

London Borough of Bromley

Annual Audit Letter for the year
ended 31 March 2019

September 2020

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

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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). [OR As part the Auditor Engagement process, we have agreed with you the respective responsibilities of auditors and audited bodies. Copies of the Engagement Letter and Terms and Conditions of our appointment are available from the Chief Executive or via the bodies minutes on their website].

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. 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 Hywel Ball, 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.



Section 1

Executive Summary

Executive Summary

We are required to issue an annual audit letter to the London Borough of Bromley Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Covid-19 had an impact on a number of aspects of our 2018/19 audit. We set out these key impacts below.

Area of impact	Commentary
Impact on our risk assessment	
▶ Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the council would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
▶ Events after the balance sheet date	We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Council.
Impact on the scope of our audit	
▶ Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's and Pension Fund's:	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2019 and of its expenditure and income for the year then ended. We cannot formally conclude the audit and issue an audit certificate as we have not yet completed the work necessary to conclude the objection to the Council's 2018/19 Statement of Accounts. It is our view that even if the objection were resolved in the objector's favour, this would not materially affect the Statement of Accounts.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We are unable to form a conclusion on whether 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 until we complete the work necessary to conclude the objection.

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

Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We were unable to report to the NAO on our review of the Council's WGA due to the delay in the completion of the audit.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 13 July 2020
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	<p>We have received an objection to the 2018/19 Statement of Accounts from a member of the public.</p> <p>We cannot formally conclude the audit and issue an audit certificate as we have not yet completed the work necessary to conclude the objection to the Council's 2018/19 Statement of Accounts. It is our view that even if the objection were resolved in the objector's favour, this would not materially affect the Statement of Accounts. We are unable to form a conclusion on whether 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 until we complete the work necessary to conclude the objection.</p> <p>The predecessor auditor, KPMG have not completed their work on objections relating to the 2016/17 accounts and 2017/18 accounts and have therefore not yet issued their completion certificates relating to those years of audit.</p> <p>Until we have completed these procedures and KPMG have issued their completion certificates, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.</p>

Executive Summary (cont'd)

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

A handwritten signature in blue ink, appearing to read "Janet Dawson", is displayed within a light blue rectangular box.

Janet Dawson
Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and Responsibilities



Purpose

The Purpose of this Letter

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

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 30 July 2020 General Purposes and Licensing Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 15 February 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

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

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

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

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

Key Issues

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

We audited the Council and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 13 August 2020.

Our detailed findings were reported to the 30 July 2020 General Purposes and Licensing Committee.

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

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We considered whether management bias was present in the key accounting estimates and judgements in the financial statements.</p> <p>We evaluated the business rationale for any significant unusual transactions [add specific details as required].</p> <p>Having completed our work:</p> <ul style="list-style-type: none">➤ We did not identified any evidence of material management override.➤ We did 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. <p>Although we 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.</p>

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none">➤ selecting 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.➤ selecting a sample of REFCUS items to test to confirm the appropriateness of the classification of these items➤ 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. <p>We did not identified any material inappropriate capitalisation of revenue expenditure.</p> <p>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.</p> <p>Our testing of PPE and investment property addition and REFCUS identified no instances of the inappropriate capitalisation of revenue expenditure.</p>

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
<p>Valuation of Land and Buildings</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We:</p> <ul style="list-style-type: none"> ➤ 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. <p>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.</p> <p>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.</p> <p>Due to the material and pervasive nature of the errors identified it has been 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.</p> <p>We raised a number of recommendations for improvements in the asset valuation process.</p>

Financial Statement Audit (cont'd)

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

Other Key Findings	Conclusion
<p>Pension Liability Valuation : 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.</p> <p>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.</p> <p>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.</p>	<p>We 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.</p> <p>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.</p> <p>We were satisfied that the re-assessment of the IAS 19 liability is reasonable and that it has been correctly reflected in the revised financial statements.</p>
<p>Spring Capital Loan : 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%).</p>	<p>We:</p> <ul style="list-style-type: none"> • 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. <p>We also noted 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.</p>

Financial Statement Audit (cont'd)

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

Other Key Findings	Conclusion
<p>CIES Restatement : 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.</p>	<p>We did not identify any issues with regard to the restatement of the CIES, Expenditure and Funding Analysis and related disclosure notes.</p>
<p>Impact of COVID-19 on the Council's going concern assessment : Following the confirmed outbreak of Covid-19 in the UK on 31 January 2020 and Government lockdown on 23 March 2020, the ongoing disruption to daily life and the economy as a result of the Covid-19 virus will have a pervasive impact upon the financial statements in 2019/20 and has affected the income received and expenditure incurred by the Council in 2020/21. Due to the significant uncertainty about the duration and extent of disruption, this has a direct impact on the Council's going concern assessment at the date of approving the amended statement of accounts.</p>	<p>We have reviewed and challenged management's assessment of going concern and agreed amendments to the disclosures in the Narrative Report, going concern and post balance sheet event disclosures.</p> <p>We included an emphasis of matter paragraph in our audit opinion to draw attention to the Council's going concern disclosure which describes the financial and operational consequences the Council is facing as a result of Covid-19. Our opinion is not modified in respect of this matter.</p>
<p>The Council has reviewed its Going Concern assessment as at July 2020, to consider whether or not there are any circumstances whereby it is not appropriate to prepare the accounts for 2018/19 on a going concern basis, in other words that the Council will continue to be a going concern 12 months from the date of signing the accounts as approved. This assessment typically takes into account income and expenditure and cashflow forecasts, uncertainties and risks associated with those flows, reserves and the ability to meet liabilities as they fall due.</p>	

Financial Statement Audit (cont'd)

Our application of materiality

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

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £9.71m, which is 1.8% of gross revenue expenditure reported in the accounts of £539.2 million.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>We determined planning materiality for the pension fund to be £10.39m, which is 1% of net assets in the accounts of £1,038m.</p>
Reporting threshold	<p>We agreed with the General Purposes and Licensing Committee that we would report to the Committee all audit differences in excess of £485,000 for the Council and £519,000 for the Pension Fund.</p>

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

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

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

Section 4

Value for Money



Value for Money

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

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

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

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 have identified one significant risk relating the Council's arrangements for working with partners and other third partners, specifically in relation to procurement and contract management. We will provide more details of our assessment of the risk and our planned work once the objections relating to 2016/17 and 2017/18 have been concluded.

We are unable to conclude whether 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 until we have concluded our work on the objection to the financial statements.



A photograph of a business meeting in progress. Several people are gathered around a large wooden conference table, looking at documents. A woman with blonde hair is leaning forward, resting her chin on her hand, appearing thoughtful. A man in a blue shirt and red tie is standing in the background. The scene is brightly lit, suggesting a modern office environment.

Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We were unable to report to the NAO on our review of the Council's WGA due to the delay in the completion of the audit.

Annual Governance Statement

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

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

Report in the Public Interest

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

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

Written Recommendations

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

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

Other Reporting Issues (cont'd)

Objections Received

We have received an objection to the 2018/19 Statement of Accounts from a member of the public. We cannot formally conclude the audit and issue an audit certificate as we have not yet completed the work necessary to conclude the objection to the Council's 2018/19 Statement of Accounts. It is our view that even if the objection were resolved in the objector's favour, this would not materially affect the Statement of Accounts. We are unable to form a conclusion on whether 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 until we complete the work necessary to conclude the objection.

The predecessor auditor, KPMG have not completed their work on objections relating to the 2016/17 accounts and 2017/18 accounts and have therefore not yet issued their completion certificates relating to those years of audit. Until we have completed these procedures and KPMG have issued their completion certificates, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to the General Purposes and Licensing Committee on 30 July 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

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

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

The recommendations reported are shown on the following page and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Other Reporting Issues (cont'd)

Recommendation	Management Response
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.	We will fully implement this recommendation with immediate effect and ensure a signed valuation report is received.
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.	Agreed.
Establish separate and discrete company codes on the General Ledger to fully separate Council and Pension Fund transactions.	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 and we plan to have this implemented no later than March 2022.
Use the separate Pension Fund bank account for Pension Fund cash transactions.	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 and we plan to have this implemented no later than March 2022.
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.	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.
Establish a detailed asset register for all asset types.	During 2020/21 Finance will work with colleagues in the Property and Assets teams to establish detailed asset registers for Furniture, Equipment and Infrastructure Assets

Section 6

Focused on your future



Focused on your future

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

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2021/22 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be updated, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the revised 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees proposed 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.

Description	Final Fee 2018/19 £	Planned Fee 2018/19 £	Scale Fee 2018/19 £
Total Audit Fee - Code work	91,689	91,689	91,689
- Additional fees	127,482*		
- Objection	TBC**		
Total Audit Fee	TBC	91,689	91,689

* Additional fees are in respect of additional work required to audit the asset valuations, auditing issues in relation to the finance systems, IT Tools and additional procedures required relating to post balance sheet events and going concern consultations. We are discussing our proposed additional fees with the Director of Finance before gaining formal approval from Public Sector Audit Appointments Ltd (PSAA) for the scale fee variation.

** We will communicate the additional fee in respect of the objection once the work has been completed.

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