a result, it was not considered viable to separate out Pension Fund cash from Council cash.

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly by the Director of Finance.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Authority therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings that are invested by the Authority, although, as is stated above, the level of cash held was not sufficient to warrant separate investment. The levels of cash held are reviewed by the Authority as part of the periodic cash-flow forecasting and form part of the Fund's investment strategy. The Fund's investment strategy ensures that around 95% of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk.

The Fund has illiquid assets through the Fidelity Property Fund, which had a value of £48.6m as at 31st March 2019, representing 4.67% of investment assets (£15.9m (1.64%) as at 31st March 2018).

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Changes in interest rates principally affect investments held in cash or fixed interest securities. Changes in interest rates, currencies and credit risk are all inter-related and affected by many influences including sovereign interest rates and factors affecting each individual investment. Investment managers manage these risks through the choice of their investments, by having benchmark outputs to attain and reporting variances from benchmark returns. The Council reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by the Director of Finance.

Summary

The following table sets out the potential sums at risk, most of which are remote possibilities, under the various types of risk:

PENSION FUND

Notes to the Accounts

17 Nature and extent of risks arising from financial instruments continued

	Market Risk £000	Other Price £000	Currency Risk £000	Liquidity Risk £000	Interest Rate Risk £000	Credit Risk £000
UK Equities (quoted)	35,945	35,945	-	-	-	35,945
Overseas Equities (quoted)	600,529	600,529	600,529	-	-	600,529
Pooled Investments						
- Multi-Asset Income Funds *	194,605	194,605	194,605	194,605	194,605	194,605
- Global Equity Fund	11,444	11,444	11,444	-	-	11,444
- Sterling Bond Funds	137,829	-	-	-	137,829	137,829
- Property Funds	48,573	48,573	-	48,573	-	48,573
Cash and cash equivalents	-	9,749	-	-	9,749	9,749
	1,028,925	900,845	806,578	243,178	342,183	1,038,674

* The Multi-Asset Income Fund invests in a wide range of assets, including equities, bonds and alternative investments, as determined by the Fund managers. As a result, there is exposure to all types of risk up to the value of the investments held.

18 Determination of the fair value of assets

All investment assets are held at fair value. The determination of the fair value can be complex depending on the investment and the complexity of measurement can be represented by the fair value hierarchy. The fair value hierarchy ranks fair values at levels between 1 and 3.

Valuations considered to be Level 1 are based on quoted prices, and the valuation of the Fund's equities fall into this category.

Level 2 valuations are based on observable inputs relating to the assets, such as the quoted price of similar assets or market data relating to the assets held. The valuation of the Fund's pooled investments fall into this category.

Level 3 valuations are based on non-observable inputs. These types of valuation are common to the valuation of private equity and other alternative investments. The investment in the London CIV falls into this category.

19 Contingent Assets

The Council is party to a joint venture (JV) arrangement, More Homes Bromley LLP. As part of the overall arrangement the Council has resolved that, on receipt of the property stock at the conclusion of the agreement, the properties will subsequently be 'gifted' to the Pension Fund with a view to reducing current pension contributions. The assets to be 'gifted' at the end of the arrangement will not exceed the value of the Council's Pension Fund deficit at that time. The eventual consideration may differ from the actuarial assumptions used due to the long term nature of the arrangement and the application of different professional standards. Whilst there is a constructive obligation to transfer the whole or part of the property stock this is subject to a number of caveats and there is not sufficient certainty for it to be recognised by the Pension Fund as an asset at this stage.

20 Contingent Liabilities

Defined benefit pension schemes that were Contracted-out Salary Related (COSR) schemes before contracting-out ended on 6th April 2016 need to provide a Guaranteed Minimum Pension (GMP) to members for contracted-out service between 6th April 1978 and 5th April 1997.

Guaranteed Minimum Pension (GMP) relates to the period where Members of a pension scheme were 'contracted out' of additional state pension arrangements (eg. SERPS or S2P). If the contracted out benefits are less than the pensioner would have received if the contracting out had not applied, the pension scheme would be required to increase the pension paid to reach the GMP.

Scheme actuaries are assessing the impact on the LGPS and other schemes but estimates of the financial impact for individual Funds are not yet available.

This page is left intentionally blank



Annual Governance Statement 2018/19

FINAL

Contents

1. Executive Summary	2
2. Significant Governance Issues	2
3. What is Corporate Governance?	4
3.1 Definition	4
3.2 The Principles	5
4. The Council - How it Works	7
5. Outcomes and Value for Money	9
5.1 Building a Better Bromley 2016-2018.....	9
5.2 Portfolio Plans	9
5.3 Managing our Resources (Value for Money).....	10
6. How do we know our arrangements are working?	12
6.1 The Role of Management	12
6.2 The Role of the Audit Committee	13
6.3 Our Governance Framework	14
6.4 Annual Governance Assurance Statement.....	15
6.5 External Inspections/Peer Reviews	15
6.6 The Role of Internal Audit	16
6.7 The Role of the Head of Audit and Opinion on Governance Risk and Control.....	16
7. Our Strategic Risks	16
8. Looking Back on 2017/18	18
Appendix 1 – Links to Documents.....	21

1. Executive Summary

The Leader of the Council and Interim Chief Executive recognise the importance of having appropriate processes and controls in place to run the Council and ensure its services are delivered effectively.

The Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. The Council's Audit Sub-Committee review the production of the AGS and considers and scrutinises the content.

Bromley is a Member led, commissioning authority, delivering services through whoever is best placed to provide quality and value for money to its residents, who are supported to manage their lives with the minimum of intervention from the Council. 'Building a Better Bromley' contains the guiding principles for Bromley Council. Following public consultation, in 2016 Bromley Council updated and relaunched the priorities contained in the vision and strengthened links with key partner organisations to help deliver important outcomes for residents, businesses and visitors to Bromley.

[Building a Better Bromley \(2016-2018\)](#)

Bromley's governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled, and the activities through which it accounts to, engages with and leads its community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives; to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromley for the year ended 31 March 2019 and up to the date of approval of the Leader's Foreword and Statement of Accounts.

The Council conducts an annual review of its governance arrangements, including the system of internal control. The purpose of the review is to provide assurance from a number of sources including Members, Chief Officers, internal and external audit, other review agencies and inspectorates that corporate governance arrangements are adequate and operating effectively; or where gaps are revealed, action is planned that will ensure effective governance in future.

With substantial additional savings to be made over the next four years, the financial situation continues to drive the future direction and work of the Council.

2. Significant Governance Issues

Overall, we can confirm that the Council has appropriate systems and processes in place to ensure that good governance is maintained in line with the 'Delivering Good Governance in Local Government Framework, 2016 Edition'. Whilst we are satisfied that these generally work and can be regarded as fit for purpose, we have identified a number of areas for improvement.

Progress made in dealing with the governance issues identified in the 2017/18 Annual Governance Statement is detailed on pages 18 - 20.

Four areas, detailed overleaf, have been identified as requiring further work during 2019/20:

Governance Issue	Action	Lead Officer
<p>Finance Capacity to make further budget savings and maintain frontline services. The Council has set a balanced budget for 2019/20 without a detrimental impact on key services. There are significant mitigation options to partly offset growth/cost pressures being implemented for 2019/20. Significant challenges remain for 2020/21 and beyond.</p>	<p>Work is ongoing to explore options to address the future years' budget gap through the four year forward planning arrangements.</p> <p>Draft 2019/20 budget and update on Council's financial strategy 2020/21 to 2022/23 report to Executive on 16th January 2019 identified the 'One Council' approach and new arrangements for a Transformational Review and Core Statutory Minimum Requirements review to explore further budget choices.</p> <p>Draft 2019/20 Budget and update on Council's Financial Strategy 2020/21 to 2022/23</p>	<p>Director of Finance</p>
<p>Health and Safety/Fire Safety Compliance Strengthen the Health and Safety Management systems and processes across the Council ensuring compliance with good practice.</p>	<p>Health and Safety Risk Assessments Compile a full suite of comprehensive Health and Safety Risk Assessments, demonstrating that Health and Safety Risks have been established and action plans are in place to implement controls.</p> <p>Fire Safety Risk Assessments Action is being taken to address the site management issues identified in the Operational Property Estate Fire Risk Assessments:-</p> <ul style="list-style-type: none"> • A person responsible for fire safety is identified at each building • Contractors occupying buildings are carrying out fire safety properly, if their responsibility • Suitable training/guidance is delivered either in house or externally, to ensure that responsible personnel are enabled to carry out their duties correctly and with confidence. 	<p>Director of Human Resources and Customer Services</p>
<p>Contract Management and Monitoring Strengthen control arrangements and effectiveness of Contract Management.</p>	<p>Clarify and communicate to all staff their roles and responsibilities in respect of the management of key contracts.</p> <p>Monitor compliance against Contract Procedure Rules Contract Monitoring requirements, identifying any issues for action to be taken through the Chief Officers' Executive/Corporate Leadership Team.</p> <p>Via the Procurement Board, periodically review contract management and contract monitoring issues for key contracts, feeding back any issues/actions to the Chief Officers' Executive/Corporate Leadership Team.</p> <p>Embed learning and best practice for contract management via Practice Notes on the Managers' Toolkit and through a quarterly Contract Owners Forum to ensure governance compliance and consistency.</p>	<p>Assistant Director, Governance and Contracts</p>

Valuation of Fixed Assets

Issues have been identified relating to the methodology used for the valuation of fixed assets for reporting in the Council's 2018/19 Statement of Accounts. It is clear that a revised approach is necessary which will require significant work relating to a full re-valuation of the Council's assets.

The Council's Assistant Director, Strategic Property, is working with our external real estate property advisors/valuers to ensure that this work is completed within a timescale to allow restatement of the Council's accounts prior to the end of the current financial year.

Assistant Director, Strategic Property

3. What is Corporate Governance?

3.1 Definition

The CIPFA International Framework 'Good Governance in the Public Sector' defines governance as:-

'The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved'

It also states that:-

'To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times'

'Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders'

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, provide leadership to their communities.

Effective corporate governance and the capacity to lead and manage change are essential to meet the ever increasing challenges for the public sector. Good governance is important to all involved in local government and a key responsibility of the Interim Chief Executive, the Leader of the Council and other statutory governance Chief Officers.

Our governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management practice.

Bromley Council recognises that:

- ▶ Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for residents and service users
- ▶ Good governance enables an authority to pursue its vision effectively, as well as underpinning that vision with appropriate mechanisms for control and management of risk
- ▶ All authorities should aim to meet the standards of the best and governance arrangements should not only be sound, but also be seen to be sound.

3.2 The Principles

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

How we do this

- Having regard for the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership
- Being accountable for decisions to the public and co-operating fully with whatever scrutiny is appropriate to one’s office
- Commitment to promoting an anti-fraud and corruption culture evidenced through a detailed anti-fraud and corruption policy and ensuring fraud and corruption are dealt with effectively
- Adherence to ethical values and respect for the rule of law
- Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities

Principle B – Ensuring openness and comprehensive stakeholder engagement

How we do this

- Ensuring transparency of decisions supported by an effective scrutiny and challenge process
- Consulting with residents during the budget setting process for 2019/20 and beyond
- Demonstrating engagement with all groups of stakeholders to determine the most appropriate course of action/effective intervention
- Ensuring a clear, evidence based, decision making path

Principle C – Defining outcomes in terms of sustainable, economic, social and environmental benefits

How we do this

- Having a clear vision and strategy, with key partner organisations through ‘Building a Better Bromley’
- Delivering defined, sustainable outcomes within the limits of resources and authority
- Balancing competing demands with finite resources when determining priorities; managing service users’ expectations effectively with regard to determining priorities and making the best use of the available resources
- Taking a longer term view with regard to decision making, taking account of potential conflicts between the organisation’s vision and short term factors such as financial constraints

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

How we do this

- Having a clear vision and strategy setting out our intended outcomes for citizens and service users
- Ensuring decision makers receive a robust best value option analysis detailing associated risks and outcomes to be achieved
- Considering stakeholder feedback and future impact when making decisions about service delivery, prioritising competing demands

Principle E – Developing capacity including the capability of leadership and individuals

How we do this

- Ensuring that the decision making process is clearly defined and supported by protocols to ensure a shared understanding of roles and objectives is maintained
- Ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities, reflecting the structure and diversity of the community
- Evaluating, and supporting, staff performance through regular reviews which take into account training and development needs
- Supporting the workforce to maintain their health and wellbeing

Principle F – Managing risks and performance through robust internal control and strong public financial management

How we do this

- Regular review of Corporate and Departmental Risks and Risk Registers
- Integration of effective risk management arrangements into the decision making process
- Ensuring an effective scrutiny function which provides a constructive challenge and allows for debate at all stages of the decision making process
- Ensuring effective counter fraud and anti-corruption policies are in place and there is good staff awareness
- Having an effective Audit Sub-Committee whose remit incorporates financial delegation, fraud prevention, internal and external audit

Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

How we do this

- Publishing information on our activities and decisions
- Maintaining a rigorous, effective and transparent decision making and scrutiny process
- Ensuring that public reports are easily accessible and use a style appropriate to the intended audience
- Embracing peer challenge, reviews and inspections from regulatory bodies, implementing recommendations for corrective action as required
- Maintaining an effective internal and external audit service, with direct access to Members

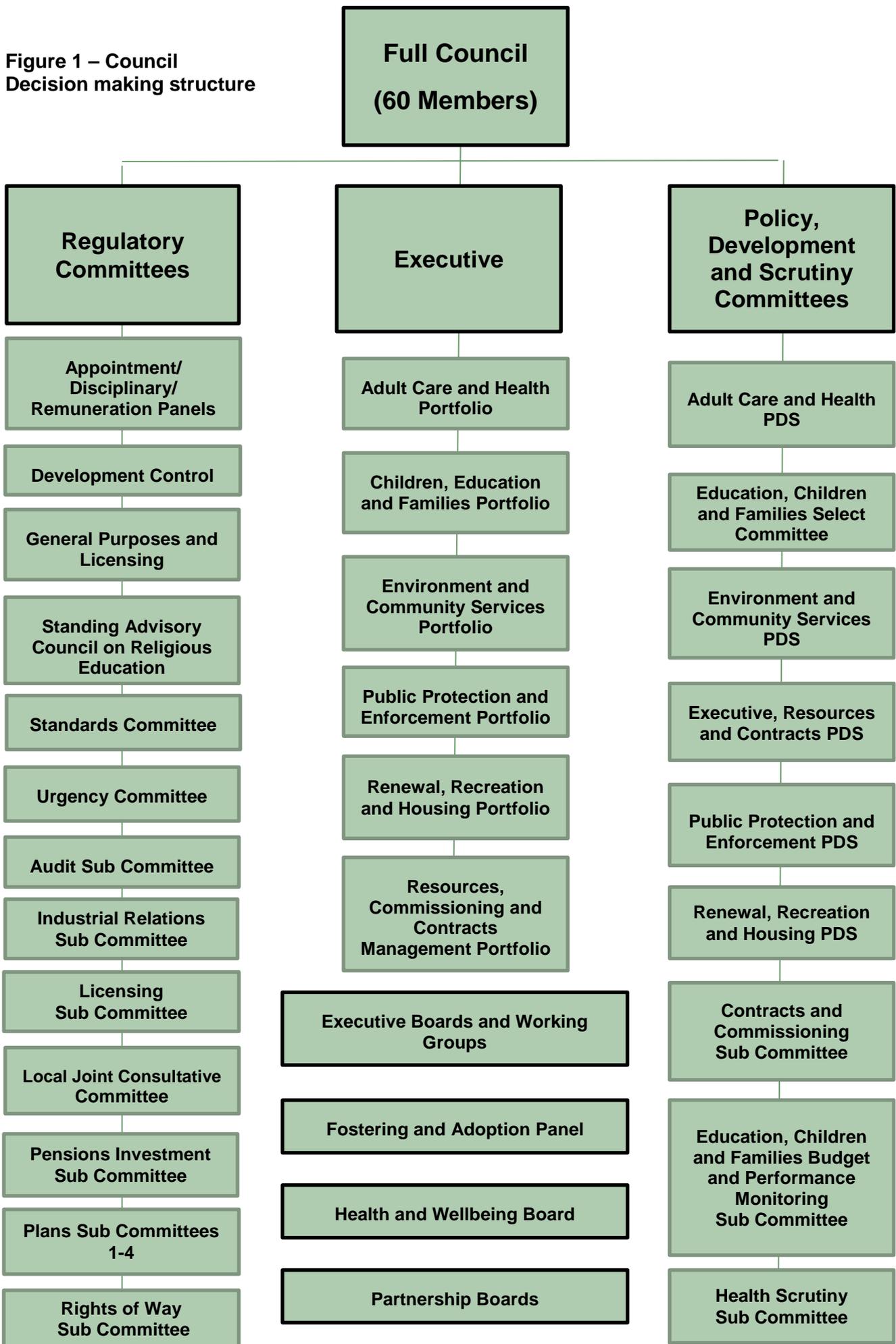
4. The Council - How it Works

This Annual Governance Statement covers the period 1st April 2018 to 31st March 2019.

The Council is made up of 60 Councillors with the decision making structure divided between Executive and non-Executive matters. Executive duties are carried out by an Executive body of Councillors, which includes the Leader and six Councillors with specific Portfolio responsibilities. Non-Executive duties are performed mainly by the Development Control Committee and the General Purposes and Licensing Committee.

The decision making structure is depicted overleaf:

Figure 1 – Council Decision making structure



5. Outcomes and Value for Money

5.1 Building a Better Bromley 2016-2018

Bromley Council will continue to reduce bureaucratic burdens whilst meeting its role in providing key services. An environment will be created where individuals and communities can thrive and where people can lead healthier, more independent and self-reliant lifestyles. This means that the authority can focus on supporting the Borough's most vulnerable residents with services underpinned by the principles of early intervention and prevention.

Bromley aims to create an environment where children and young people can be successful: supporting people into work; offering advice and signposting to self-help solutions, and working with partners to minimise crime and antisocial behaviour.

Bromley recognises that this activity cannot be done in isolation, so will continue strong support for the voluntary sector as well as working closely with outside bodies in the private and public sector.

Despite the unprecedented financial challenge, Bromley will serve and advocate on behalf of its residents and aim to deliver cost-effective services. Working with strategic partners, it will also continue to ensure that it receives the fairest deal from the Government on issues that are important to Bromley residents.

Bromley's achievements over the past year and plans for the future are reported in the Leader's Foreword and Statement of Accounts.

5.2 Portfolio Plans

Portfolio Plans set out each Portfolio Holder's aims in the current year and the supporting performance targets, using a range of national and local indicators. Overseeing the successful delivery of each plan is the joint responsibility of the Portfolio Holder and the Members of the appropriate Policy Development and Scrutiny Committee (PDS). The Portfolios are aligned to the priorities identified in Building a Better Bromley. In addition, the Health and Wellbeing Board is a collaboration between Bromley Council and various partner agencies whose role is to understand their local community's needs, agree priorities and encourage commissioners to work in a more joined-up way.

[Adult Care and Health Portfolio Plan 2018/22](#)

[Children, Education and Families Portfolio Plan 2018/22](#)

[Environment and Community Services Portfolio Plan 2018/21](#)

[Public Protection and Enforcement Portfolio Plan 2018/19](#)

[Renewal, Recreation and Housing Portfolio Plan 2018/19](#)

Updates on progress are reported to Members through the Policy, Development and Scrutiny process. Examples of this include:

[Adult Care and Health Portfolio Plan 2018/2022 - Quarter Two update covering report \(November 2018\)](#)

[Adult Care and Health Portfolio Plan 2018/2022 - Quarter Two update on progress \(November 2018\)](#)

[Education, Children and Families Portfolio Plan 2018/2022 - Quarter Two update covering report \(October 2018\)](#)

[Education, Children and Families Portfolio Plan 2018/2022 - Quarter Two update on progress \(October 2018\)](#)

[Renewal, Recreation and Housing Portfolio Plan 2018/19 - Quarter Two update covering report \(January 2019\)](#)

[Renewal, Recreation and Housing Portfolio Plan 2018/19 - Quarter Two update on progress \(January 2019\)](#)

[Public Protection and Enforcement Performance Overview \(January 2019\)](#)

[Environment and Community Services Performance Overview \(February 2019\)](#)

5.3 Managing our Resources (Value for Money)

The Council's external auditors issued an unqualified opinion on the Authority's financial statements on 26th July 2018. This means that they believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements include those of the Pension Fund.

The audit procedures are designed to:

- ▶ Identify misstatements which are material to their opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £9 million which equates to around 1.5% of gross expenditure;
- ▶ Detect errors in specific accounts at a lower level of precision. Materiality for the Pension Fund was set at £9 million which is approximately 0.99% of gross assets.

The external auditors identified one audit adjustment with a total value of £1.36 million relating to the reclassification of a property from assets held for sale to surplus assets. This adjustment does not result in a change in the reported deficit on provision of services or a net change in the general fund balance. The external auditors stated that they were provided with a good first draft of the financial statements. Their audit work was designed to specifically address the following significant risks for which no issues were identified:-

- ▶ **Management Override of Controls** – The audit methodology incorporates the risk of management override as a default significant risk;
- ▶ **Valuation of PPE (Plant, Property and Equipment)** – The authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value;
- ▶ **Pension Liabilities** – Valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions and actuarial methodology which results in the Authority's overall valuation;
- ▶ **Faster Close** – The timetable available to produce draft accounts was reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in previous years.

Whilst not explicitly covered by the audit opinion, the external auditors reviewed other information that accompanies the financial statements to consider its material consistency with the audited accounts. For 2017/18, they reviewed the Annual Governance Statement and Narrative Report. They concluded that they were consistent with their understanding and did not identify any issues.

There were no significant issues arising from their audit of the pension fund and the external auditors issued an unqualified opinion on the pension fund financial statements as part of their audit report.

A qualified 'except for' conclusion was issued on the authority's arrangements to secure value for money (VFM conclusion) for 2017/18 on 26th July 2018. This means that the external auditors were satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of resources, except for the area of children's services where the authority received an 'Inadequate' Ofsted inspection in June 2016 and these findings had not yet been fully remediated. This was an ongoing issue from previous years. To arrive at their conclusion, external audit looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties. It should be noted that Ofsted subsequently judged children's services as 'Good' across all practice areas and the impact of leaders on social work practice has been judged as 'Outstanding'.

The audit cannot be formally concluded and an audit certificate issued as the external auditors are currently considering elector queries relating to 2016/17 and 2017/18. Until they have completed their consideration of these, they are unable to certify that they have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014.

The detailed approach of the Council towards budgeting over the medium to longer term was reported to Executive on 16th January 2019.

[Draft 2019/20 Budget and update on Council's Financial Strategy 2020/21 to 2022/23](#)

Although the London Business Rate Pilot provides additional income in 2019/20, there is uncertainty on the impact of full devolution of business rates, awaited Spending Review and the outcome of the Government's 'Fairer Funding' review which may result in new responsibilities for the Council and associated risks. The changes are not expected to be implemented until at least 2020/21, whilst the fiscal squeeze for local government is expected to continue beyond that period and a possible future recession provides significant financial risks. The continuation of long term financial planning as part of the Medium Term Financial Strategy remains essential to ensure that any future service challenges are managed effectively.

The Budget Strategy has to be set within the context of a reducing resource base, with Government funding reductions likely to continue beyond 2020 – the on-going need to reduce the size and shape of the organisation to secure priority outcomes within the resources available. There is also a need to build in flexibility in identifying options to bridge the budget gap, as the gap could increase further. The overall updated strategy has to be set in the context of the national state of public finances, with the fiscal squeeze for local government continuing.

The background to the impact of the real reductions in government funding within the local authority landscape was reported to the January 2019 meeting of the Executive. Bromley has delivered savings of over £97m since 2011 and has a low cost base which makes further savings more challenging. Real term reductions in Government funding, future year cost pressures and new burdens are expected to continue over the next four years.

The Council is 'better placed' than many other authorities due to remaining debt free, has retained adequate level of reserves and maintained adequate provisions in the Council's revenue budget for unforeseen costs and risks. The Council has maintained four year financial planning despite the future funding uncertainty (awaited Spending Review, Fair Funding review and devolution of business rates from 2020/21) and it remains essential that action is taken to address any in year overspends, recognising that there could be a full year impact which could increase the 'budget gap' further. Apart from continuing the 'One Council' approach as reported to the January 2019 meeting of the Executive, the further new measures relating to the Transformational Review and Core Statutory Minimum Requirements review are essential to identify options from 2020/21 to address the medium term budget gap and ensure the Council can continue to 'live within its means'. It also remains essential that Chief Officers identify mitigating action to address any in year cost pressures/new burdens to remain within their 'cash envelope'.

Stewardship and delivering sustainable finances are increasingly important whilst cost pressures and the Government's fiscal squeeze continues. The strategy needs to remain flexible and the Council's reserves resilient to respond to the impact of volatile external events and the structural budget deficit.

This year we sought to collect views from residents through meetings with residents' associations and by requesting views through media and social media as the Council sets the budget for 2019-20 and beyond.

Two round table meetings for representatives of the Borough's residents' associations were held at the Civic Centre. These meetings were attended by 57 people from 29 associations, out of the 131 associations invited from across the Borough. Background information was uploaded to the Council's website, distributed to the residents' association representatives and highlighted to the wider audience through media and social media. Residents were invited to get in touch through the Leader's mailbox and say what they think the Council is doing well, where they believe improvements could be made and a greater focus placed, and how we can work together better to keep and improve our Borough as the great place it is to live, work, do business and relax in, as we move to the future.

Residents' comments will be considered as the Council prioritises key issues and as Councillors make decisions on the Council's services into the future. A bullet point summary of the observations made by residents at the meetings and through E mail and social media can be found in Appendix 9 (page 91 onwards) of the Draft 2019/20 Budget and update on the Council's Financial Strategy 2020/21 to 2022/23.

[Draft 2019/20 Budget and update on Council's Financial Strategy 2020/21 to 2022/23](#)

6. How do we know our arrangements are working?

6.1 The Role of Management

The Corporate Leadership Team is responsible for the Strategic Leadership of the organisation, with managers having day to day responsibility for the management and control of service delivery. Our managers set the 'tone from the top' and develop and implement policies, procedures, processes and controls. They ensure compliance.

The Corporate Risk Management Group (CRMG), chaired by the Director of Finance and including the Head of Audit in its membership, oversees the Council's governance arrangements and delivery of the Annual Governance Statement.

This year, Internal Audit commissioned Zurich, in their capacity as the Authority's insurers, to carry out a series of 'check and challenge' sessions to review and refresh the departmental Risk Registers resulting in an updated suite reflecting the current risk profile of the organisation. Zurich attended the January 2019 Corporate Risk Management Group meeting to discuss the output, further strengthening Risk Management and controls within the Council. None of the registers required wholesale changes and a good general awareness and understanding of Risk Management was reported. Overall there was a good level of engagement and it was evident throughout those discussions that in the last couple of years, and in particularly recently, risk has become embedded and is more 'live'.

This year, a review of our governance arrangements was undertaken by Internal Audit, overseen by the Corporate Risk Management Group. As part of that review, the Council's Anti-Fraud and Corruption Strategy was updated and approved by the Audit Sub Committee on 26th February 2019. This also includes updates to the Raising Concerns (Whistleblowing Policy), Anti Bribery Policy and the Money Laundering Policy.

[Anti-Fraud and Corruption Strategy](#)

The Standards Committee of 22nd January 2019 considered the Monitoring Officer's General Report. This updated the Committee on a number of Standard issues including the Authority's Whistleblowing

policy (Raising Concerns), Dispensations granted by the Monitoring Officer and Members' Gifts and Hospitality Register entries.

[Monitoring Officer's General Report 22nd January 2019](#)

The outcome of this is that we have adequate governance arrangements in place and relevant to the environment we work in.

6.2 The Role of the Audit Committee

The Council has appointed an Audit Sub-Committee which considers financial delegations, fraud prevention, internal and external audit. It is a sub-committee of the General Purposes and Licensing Committee and meets three times a year.

[Audit Sub Committee Meetings \(Agendas, Papers, Minutes\)](#)

The Audit Sub-Committee plays an important role in ensuring that the Council learns from Internal Audit findings and rectifies identified weaknesses in control. All Priority One recommendations from Internal Audit are tracked by the Committee until implemented.

In January 2019, the Constitution Improvement Working Group concluded that allowing an Executive Member to sit on the Audit Sub Committee could, potentially, be perceived as compromising its independence. Following approval by Council, para 2.02 of the Constitution was amended to 'Audit Sub Committee (Membership proportional, and to exclude any member of the Executive)'.

6.3 Our Governance Framework

Key Policies/Processes/Posts/Functions in our Governance Framework include:

	Policy/Process
A	Annual Audit Letter
	Annual Governance Statement
	Anti-Bribery Policy and Procedures
	Anti-Fraud and Corruption Strategy
	Anti-Money Laundering Policy
	Audit Sub Committee
B	Building a Better Bromley
C	Capital Strategy
	Code of Conduct for Members
	Complaints System
	Constitution
	Contract Procedure Rules/Standing Orders
	Corporate Induction Process
	Corporate Leadership Team
	Corporate Operating Principles
	Customer Access Channel Strategy
	Customer Services Charter
D	DISCUSS Appraisal Scheme
E	Executive and Resources PDS Committee Annual Report
F	Financial Regulations
	Financial Strategy
	Forward Plan of Key Decisions
G	'Getting it Right' – Complaints, Compliments and Suggestions
	Gifts and Hospitality Code of Conduct
H	Head of Audit
	Head of Paid Service
I	Internal and External Audit Reports
	Internal Audit Opinion and Annual Report
	Internal Controls
	IT Governance
L	Leader's Foreword and Statement of Accounts
	Learning and Development
	Local Development Framework
M	Member/Officer Protocol
	Monitoring Officer (Director of Corporate Services)
P	Portfolio Plans
	Public Consultations/Meetings
R	'Raising Concerns' whistle blowing
	Register of Interests
	Risk Management Strategy
S	Scheme of Delegation
	Section 151 Officer (Director of Finance)
	Statement of Accounts
T	Treasury Management Strategy

6.4 Annual Governance Assurance Statement

Each member of the Corporate Leadership Team is required to confirm that:

'In meeting my responsibilities above, I have:

- ▶ Contributed to the review of Risk Registers and the outcomes
- ▶ Ensured that there are controls in place to mitigate the risks highlighted in the above exercise
- ▶ Considered relevant assessments of key service areas within the Department e.g. benchmarking, peer review
- ▶ Taken into account internal and external audit and inspection reports and results of follow ups regarding implementation of recommendations

I am satisfied that to the best of my knowledge, the following procedures are in place:

- ▶ The service is planned and managed in accordance with the Council's Corporate Operating Principles
- ▶ Business risks are identified, assessed and reported on a regular basis
- ▶ Key controls over systems and processes are in place to ensure the Council's assets are safeguarded
- ▶ Business Continuity Plans are maintained and reviewed as circumstances change
- ▶ The monthly Cumulative Spend Report has been reviewed and agreed as part of the Full Budget Monitoring System
- ▶ Key contract information is kept up to date in the Contracts Database to allow Contract Registers and other management information to be reported

Where unable to confirm all, or some of these, the areas for improvement and planned actions must be detailed'.

6.5 External Inspections/Peer Reviews

During the last year the Council has received the following assessments from other Inspectorates, agencies or Peer Reviews:

- ▶ Ofsted – Inspection of Children's Social Care Services (19th – 30th November 2018)
[Ofsted - Inspection of Children's Social Care Services](#)
[Press Release - 7th January 2019](#)
[Press Release - 17th January 2019](#)
- ▶ Care Quality Commission – Review of Reablement (2nd May 2018, published 30th May 2018)
[Care Quality Commission - Review of Reablement \(2nd May 2018\)](#)
- ▶ Ofsted – Inspection of Further Education and Skills (15th – 18th January 2019)
[Ofsted - Inspection of Further Education and Skills \(15th - 18th January 2019\)](#)
[Press Release - 8th March 2019](#)

- ▶ Care Quality Commission – Review of Shared Lives (2nd May 2018, published 30th May 2018)
[Care Quality Commission - Review of Shared Lives \(24th January 2019\)](#)

6.6 The Role of Internal Audit

Internal Audit provides independent and objective assurance to the Council through its Audit Sub-Committee, to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs, and is a key component of Corporate Governance within the Council.

An independent Internal Audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Sub-Committee and senior management on the higher risk and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

Internal Audit's objectives include supporting a positive culture of internal control improvement, effective risk management and good governance. The purpose, authority and responsibility of the internal audit activity are formally defined in the Internal Audit Charter, which will be periodically reviewed and presented to senior management and the Audit Sub-Committee for approval.

6.7 The Role of the Head of Audit and Opinion on Governance Risk and Control

The Council is responsible for ensuring that it has a sound system of governance (incorporating the system of internal control).

The Head of Audit is required to provide an independent opinion on the overall adequacy of the effectiveness of the Council's governance, risk and control framework. Their Annual Report and Opinion has been considered and any significant issues incorporated as a result.

From the work undertaken during 2018/19, reasonable assurance can be provided that there is generally a sound system of internal control, designed to meet the Council's objectives and that controls are applied consistently. Where weaknesses are identified, i.e. Limited Assurance reports and Priority One recommendations are made; these are tracked by the Corporate Leadership Team and the Audit Sub Committee until implemented or discharged.

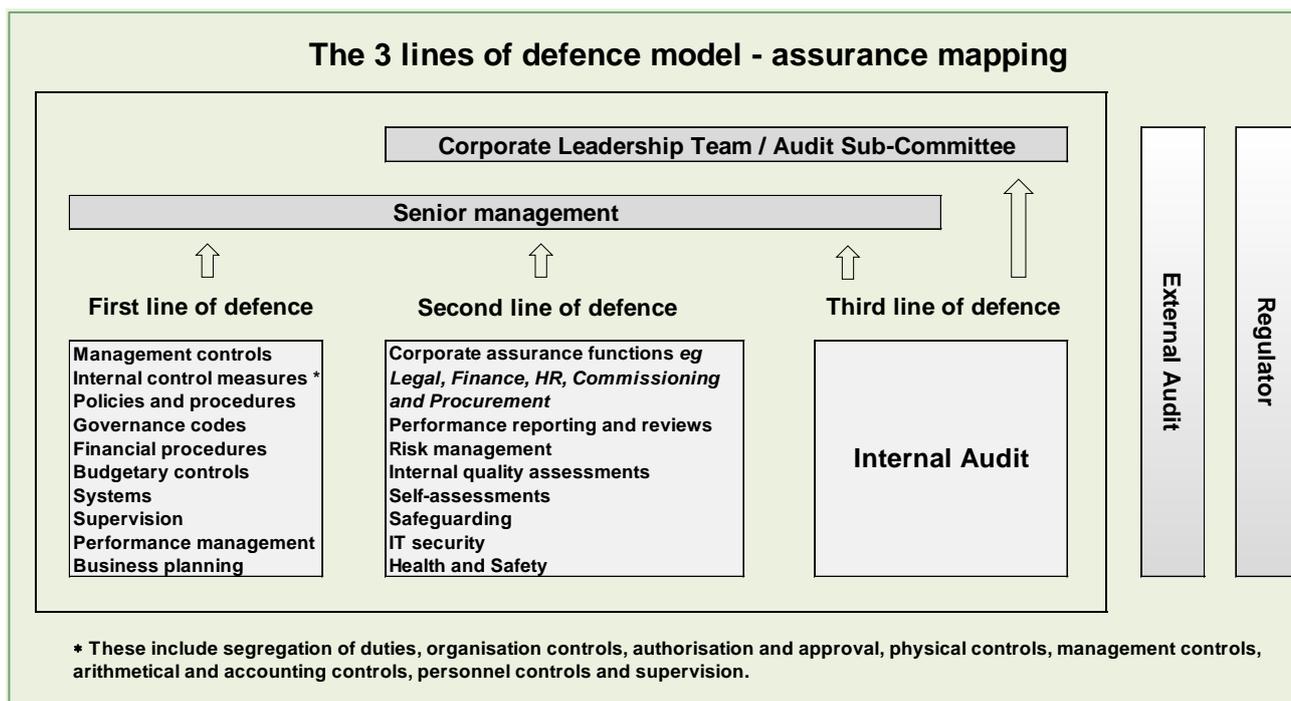
7. Our Strategic Risks

The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) or guidance. Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a simple framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation.

- ▶ First line – operational management controls
- ▶ Second line – monitoring controls, e.g. the policy or system owner / sponsor
- ▶ Third line – independent assurance

The Council's third line of defence includes Internal Audit, who should provide independent assurance to senior management and the Audit Sub-Committee on how effectively the first and second lines of defence have been operating.

Figure 2 – 3 Lines of Defence Model



Risk management is an important element of the system of internal control at Bromley Council. It is based on a process designed to identify, prioritise and control the risks to achieving Bromley’s policies, aims and objectives.

The Corporate Risk Register is a key document in the Council’s approach to risk management; it captures the key strategic risks to the delivery of the corporate objectives as set out in the ‘Building a Better Bromley’ vision. It also provides a context through which high level risks are identified and is used to inform decision making about business planning and service delivery. Chief Officers assume the lead role for Strategic Risks affecting their own service areas with the Corporate Risk Register reviewed at least annually. The Corporate Risk Management Group takes the lead in championing and co-ordinating the Council’s approach to risk management, and ensures that effective risk management processes are fully embedded.

The current Corporate Risk Register can be viewed via following the link

[Corporate Risk Register](#)

8. Looking Back on 2017/18

Governance Issue	Action	Progress
<p>Finance Capacity to make further budget savings and maintain frontline services. The Council has set a balanced budget for 2018/19 without a detrimental impact on key services. There are savings/income generating options required for 2019/20. However, there are significant challenges for 2020/21 and beyond</p> <p>(Director of Finance)</p>	<p>Work is ongoing to explore options to address the future years' budget gap through the four year forward planning arrangements.</p> <p>Draft 2018/19 budget and update on Council's financial strategy 2019/20 to 2021/22 report to Executive on 10th January 2018 identified the 'One Council' approach.</p> <p>Draft 2018/19 Budget and update on Council's Financial Strategy 2019/20 to 2021/22</p>	<p>Draft 2019/20 budget and update on Council's financial strategy 2020/21 to 2022/23 report to Executive on 16th January 2019 identified the 'One Council' approach and new arrangements for a Transformational Review and Core Statutory Minimum Requirements review to explore further budget choices.</p> <p>Work is ongoing to explore options to address the future year's budget gap through the four year forward planning arrangements.</p> <p>Draft 2019/20 Budget and update on Council's Financial Strategy 2020/21 to 2022/23</p>
<p>Contract Management Contract issues have been identified across the organisation in the last two years which have identified the need for strengthened control and management oversight</p> <p>(Director of Commissioning)</p>	<p>Contract Database Authorisation system for tendering/change control</p> <p>Document Management System Holds all contracts electronically and also Minutes of meetings, Change Control Notices (CCN), Waivers</p> <p>Training Has been identified as a mandatory requirement for 'commissioners of services'. It consists of four modules (3 hours per module) with compulsory attendance on all four to complete the course.</p> <ul style="list-style-type: none"> • Module 1 – Commissioning • Module 2 – Contracting process, engaging with the market (procurement) • Module 3 – Tender & evaluation process • Module 4 – Award (Governance) <p>Restructuring of the Commissioning Team To improve Governance and Quality Assurance</p>	<p>Contract Database Manual authorisation system updated with templates and guidance available. Monitoring of the authorisation process through the Commissioning Board. Managing the authorisation process through the Database is in development with expected roll out in early 2019.</p> <p>Document Management System The Database is fully in place and embedded through the organisation. Regular data quality checks and follow up actions are in place.</p> <p>Training The first suite of training has been completed (now five modules). Sessions are being repeated in the first half of 2019.</p> <p>Restructuring of the Commissioning Team Restructure carried out. Structure to be reviewed in context of Transformation agenda.</p>
<p>Performance Management Further work is required to ensure a comprehensive understanding of the strengths and weaknesses of services provided; effective use of</p>	<p>We will be launching an Adults Performance Framework during 2018/19 to compliment the new Children's Performance Management Framework launched in 2017/18. The Council will also be improving performance management</p>	<p>The Adults Performance Framework was launched in June 2018. Implemented through a phased approach, there are ongoing improvements to management oversight.</p>

<p>performance management information and robust quality assurance arrangements across the Council, building on the work undertaken in Children's Services</p> <p>(Assistant Director, Strategy, Performance and Business Support)</p>	<p>arrangements more broadly across the Council.</p> <p>Performance Reporting - Children's Services - covering report</p> <p>Performance Index</p>	<p>Performance Management Framework - Adults Services</p> <p>In regards to the Children's Performance Management Framework it is noteworthy that the Ofsted inspection in December 2018 highlighted the following:- 'Performance Information has substantially improved since the last inspection and it can now be relied on to help leaders and managers to identify and understand important areas of risk and to prioritise actions. Senior Leaders, including the Chief Executive and Lead Member, have a clear understanding of frontline practice and they interrogate performance information effectively in order to continue to improve. The use of performance information is embedded throughout Children's Services and is accessible to all managers. Improved accountability means that there is sharp analysis and challenge ensuring that issues are tackled as they arise'.</p>
<p>Code of Corporate Governance The Council's Code of Corporate Governance has not been updated to reflect the 2016 CIPFA /Solace guidance</p> <p>(Director of Corporate Services and Monitoring Officer)</p>	<p>A review of the Code will be undertaken to ensure that it reflects recommended practice</p>	<p>A draft code has been produced reflecting the CIPFA/Solace guidance. This will accompany the Annual Governance Statement through the Audit Sub-Committee, General Purposes and Licensing Committee approval process.</p>
<p>General Data Protection Regulations (GDPR) Significant changes were required to ensure that the Council is compliant with the General Data Protection Regulations 2016 (GDPR) when introduced on the 25th May 2018.</p> <p>(Director of Corporate Services)</p>	<p>Following an independent review which provided a data protection compliance review and initial gap analysis, a project plan was created with actionable tasks for working towards GDPR compliance. Additional staff support and investment have been secured. The 25th May 2018 was not a finish line and work is continuing on the project plan.</p> <p>GDPR Regulations Executive Report 6th December 2017</p>	<p>Work was undertaken and prioritised in terms of risk to ensure that the Council met and continues to meet its data protection obligations. Risk impact assessments were conducted to ensure that Council processes are actioned giving consideration to adequate technical and organisational measures. Significant structures have been put in place to ensure the organic inclusion of privacy by design and by default that ensures robustly embedded in security. The evolution of this work is the delivery of the progressive Information Management strategy with work currently being carried</p>

out to implement and transition it into operation throughout the Council to support the IT Transformation project.

[Zurich Information Governance Health Check Report November 2018](#)

To the best of our knowledge, the governance arrangements as defined above, have been operating effectively during the year and remain fit for purpose.

We propose to take steps over the coming year to address the Significant Governance Issue defined on pages 3 and 4 to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed.....

Signed.....

Chief Executive

Leader of the Council

Date.....

Date.....

Appendix 1 – Links to Documents

Page 2	Building a Better Bromley (2016-2018)
http://www.bromley.gov.uk/downloads/file/2005/building_a_better_bromley	
Page 3	Draft 2019/20 Budget and Update on Council’s Financial Strategy 2020/21 to 2022/23
https://cds.bromley.gov.uk/documents/s50066150/Executive%20160119%20Draft%202019-20%20Budget%20Report%20Final%20Version.pdf	
Page 9	Adult Care and Health Services Portfolio Plan 2018/22
https://www.bromley.gov.uk/downloads/file/1741/care_services_portfolio_plan	
Page 9	Children Education and Families Portfolio Plan 2018/22
https://www.bromley.gov.uk/downloads/file/1796/education_children_and_families_portfolio_plan	
Page 9	Environment and Community Services Portfolio Plan 2018/21
https://cds.bromley.gov.uk/documents/s50061598/Appendix%201%20Environment%20Portfolio%20Plan.pdf	
Page 9	Public Protection and Enforcement Portfolio Plan 2018/19
https://cds.bromley.gov.uk/documents/s50061439/appendix%201%20draft%20PPE%20PP.pdf	
Page 9	Renewal, Recreation and Housing Portfolio Plan 2018/19
https://cds.bromley.gov.uk/documents/s50061284/Appendix%201%20for%20Renewal%20Recreation%20and%20Housing%20Portfolio%20Plan.pdf	
Page 9	Adult, Care and Health Portfolio Plan 2018/22 – Quarter Two update covering report (November 2018)
https://cds.bromley.gov.uk/documents/s50064768/Adult%20Care%20and%20Health%20Portfolio%20Plan%202018-2022%20Update%20-%20Quarter%202%20201819.pdf	
Page 9	Adult, Care and Health Portfolio Plan 2018/22 – Quarter Two update on progress (November 2018)

<https://cds.bromley.gov.uk/documents/s50064769/App.%201%20to%20Adult%20Care%20and%20Health%20Portfolio%20Plan%202018-2022%20Update%20-%20Quarter%202%20201819.pdf>

Page 9

Education, Children and Families Portfolio Plan 2018/22 – Quarter Two update covering report (October 2018)

<https://cds.bromley.gov.uk/mgConvert2PDF.aspx?ID=50063955&ISATT=1#search=%22portfolio%20plan%2022>

Page 10

Education, Children and Families Portfolio Plan 2018/22 – Quarter Two update on progress (October 2018)

<https://cds.bromley.gov.uk/mgConvert2PDF.aspx?ID=50063956&ISATT=1#search=%22portfolio%20plan%2022>

Page 10

Renewal, Recreation and Housing Portfolio Plan 2018/19 - Quarter Two update covering report (January 2019)

<https://cds.bromley.gov.uk/documents/s50065860/Renewal%20Recreation%20and%20Housing%20Portfolio%20Plan%20-%20Quarter%20Two%20UpdatePART%201%20REPORT%20TEMPLATE.pdf>

Page 10

Renewal, Recreation and Housing Portfolio Plan 2018/19 - Quarter Two update on progress (January 2019)

<https://cds.bromley.gov.uk/documents/s50065861/Enc.%201%20for%20Renewal%20Recreation%20and%20Housing%20Portfolio%20Plan%20-%20Quarter%20Two%20Update.pdf>

Page 10

Public Protection and Enforcement Performance Overview 2018/19 (January 2019)

https://cds.bromley.gov.uk/documents/s50066154/Copy%20of%2019.01.30%20PPE%20Portfolio_RAG_Report%202018_vFINAL_21.01.19.pdf?CT=2

Page 10

Environment and Community Services Performance Overview 2018/19 (January 2019)

<https://cds.bromley.gov.uk/documents/s50066260/ECS%20Performance%20Monitoring%20201819.pdf?CT=2>

Page 11

Draft 2019/20 Budget and Update on Council's Financial Strategy 2020/21 to 2022/23

<https://cds.bromley.gov.uk/documents/s50066150/Executive%20160119%20Draft%202019-20%20Budget%20Report%20Final%20Version.pdf>

Page 12

Draft 2019/20 Budget and Update on Council's Financial Strategy 2020/21 to 2022/23

<https://cds.bromley.gov.uk/documents/s50066150/Executive%20160119%20Draft%202019-20%20Budget%20Report%20Final%20Version.pdf>

Page 12

Anti-Fraud and Corruption Strategy

<https://cds.bromley.gov.uk/documents/s50067028/Appendix%20C-Update%20to%20Anti%20Fraud%20Corruption%20PolicyWhistleblowingBriberyMoney%20Laundering%20Policies.pdf>

Page 13

Monitoring Officer's General Report 22nd January 2019

<https://cds.bromley.gov.uk/documents/s50065897/MONITORING%20OFFICERS%20GENERAL%20REPORT.pdf>

Page 14

Audit Sub Committee Meetings (Agendas, Papers, Minutes)

<http://cds.bromley.gov.uk/ieListMeetings.aspx?CId=135&Year=0>

Page 15

Ofsted – Inspection of Children's Social Care Services (19th – 30th November 2019) – Report

<https://reports.ofsted.gov.uk/provider/44/305>

Page 15

Ofsted – Inspection of Children's Social Care Services (19th – 30th November 2019) – Press Release 7th January 2019

https://www.bromley.gov.uk/press/article/1466/bromley_children_s_services_leap_to_good_with_outstanding_leadership

Page 15

Ofsted – Inspection of Children's Social Care Services (19th – 30th November 2018) – Press Release 17th January 2019

https://www.bromley.gov.uk/press/article/1467/outstanding_leadership_and_good_overall_ofsted_judgements_brought_about_by_fundamental_shift_in_approach_to_children_s_services

Page 15

Care Quality Commission – Review of Reablement (2nd May 2018) - Report

<https://www.cqc.org.uk/location/1-176333932>

Page 15

Ofsted Inspection of Further Education and Skills. (15th – 18th January 2019)

<https://cds.bromley.gov.uk/documents/s50067494/Final%20Ofsted%20report%20-%20Bromley%20Adult%20Education%20January%202019.pdf>

Page 15

Ofsted Inspection of Further Education and Skills (15th – 18th January 2019) – Press Release 8th March 2019

https://www.bromley.gov.uk/press/article/1487/bromley_adult_education_gets_good_marks_from_ofsted

Page 16	Care Quality Commission – Review of Shared Lives (24th January 2019)
https://www.cqc.org.uk/sites/default/files/new_reports/INS2-2838196510.pdf	
Page 17	Corporate Risk Register
https://cds.bromley.gov.uk/documents/s50064510/Appendix%20A2%20-%20Corporate%20Risk%20Register.pdf?CT=2	
Page 18	Draft 2018/19 Budget and update on Council's Financial Strategy 2019/20 to 2021/22
https://cds.bromley.gov.uk/documents/s50066150/Executive%20160119%20Draft%202019-20%20Budget%20Report%20Final%20Version.pdf	
Page 18	Draft 2019/20 Budget and Update on Council's Financial Strategy 2020/21 to 2022/23
https://cds.bromley.gov.uk/documents/s50066150/Executive%20160119%20Draft%202019-20%20Budget%20Report%20Final%20Version.pdf	
Page 19	Performance Reporting – Children's Services – Covering Report
http://cds.bromley.gov.uk/documents/s50059461/Performance%20Reporting%20-%20Childrens%20Services.pdf	
Page 19	Performance Reporting – Children's Services – Performance Index
http://cds.bromley.gov.uk/documents/s50059462/App.%20to%20Performance%20Reporting%20-%20Childrens%20Services.pdf	
Page 19	Performance Management Framework – Adults Services
https://cds.bromley.gov.uk/documents/s50061329/Performance%20Management%20Framework%20-%20Adults%20Services.pdf	
Page 19	GDPR Regulations Executive Report 6th December 2017
http://cds.bromley.gov.uk/documents/b50011952/10.%20THE%20GENERAL%20DATA%20PROTECTION%20REGULATIONS%202016%20Wednesday%2006-Dec-2017%2019.00%20Executive.pdf?T=9	
Page 20	Zurich Information Governance Health Check Report
https://cds.bromley.gov.uk/documents/s50067026/Appendix%20A-Zurich%20Information%20Governance%20Report.pdf	

This page is left intentionally blank