SUPPLEMENTARY 1

AUDIT AND STANDARDS COMMITTEE

Monday, 27 April 2020

Agenda Item 4. **Interim Audit Completion Report (Pages 1 - 71)**

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Report to the Audit & Standards Committee

LONDON BOROUGH OF BARKING AND DAGENHAM COUNCIL

Interim Audit Results Report: Year ended 31 March 2019

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AGENDA ITEM 4

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WELCOME

Introduction

Contents

We have the pleasure of presenting our Interim Audit Completion Report to the Audit & Standards Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of our progress to date of the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Audit & Standards Committee. At the completion stage of the audit it is essential that we engage with the Audit & Standards Committee on the results of our audit of the Group and the Council financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

The audit is still in progress but we consider it appropriate to report to the Audit & Standards Committee the findings so far. We look forward to discussing these matters with you at the Audit & Standards Committee meeting and to receiving your input. A final version of this report will be issued upon completion of the audit and receipt of the revised, final version of the Council's statement of accounts.

If you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Lisa Clampin

22 April 2020

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the Group and the Council financial statements and use of resources. This report has been prepared solely for the use of the [Audit Committee] and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

Overview

This summary provides an overview of the audit matters that we believe are important to the Audit & Standards Committee in reviewing the interim results of the audit of the financial statements and use of resources of the Group for the year ended 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the interim results of the audit appropriately incorporate input from those charged with governance.

Status

Our audit fieldwork is substantially complete but still subject to partner and quality reviewer reviews in a number of areas. The Finance Team are currently in the process of updating the single entity and group accounts to address the findings of the audit work completed to date. The outstanding matters are listed on page 66.

From our previous progress reports and our letter regarding significant deficiencies in internal control, issued on 22 October 2019, Members will be aware that there have been significant challenges to swift completion of the audit. In particular with regard to the

completeness and quality of the draft financial statements and supporting working papers.

This resulted in additional audit testing being necessary and significant changes to the draft financial statements.

To date our work has identified 84 numerical errors, of which eight are material and 11 relate to errors in the prior period. Due to the varying size of these misstatements, we have grouped them where we can in our adjusted and unadjusted schedules included in the appendices of this report.

This interim report does not include the errors identified as part of our audit work on the group financial statements as the Council is still working on responses to our audit queries on its group accounting.

Audit risks

In addition to those reported in our Audit Plan additional significant audit risks were identified in our updated risk assessment, and from some of our early audit findings, in the following areas:

- Creditors;
- Debtors; and
- misclassification of transactions between the Council and its group entities.

Detail is set out on pages 15 to 17.

No restrictions were placed on our work.

Audit report

At the time of writing, the net value of uncorrected misstatements identified during the audit of £30.9m in the Comprehensive Income and Expenditure Statement (CIES) and £78.6m in the Balance Sheet (BS) is above our materiality tolerance of £11.5m for the single entity accounts. These misstatements can be analysed as:

- Factual: CIES (£49.1m) / BS £96.9m
- Judgmental: CIES £25.3m / BS (£25.3)m
- Projected: CIES (£7.0m) / BS £7.0m

Management have agreed to make correcting adjustments to address this issue, although we have yet to receive the revised statements to verify the impact of the changes proposed.

The group accounts audit is still in progress and the results are not included in the figures above.

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Final materiality

Group final materiality was determined based on gross expenditure. Due to the draft group accounts containing a number of significant errors, and us not yet having received a full set of replacement group accounts it is possible that group materiality may change upon receipt of the final consolidated pack.

There were no changes to final materiality and triviality applied to the single entity accounts from that reported in our Audit Plan. Once we receive the final amended set of accounts, we will need to reconsider materiality to confirm it remains appropriate.

Material misstatements

Our audit identified a significant number of material misstatements, including those that are material by nature, these included but were not limited to (the values have been included as absolute below and may contain more than one error per area reviewed):

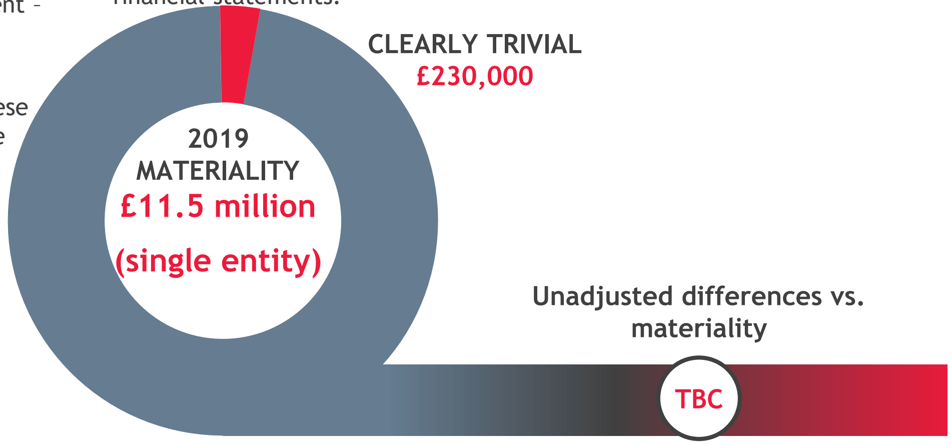
- Group accounts (total value to be confirmed but is expected to be material);
- Grants (revenue and capital): £203.8m corrected and £457k;
- Borrowings: £42.6m; and
- Property, Plant & Equipment - valuation: £113.1m.
- Property, Plant and Equipment - Assets Under Construction: £31.8m

More information relating to these misstatements is included in the Financial Statements section starting on page 7.

Unadjusted audit differences

At the time of writing, the net value of uncorrected misstatements is £30.9m in the CIES and £78.6m in the BS in the single entity accounts. We have requested that management make correcting adjustments for all of these misstatements. We await a revised set of adjusted single entity accounts.

Our group accounts work is still in progress as there have been several revisions to the draft statements and supporting working papers since the commencement of the audit. Our expectation is that all non-trivial misstatements will be adjusted in the revised group financial statements.



Audit scope

Our approach is designed to ensure we obtained the required level of assurance across the components of the Group in accordance with ISA (UK) 600 (Audits of Group Financial Statements).

OTHER MATTERS
Executive summary

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Financial reporting

- Our work on the group accounting polices is ongoing. We have not yet received the final working papers for audit nor a completed amended set of group accounts and therefore have not concluded in this area.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are considered sufficient.
- The Annual Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements.

Other matters that require discussion or confirmation

- Significant control deficiencies have been identified in relation to internal review of working papers and the processes and controls in relation to the production of the financial statements. In accordance with ISA 265 this was reported to the Audit & Standards Committee on 22 October 2019.
- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Group and the Council in accordance with the Financial Reporting Council's Ethical Standard.

AUDIT RISKS OVERVIEW

Contents

As identified in our Audit Plan dated 21 December 2018 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. We have subsequently included further significant risks relating to creditors, debtors and the misclassification of transactions between the Council and its group entities. These are those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Estimates or Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	TBC - additional work to be completed	No	No
Revenue and Expenditure recognition	Significant	Yes	No	Yes	Yes	No
Non-current asset valuations	Significant	Yes	Yes	Yes	No	Yes
Pension liability assumptions	Significant	Yes	Yes	Yes	No	yes
Group accounts	Significant	Yes	No	Yes	Yes	TBC - work in progress
Creditors	Significant	Yes	No	Yes	Yes	No
Debtors	Significant	Yes	No	Yes	Yes	No
Misclassification of transactions between the Council and group entities	Significant	No	No	Yes	Yes	No

MANAGEMENT OVERRIDE OF CONTROLS

Contents

ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

- **Significant risk**
- **Normal risk**
- **Significant management judgement**
- **Use of experts**
- **Unadjusted error**
- **Adjusted error**
- **Additional disclosure required**
- **Significant Control Findings**
- **Letter of Representation point**

Risk description

The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Under auditing standards there is a presumed significant risk of management override of the system of internal controls.

Work performed

We carried out the following planned audit procedures:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud; and
- Obtained an understanding of the business rationale for significant transactions that were outside the normal course of business for the Council or that otherwise appeared to be unusual, if any.

Results

Our work in this area is largely complete but subject to further review.

From the work completed to date we have not identified any inappropriate journals and did not identify any significant transactions that were considered to be outside the normal course of business for the Council or appeared unusual.

We noted the policy in relation to the calculation for bad debt provision varied and had not been reviewed recently, we have raised a recommendation in relation to this matter on page 31.

REVENUE AND EXPENDITURE RECOGNITION

Revenue and Expenditure recognition

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
Unadjusted error	■
Adjusted error	■
Additional disclosure required	
Significant Control Findings	■
Letter of Representation point	

Risk description

Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the accuracy and existence of income and expenditure.

In particular, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of the revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES). We also consider there to be a significant risk in relation to the existence and accuracy of fees and charges recorded in the CIES and the completeness of expenditure.

In the public sector, auditors focus their consideration of the risk of fraud and error on expenditure. As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition.

Work performed

We carried out the following planned audit procedures:

- Test an increased sample of grants subject to performance conditions to confirm that the conditions of the grant were met before the income was recognised in the CIES;
- Tested an increased sample of fees and charges to ensure income had been recorded in the correct period and that all income that should have been recorded had been recorded; and
- Tested an increased sample of transactions to ensure that expenditure had been recorded in the correct period.

Results

Our testing of revenue grants is largely complete but still subject to review. We noted that the supporting evidence for this area was poor which has resulted in a significant number of changes to the original draft financial statements. Issues noted included; amounts not casting to the amounts recognised, grants recognised incorrectly within the financial statements where conditions were not met, non-grant income being recognised as grant income and grants being omitted from the grant figures disclosed within the statements. To date our work has identified 56 individual errors in recognition of grant income totalling £9.5m (management intend to correct all but £457k of this amount).

In addition, our work identified the Dedicated School Grant had been double counted in 2018/19 and 2017/18 on the face of the CIES, in 2018/19 this resulted in an error of £194.7m and £168.1m in 2017/18.

Our testing of expenditure transactions around the year end identified three samples which had been accounted for in the incorrect period. This included one cut off error in relation to income of £2.9m and two errors in relation to expenditure totalling £73k all of which were excluded from the 2018/19 financial year when they should have been included. Management only intend to correct the £2.9m income error.

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NON-CURRENT ASSET VALUATIONS

Non-current asset valuation

- Significant risk
- Normal risk
- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant Control Findings
- Letter of Representation point

Risk description

Local authorities are required to ensure that the carrying value of non-current assets is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.

The Council has appointed an external valuer to carry out revaluations on assets as at 31 March 2019.

Due to the significant value of the Council's non-current assets, and the high degree of estimation uncertainty, there is a risk over the valuation of non-current assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we could rely on the management expert;
- Confirmed that the basis of valuation of assets valued in year was appropriate;
- Checked that the beacon basis used to value the housing revenue account assets had been appropriately applied;
- Reviewed the reasonableness of assumptions used in the valuation of non-current assets, the accuracy and completeness of the source data used by the valuer and the Council's critical assessment of the external valuer's conclusions;
- Checked that the accounting policy adopted in relation to the valuation of assets was reasonable and that the aggregate of any assets that are not revalued in year did not create a material expected movement when compared to independent data; and
- Reviewed the reasonableness of assumptions used in any roll forward of asset values from valuation date to the balance sheet date and the value of assets not included in the valuation exercise.

NON-CURRENT ASSET VALUATIONS (CONTINUED)

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Page 11

Non-current asset valuation

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	■
Adjusted error	■
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	■

Results

Our field work is complete but still subject to quality review. Our testing did not identify any issues in relation to the instructions provided to the valuer and assessment of the expertise of the valuer. In addition we did not identify any issues in relation to the assumptions used in the valuation methodology.

We confirmed the valuation basis of assets valued in 2018/19 were appropriate.

Our audit work confirmed the beacon basis used to value council dwellings (housing revenue assets) were appropriately applied for existing assets.

Our sample testing of the accuracy of the information in relation to input data provided to the valuer identified 21 discrepancies between the submitted data and the data held by the Council, the differences noted resulted in £1.1m difference in valuation which, when extrapolated, estimates a £1.7m total understatement of asset values. Management do not intend to correct this misstatement.

Our testing of investment properties identified three asset that had been included within the draft financial statements but had been demolished in the previous financial year. This has resulted in an overstatement of the value of investment properties in the current year and also in the prior period comparatives of £1.9m.

Our audit work identified inconsistent application of the accounting policy when valuing new assets, which has led to an overstatement of council dwellings of £6.4m. Management intend to correct this misstatement.

Our review of the previous auditor's file identified that a number of assets were valued in October 2017 for the 2017/18 financial year, 6 months before the year end and no consideration had been given to potential movement in values between then and the year end. Consequently it was necessary for us to complete some additional work on the opening balance to satisfy ourselves that it was not materially misstated as a result of potential movement in market values between October 2017 and 31 March 2018. We concluded that the opening asset balances was understated by £1.1m, which is not material so a prior period adjustment is not required.

PENSION LIABILITY ASSUMPTIONS

Page 12

Pension liability assumption

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

The net pension liability comprises the Council's share of the market value of assets held in the London Borough of Barking & Dagenham Pension Fund, and the estimated future liability to pay pensions.

An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the membership data and cash flows provided to the actuary as at 31 March may not be accurate, or that the valuation uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.

Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the consulting actuary report on the competency and experience of the actuary and the reasonableness of the assumptions used in the calculation;
- Obtained assurance over the controls for providing complete and accurate membership data to the actuary; and
- Checked whether any significant changes in membership data have been communicated to the actuary.

Results

Our audit work to date has identified one misstatement in relation to pensions. An overstatement of investment returns of £18.5m in relation to an estimation made by the actuary, whereby the percentage used for the assets return basis was higher than the actual outturn.

Two non-material misstatements arose during the course of the audit, after the daft financial statements had been prepared, as a result of:

- a supreme court judgment being issued (Lord Chancellor v McCloud) which the Council concluded created an obligation on LGPS schemes that existed at the balance sheet date and, therefore, required recognition by the applicable accounting framework. The Council sought actuarial advice on the judgment's impact on its liability, which was determined to be £3.8m. We are satisfied with the assumptions used by the actuary in making this estimate; and

PENSION LIABILITY ASSUMPTIONS (CONTINUED)

Contents

Page 13

Pension liability assumption

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Results

- receipt of updated technical guidance on accounting for the impact of the Guaranteed Minimum Pension (GMP) on the Council's liabilities of £2.8m.

We did not find any other issues in relation to our work on the pension liability assumptions.

GROUP ACCOUNTS

Page 14

Group Accounts

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	■
Adjusted error	■
Additional disclosure required	
Significant Control Findings	■
Letter of Representation point	

Risk description

The Council is expected to produce consolidated Group Accounts for the first time in 2018/19. The Council holds interests in a number of subsidiary organisations and is involved in joint venture arrangements.

The Council needs to ensure that it considers the requirements of IFRS 10 and IFRS 12, giving appropriate consideration to whether each of the subsidiaries are required to be consolidated. There is a significant risk that the consolidated financial statements will not be accurately prepared.

Work performed

We carried out the following planned audit procedures:

- Held early discussions with the Council to ensure that we agreed with the approach taken for consolidating the group accounts;
- Reviewed the Council's documented consideration of the requirements of IFRS 10 and IFRS 12; and
- Performed audit testing on the draft consolidated Group Accounts to ensure that they were compliant with the Code.

Results

Our work is currently ongoing in this area.

All of the audits of the Council's subsidiaries are complete and our review of those audit results identified a significant number of amendments to the consolidated financial statements being necessary. We received revised working papers and consolidated financial statements during the drafting of this report which will require further review before we can reach our conclusion.

CREDITORS

Page 15

Creditors

Responses in relation to our preliminary analytical review identified a significant variance in the expected values which resulted in an increased audit risk for creditors.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
Unadjusted error	■
Adjusted error	■
Additional disclosure required	
Significant Control Findings	■
Letter of Representation point	

Risk description

The Council has a significant number of creditors as part of its day to day processes. This includes matching the purchase order to the invoice once items have been processed.

Furthermore, the Council will need to account for supplies / services at different times resulting in accruals or receipts in advance to be estimated and judgements made when updating the ledger for the amounts to be recorded. This ensures material accuracy it is important this is done on a consistent basis.

Creditors generally will affect a number of areas within the financial statements such as grants expenditure and employment tax calculations. In addition, management are required to make key estimations and judgements based on the information they have available. It is important that these estimations and judgements have a clear audit trail and are based on the best information available at that point.

Work performed

We carried out the following planned audit procedures:

- Tested an increased sample of creditors to confirm they had supporting documentation;
- Tested an increased sample of accruals and receipts in advance to confirm judgements and estimations made had supporting calculations, which were consistent with Council policies; and
- Tested a sample of PO specific transactions to confirm the invoice matched the PO value and where there were variances, the amount was adjusted for.

Results

Our work on creditors is still in progress.

From the work completed to date we have identified a number of significant issues, including; poor quality of supporting evidence and working papers, incorrect calculations of accruals and incorrect classifications of creditors.

We identified 17 errors in relation to accruals and receipts in advance, the total of these errors was calculated to be £10.8m overstatement of which management intends to correct £5.6m.

During the course of investigating queries raised as a result of the audit management identified another £11.4m of errors owing to over-receipting of purchase orders occurring across the previous six years. This has resulted in a misstatement of £10.5m in relation to periods before 2018/19 and £877k in 2018/19. Management are correcting these misstatements.

Due to the number of errors identified in this area we have raised a recommendation, see page 29.

DEBTORS

Contents

Debtors

Responses in relation to our preliminary analytical review identified a significant variance in the expected values which resulted in an increased audit risk for debtors.

- Significant risk
- Normal risk
- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant Control Findings
- Letter of Representation point

Risk description

The Council has a significant number of debtors as part of its day to day processes. In addition, where different systems process debtors there should be a reconciliation process to ensure the ledger agrees to all other systems.

Furthermore, the Council will need to account for payments in advance to be estimated and judgements made when updating the ledger for the amounts to be recorded. This ensures material accuracy it is important this is done on a consistent basis.

Without a clear methodology and a standardised set of processes and controls in place there is a risk that the figures used to calculate the debtor including any estimations or judgements may be inconsistent resulting in a material misstatement of debtors.

Work performed

We carried out the following planned audit procedures:

- Tested an increased sample of debtors to confirm they had supporting documentation; and
- Tested an increased sample of prepayments a to confirm judgements and estimations made had supporting calculations, which were consistent with Council policies;

Results

Our work on debtors is still in progress.

From the work completed to date we have identified a number of significant issues, including; the poor quality of working papers and supporting evidence, inconsistent provisions made for bad debt and debtors incorrectly classified (such as payment in advance instead of receipt in advance).

Our testing identified 22 errors in relation to accruals and payments in advance which were either raised for the incorrect value or there was not sufficient evidence to support the validity of the debt. The total value of the errors was £9.0m overstatement of debtors. Management intend to correct £6.0m of this misstatement.

Due to the number of errors identified in this area we have raised a recommendation, see page 30.

MISCLASSIFICATION OF TRANSACTIONS BETWEEN ENTITIES

Page 17

Misclassification between the Council and its group entities

- Significant risk
- Normal risk
- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant Control Findings
- Letter of Representation point

Risk description

In April 2019 the auditor of component Be First (KPMG) issued a disclaimer opinion for the 2017/18 accounts. This was on the basis that the auditor had identified transactions miscoded between component entities that share the Council's ledger. This issue transcends all components that share the Council's ledger.

There is a risk that Council transactions have been miscoded to component entity accounts, posing a material risk to the Council's single entity accounts in particular.

Work performed

We carried out the following planned audit procedures:

- Liaised with the outgoing auditors and reviewed their audit file to understand the issue they identified;
- Reviewed the Council's paper demonstrating that it was able to identify all miscoded transactions in 2017/18 and that it has mitigated the risk of this error repeating in 2018/19;
- Sample tested the adjustments proposed by the Council to correct the miscodings; and
- Reviewed and tested the operating effectiveness of controls in place to prevent this issue from occurring and considered the implications on our audit strategy if these controls were not effectively designed or operating.

Results

Our work in this area is in progress.

RELATED PARTY TRANSACTIONS

Related Party Transactions

- Significant risk
- **Normal risk**
- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant Control Findings
- Letter of Representation point

Risk description

We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.

Work performed

We carried out the following planned audit procedures;

- Updated our understanding of the related party transactions identification procedures in place and review relevant information concerning any such identified transactions; and
- Discussed with management and reviewed senior management declarations to ensure there are no potential related party transactions which have not been disclosed; this is something we require you to include in your management representation letter to us.

Results

Our work identified that the draft financial statements provided for audit did not include debtor and creditor balances for related parties. This was corrected in the second version of the accounts received.

In addition, we are finalising our work on declarations of interest from Members and will conclude on this matter in our final report.

NEW ACCOUNTING STANDARDS

Contents

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New Accounting Standards

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

Risk description

Two new accounting standards will apply for the 2018/19 financial statements, these are IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. There is a risk that these are not adopted appropriately if their impact is material.

Work performed

We carried out the following planned audit procedures:

- Reviewed the Council's consideration and approach when applying IFRS 9 and IFRS 15 to the financial statements; and
- Compared the accounting policies adopted by the Council to the requirements of these new accounting standards.

Results

We have reviewed managements' considerations to applying IFRS 9 and 15, which management confirmed had no material impact on the financial statements. Our review confirmed that his conclusion was appropriate.

ALLOWANCE FOR NON-COLLECTION OF RECEIVABLES

Page 20

Allowance for non-collection of receivables

Significant risk	
Normal risk	■
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	■

Risk description

The Council's bad debt provision on aged debt is determined for each income stream using available collection rate data. The significant provisions include council tax arrears, non-domestic rates arrears, housing benefit overpayments, housing rents arrears and car parking. The bad debt provision is material overall.

Work performed

We carried out the following planned audit procedures:

- We will review the provision model for significant income streams and debtor balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears.

Results

Our review noted there was an inconsistent approach in relation to the method to which calculations were completed to formulate the bad debt provision, this resulted in a £1.5m overstatement for housing debt. We have raised a recommendation on page 31 of this report.

Our review over allowance for non-collection of other income streams did not identify any issues.

COMPONENTISATION OF COUNCIL DWELLINGS

Page 21

Componentisation of Council dwellings

- Significant risk
- Normal risk
- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant Control Findings
- Letter of Representation point

Risk description

For dwelling properties, we consider the split in value between land and building used in 2017/18 to be unusual and in addition we note the dwelling properties were not componentised. There is a risk that the annual depreciation charge is materially misstated.

Work performed

We carried out the following planned audit procedures:

- Considered the reasonableness of the split in value between land and building using comparatives from other local authorities.; and
- Considered if a lack componentisation of buildings results in a material misstatement to the depreciation charge.

Results

Our work carried out over componentisation of council dwellings did not identify any issues.

PROPERTY, PLANT AND EQUIPMENT - OTHER AREAS

Page 22

PPE - other areas

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	■
Unadjusted error	■
Adjusted error	■
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

Our final accounts testing identified a number of other areas which had significant errors, therefore the risk level increased for these areas and resulted in additional testing. These were:

- Additions;
- Disposals;
- Asset under construction (AUC); and
- Community assets.

Work performed

We carried out the following planned audit procedures:

- Increased sample testing of additions to ensure the capitalised additions agree to appropriate supporting evidence and are deemed to add value to the asset.
- Increased sample testing over historical AUC costs not reclassified to operational assets

Results

Our work in relation to additions of Property, Plant and Equipment identified five errors where capitalised expenditure did not agree to underlying evidence or did not agree to the amount recognised. The cumulative impact of the errors is an overstatement of capital expenditure by £2.5m. Management intend to correct this misstatement.

Our work over assets under construction identified two prior period errors. The first was in relation to an overstatement where there was £31.8m relating to historic capital spend which had not been reclassified when assets became operational. This resulted in the need for a prior period adjustment to be made. The second related to £527k in relation to an extension to a school which had not been recognised as other land and buildings once complete. This does not require a prior period adjustment as it is not material.

Our testing identified a material difference in relation to community assets not valued at the year end which has resulted in an understatement of the value of community assets £47.7m. Management intend to amend this misstatement.

Our testing of disposals identified an incorrect classification of disposals for vehicles, plant and equipment that should have been classified as intangible assets as at 31 March 2018. This resulted in an overstatement of the vehicles, plant and equipment opening balance figure £1.5m and a understatement of the opening balance for intangible assets of £1.5m. Management do not intend to correct this misstatement.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents

Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Plan on 29 December 2018.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

Our review of legal cases is in progress.

Internal audit

We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify any significant matters in connection with related parties.

Group matters

Our work on group accounting is still in progress.

AUDIT DIFFERENCES: SUMMARY

Summary for the current year

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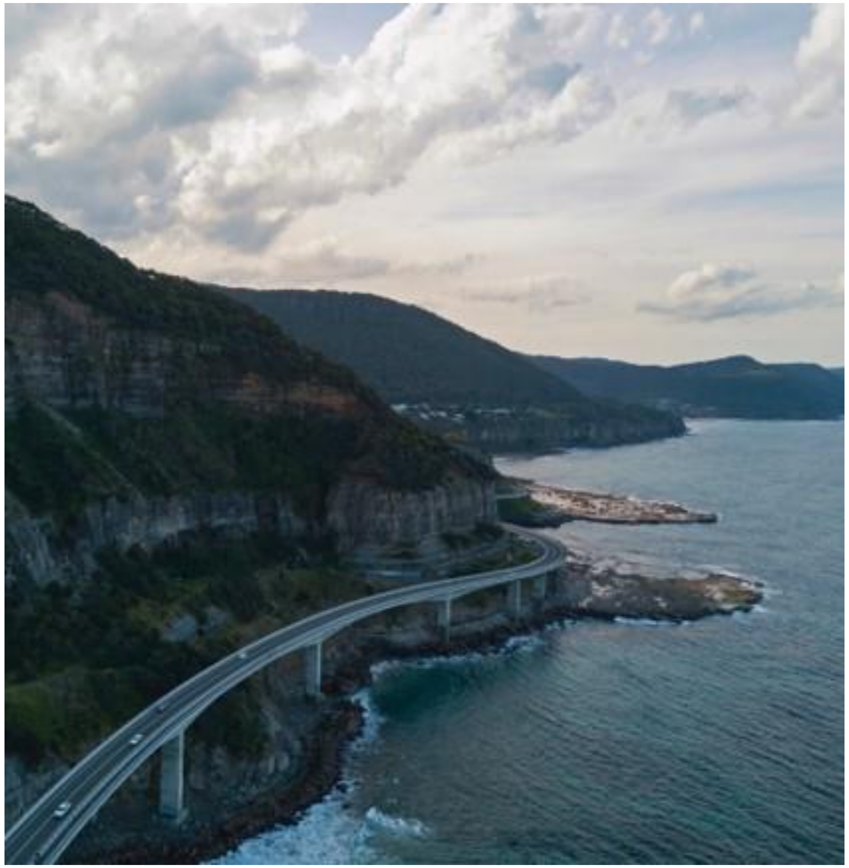

We are required to bring to your attention unadjusted differences and we request that you correct them.

At the time of writing this report we await an adjusted version of the Council’s single entity and consolidated group financial statements. The audit differences identified to date are set out in the tables contained in the appendices to this report.

At this interim stage the classification of adjusted and unadjusted differences is based on our understanding, through discussions with management, of the adjustments it does and does not intend to make.

On this basis there are [number] identified differences that management intends to correct.

The remaining [number] audit differences are those which management currently intends to leave unadjusted in the final version of the financial statements. These can be analysed as:

- Factual: CIES £XXm / BS £XXm
- Judgmental: CIES £XXm / BS £XXm
- Projected: CIES £xxm / BS £xxm

Factual misstatements are those about which there is no doubt.

Judgmental misstatements are differences arising from the judgments of management including those concerning recognition, measurement, presentation and disclosure in the financial statements that the auditor considers unreasonable or inappropriate.

Projected misstatements are the auditor’s best estimate of misstatements in populations, involving the projection of misstatements identified in audit samples to the entire populations from which the samples were drawn.

Once the audit is complete and we have the final results we will report those results to the Audit and Standards Committee, along with the aggregate impact on the surplus on the provision of services and net assets of the Council were they to have been adjusted.

REPORTING ON OTHER INFORMATION

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We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Annual Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Annual Report is consistent with the financial statements and our knowledge.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge

SPECIAL REPORTING POWERS AND DUTIES

ISA 265 requirement

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Matter	Comment
Significant deficiency in the internal control for the preparation of the financial statements.	Auditing standards require that we communicate to those charged with governance any significant deficiencies in internal control identified during the audit, in writing, as soon as is practicably possible. Our continuing audit of the draft statement of accounts has identified a significant number of figures included in the statements which were misstated, some materially so. We have raised these matters with the Council throughout the audit, which has resulted in revised working papers being provided to the auditors for a significant number of areas on the accounts. As a result, it has been necessary to perform additional audit work to confirm the accuracy of revisions proposed by the Council. The errors identified in our ongoing audit vary in their nature and impact on the statement of accounts. They also include a number of misstatements in relation to the prior year (2017/18) comparatives which, in aggregate, may result in a prior period adjustment. The full detail of the audit findings will be included in our Audit Completion Report to the Audit and Standards Committee once the audit is concluded. Whilst we cannot confirm at this time whether there will be a net impact on the cost of services reported by the Council, the material disclosure misstatements in the core financial statements certified by the section 151 officer, published by the Council and presented for audit, is contrary to the Local Authority Accounting Code of Practice requirement for the Council to produce materially accurate draft financial statements. We continue to work with the Council on finalising the impact of the audit findings to date, and working toward the Council producing a final set of financial statements that are materially accurate and Code compliant. The Council has provided evidence to demonstrate that a review of completeness and reconciliation of the draft financial statements to their management accounting regime, was undertaken by senior members of the closedown team prior to publication, which placed reliance on previously audited figures. The evidence provided demonstrates that an appropriate internal control, designed to identify potential material misstatements before publication of the draft statement of accounts, exists. However, the subsequent identification of the misstatements, material and otherwise, referred to above indicates that this internal control did not operate effectively. Therefore, we consider this a significant deficiency in internal control.

WHOLE OF GOVERNMENT ACCOUNTS

Matter	Comment
For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Council for use by the Ministry for Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 28 June 2019. We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the Council's financial statements. We are planning to issue our opinion on the consistency of the DCT return with the audited financial statements by 29 May 2020 which is after the National Audit Office's 13 September 2019 deadline.

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OVERVIEW

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We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting 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.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Plan we assessed the following matters as being the most significant risks regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable resource deployment	The update to the Medium Term Financial Strategy to 2020/21 has forecast further reductions in Government core grant funding and a budget gap if £11.5m (after a planned one-off use of reserves). The current forecast position for 2018/19 is an overspend of £3.818, however this is heavily reliant on the successful delivery of the People and Resilience Action Plan. Identifying the required level of savings from 2018/19 will be a challenge and is likely to require difficult decisions around service provision and alternative delivery models. There is a significant risk that this will not be achieved, impacting on the financial sustainability of the Council in the medium term.	Significant	To date we have not identified any significant issues in relation to value for money, however with the significant number of errors arising from the main audit we cannot conclude on this risk until the final accounts audit is complete and the impact of accounts amendments has been agreed with management.

SIGNIFICANT DEFICIENCIES

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We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit & Standards Committee.

As the purpose of the audit is for us to express an opinion on the Group and the Council's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Significant Deficiencies

Area	Observation & implication	Recommendation	Management response
Preparation of financial statements	Our initial review of the draft financial statements identified a significant number of issues, both in relation to compliance with the code, casting and reconciliations to working papers.	We recommend management introduce a two layer control, whereby: • The accounts are reviewed for compliance with the code of practice; • The accounts are reviewed for casting; and • All working papers are reconciled to the draft financial statements.	TBC
Quality of working papers	Our review and testing of working papers has identified a significant number of errors including figures not the draft statements or the supporting evidence requested.	We recommend a review of all working papers is completed before provided for audit.	TBC
Creditor balances	Review of creditor balances identified a significant number of errors including: • incorrect accrual calculations; • incorrect classification where unspent grant income has been incorrectly included; and • Insufficient supporting evidence for creditors.	We recommend: • A complete review of the creditor balance is completed to ensure that all creditors have been correctly treated; • A regular review / reconciliation process is put in place to ensure that accruals are reviewed to confirm they have been correctly accounted for; and • All creditors are reviewed to confirm there is sufficient supporting evidence if required.	TBC

SIGNIFICANT AND OTHER DEFICIENCIES

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Significant Deficiencies (continued)

Area	Observation & implication	Recommendation	Management response
Debtor balances	Review of debtor balances identified a significant number of errors including: • Different figures between the ledger and other Council systems; • incorrect provision made for bad debt classification where unspent grant income has been incorrectly included; • Insufficient supporting evidence for debtors; and • Debtors incorrectly classified (such as payment in advance instead of receipt in advance.	We recommend: • A complete review of the debtor balance is completed to ensure that all debtors have been correctly treated; • A review process is put in place to ensure that receipts in advance are reviewed to confirm they have been correctly accounted for; • Regular balance sheet reconciliations are carried out; • Emphasis on reviewing PO (for debtors & creditors) variations including correcting variances before year end; and • All debtors are reviewed to confirm there is sufficient supporting evidence if required.	TBC
Grant income	Review of grant balances identified a significant number of errors including: • Double accounting of the Dedicated schools grant; • Incorrect classification between ring fenced and non-ring fenced grants; • Incorrect recognition of grants in the correct financial period; and • Incorrect classification of grants (i.e. grants which have been held for a significant period of time should be included as long term liabilities).	We recommend: • A complete review of the grant balances (both revenue and capital) to ensure that all grant income has been correctly treated; • A review process is put in place to ensure that all new grants are recorded with sufficient detail that when monies are spent these can be checked against conditions to ensure the Council are able to do so and all working papers include the grant notification letter, award letter and confirmation amounts with any potential conditions; and • Review of all grants which have not been spent at year end to confirm any income carried forward has been correctly accounted for.	TBC

SIGNIFICANT AND OTHER DEFICIENCIES

Significant Deficiencies (continued)

Area	Observation & implication	Recommendation	Management response
User access	Management have confirmed there is currently no periodic review of access rights of users. From the review of the IT systems we noted one user who has been granted 'Super user access' in relation to LBBD Intercompany processes. This allows the user to post transactions to other entity ledgers, even though the user has no direct involvement with the other entities.	We recommend: • A periodic review of users is completed to ensure that the access of all users is considered, ensuring the separation of staff who have access to the financial systems and those that have access to other systems; • A review is completed for all 'Super users' to confirm that the access is appropriate.	TBC

Other Deficiencies

Area	Observation & implication	Recommendation	Management response
Allowance for non-collection of receivables	Review of bad debt provision identified variances of the percentages used to calculate the provision and the policy has not been reviewed for a significant period of time.	We recommend a review of the bad debt provision calculations is completed on a 2 year basis to ensure management are satisfied the calculations are appropriate and in line with current market conditions.	TBC

INDEPENDENCE

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council and the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit that they comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Contents

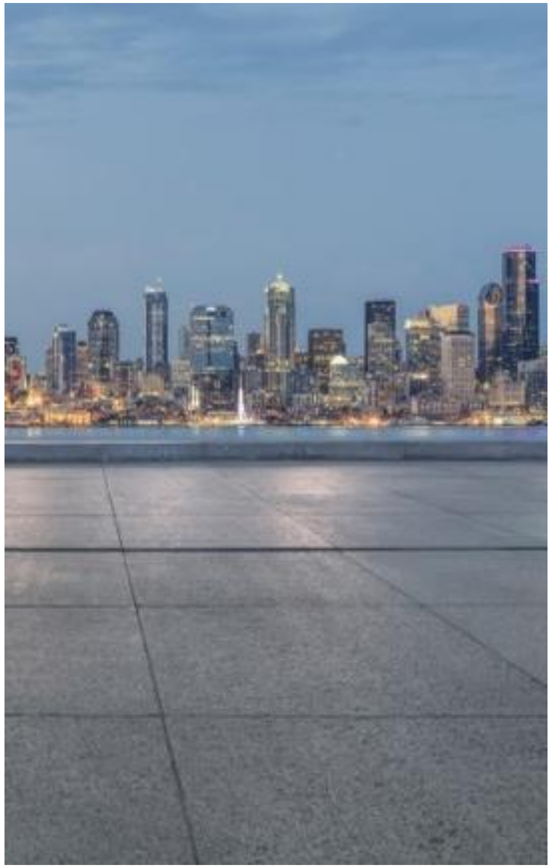
Fees summary

	2018/19 Actual £	2018/19 Planned £	2017/18 Actual £
Audit fee			
• Code audit fee: Consolidated Group and Council financial statements and use of resources	TBC	127,801	165,975
• Group consolidation audit fee[1]	TBC	N/A	N/A
Non-audit assurance services			
Fees for reporting on government grants:			
• Housing benefits subsidy claim	TBC	19,800	34,354
• Pooling of housing capital receipts return	3,250	3,250	5,750
• Teachers' pensions return	3,250	3,250	2,900
Fees for other non-audit services			
Total fees	**TBC**	**154,101**	**208,979**

[1] Group accounts were prepared for the first time this year so there is no 2017/18 comparative fee. In agreement with management, no fee estimate was provided due to the uncertainty regarding the level of audit work that would be required for such a complex group consolidation. We will agree this fee at the conclusion of the audit.

Additional fees

Due to the additional work required in relation to the group accounts and the substantial amount of additional testing and Manager and Partner time required to address the audit risk profile of the Council and the volume of errors and other issues identified as part of the single entity audit there will be an additional fee required. This will be discussed in the first instance with management and then with the Audit and Standards Committee after the completion of the audit.



APPENDICES CONTENTS

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Unadjusted audit differences		NET DR/(CR) £’000	DR £’000	(CR) £’000	DR £’000	(CR) £’000
Surplus on the provision of services before unadjusted audit differences		(5,677)			1,719,728	
1: Assets valued in the prior year were valued as at 1/10/2017, with no consideration of movement up to year end. Giving a expected understatement in their value (we note this is for properties valued using EUV)	P					
DR Plant Property Equipment					1,092[1]	
CR Revaluation Reserve						1,092[1]
2: Misclassification of Non ring-fenced Grant Income to ring-fenced Grant income.						
DR CIES - Income above Provision of Service	F		457			
CR CIES - Taxation and Non-specific Grant Income				457		

[1] This is also a misstatement in the prior period but as it is not material no prior period adjustment is required.

Key

F - Factual
J - Judgemental
P - Projected

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Unadjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
3: Misclassification of asset 'Chromebooks' disposed within VPE should be included within intangible Net Book Value at disposal was £605k which should be reversed out of VPE to Intangibles [1]	F					
DR PPE - Vehicle Plant and Equipment						1,513
CR Intangibles					1,513	
4: AUC to be overstated by £527k due to the spend capitalised on the asset not being reclassified to operational assets category when the asset became operational [1]	F					
DR PPE - Other Land and Building					527	
CR Asset Under Construction						527

[1] This is also a misstatement in the prior period but as it is not material no prior period adjustment is required.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Unadjusted audit differences		NET DR/(CR) £’000	DR £’000	(CR) £’000	DR £’000	(CR) £’000
5: Depreciation has been incorrectly calculated on a sample of assets (overstatement of depreciation) (extrapolated error)	P					
DR PPE - Accumulated Depreciation					886	
CR CIES - Depreciation Expense				886		
6: PPE Additions five errors noted where samples didn’t agree to underlying breakdown of expenditure/invoices overstating additions (error has been extrapolated)	P					
DR PPE Additions					1,815	
CR Expenditure				1,815		
7: £32k underspend on revenue budget was incorrectly recognised as income (error has been extrapolated)	P					
DR CIES - Income			200			
CR Debtor					200	

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Unadjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
8: Reconciling items on the Capita (Housing System) to Oracle (Finance System) reconciliation of HRA income overstating income	F					
DR CIES - HRA Income			432			
CR Rent Control Account						432
9: Three cut off errors identified over our work on HRA supervision and management expenditure overstating expenditure. (error has been extrapolated) [1]	P					
DR CIES - HRA Supervision and Management expenditure				261		
CR Creditor Accruals					261	
10: One cut off error identified from our testing of HRA repairs and maintenance expenditure, overstating expenditure (error has been extrapolated) [1]	P					
CR CIES - HRA Repairs and Maintenance expenditure				1,375		
DR Creditor Accruals						1,375

[1] This is also a misstatement in the prior period but as it is not material no prior period adjustment is required.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Unadjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
11: Extrapolated Creditor Errors Seventeen errors have been corrected by management this was composed of two errors above £1 million, remaining errors below triviality. Nature of errors include creditors raised incorrectly or require writing off.	P					
DR Creditor					1,197	
CR Creditor - Accruals					3,264	
DR Creditor - Receipts in Advance					691	
CR CIES Expenditure						5,153
12: Extrapolated Debtor Errors. Twenty two errors have been corrected by management this was composed of One errors above £1 million, remaining errors below triviality. Nature of errors include debtors raised incorrectly or require writing off.	P					
CR Debtors						889
CR Debtors Accruals						2,042
DR Debtors Payment In Advance					97	
CR CIES Income			2,834			

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Unadjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
13: Double counting of loan receipts from sub and Weavers[1]	F					
CR Investment						238
DR Investment Income			238			
14: One cut off error was identified from our work over social care expenditure, overstating expenditure (error has been extrapolated)	P					
CR CIES Expenditure				778		
DR Creditor					778	
15: Revaluation Valuation differences due to valuation input discepencies (error has been extrapolated) [1]	P					
DR Community Assets					686	
CR Revaluation Reserve/ CAA						686

[1] This is also a misstatement in the prior period but as it is not material no prior period adjustment is required.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Unadjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
CR MiRS					686	
CR Re measurement/Impairment of Revaluation of PPE				686		
CR Surplus Assets					109	
CR Re measurement/Impairment of Revaluation of PPE				109		
CR Revaluation Reserve/ CAA						109
CR MiRs					109	
CR Other Land & Building						882
DR Re measurement/Impairment of Revaluation of PPE			882			
CR Revaluation Reserve/ CAA						882
DR MiRS					882	
16: Two cut off errors identified from our work over expenditure	F					
DR CIES Expenditure						73
CR Creditor			73			

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Unadjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
17: School Cash balance adjustment - difference between the forecasted cash position and actual cash position	F					
DR Cash					2,630	
CR Reserve						2,630
18: Grant ELHP - Carry Forward Of Balances to 2018/19 of £390,556 The council are unable to substantiate the accuracy of the carry forward, therefore this was proposed to be write off	F					
DR Creditor					390	
CR Income				390		
19: Assets Under Construction – opening balance overstated due to assets not being moved to Council dwellings once completed. (change in relation to impact of revaluation if had been moved in correct year) [1]	P					
Dr: Council Dwellings					2,371	
Cr: Revaluation reserve						2371

[1] This is also a misstatement in the prior period but as it is not material no prior period adjustment is required.

UNADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

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We are required to bring to your attention other financial reporting matters that the Audit Committee is required to consider.

The following unadjusted disclosure matters were noted:

- EFA Note Pension Adjustment for 2017/18

Our review of the accounts noted no figure disclosed for 2017/18 EFA Note, management are of the view the amount for 2017/18 was not material and therefore will not be adjusting.

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Surplus on the provision of services before adjustments		(5,677)			1,719,728	
1: Demolition of Investment Properties recognised and revalued within the Investment Property Fixed Asset Register in 2018/19 [1]	F					
DR CIES Finance and Investment - Loss on Disposal			1,200			
CR Investment Property						1,200
DR Capital Adjustment Account – Disposal					1,200	
CR MiRs – General Fund						1,200
2: Reclassification of Housing Rent overpayments/payments in advance to Housing Rent Creditors	F					
DR Housing Rent Debtor					3,812	
CR Housing Rent Creditor						3,812

[1] This is also a misstatement in the prior period but as it is not material no prior period adjustment is required.

Key

F - Factual

J - Judgemental

P – Projected

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

Contents

	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NETDR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
3: To reclassify a £5m loan with Wycombe DC maturing in December 2019 to Short Term Borrowings.	F					
DR Long Term Borrowings					5,000	
CR Short Term Borrowings						5,000
4: To reclassify customers with credit balances to creditors	F					
DR Debtors					790	
CR Creditors						790
5: DSG Income and Expenditure has been grossed up in 2018/19 and 2017/18 Prior period adjustment	F					
DR Dedicated School Grant Income			194,724			
CR Dedicated School Grant Expenditure				194,724		
DR Dedicated School Grant Income 2017/18			168,108			
CR Dedicated School Grant Expenditure 2017/18				168,108		
CR Equity						46

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

			Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
6: Correction of ST/LT borrowing split as originally split was based on less than 3 months being ST, rather than 12 months	F					
DR Long Term Borrowings						37,600
CR Short Term Borrowings					37,600	
7: Adecco rebates incorrectly recognised as income rather than a reduction in expenditure.	F					
DR CIES Income			2,600			
CR CIES Expenditure				2,600		
8: Reclassification Short Term Capital Grants Receipts In Advance to their appropriate place on the Balance Sheet						
DR ST Grants Receipt In Advance	F				1,346	
CR ST Creditors						1,300
CR Equity						46

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

Contents

	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
9: Grants (DFC RIA) classified as long term liabilities due to the time they have been outstanding	F					
DR ST Grants Receipt In Advance					406	
CR Long Term Creditor						406
10: Revenue grants misclassified to capital grant	F					
DR Reserves - Capital Grants Unapplied					182	
CR CIES - Expenditure			182			
CR CIES - Taxation and Non-specific Grant Income				182		
CR MiRS						182
11:Unidentified Employer Tax Creditor written off	F					
DR Payroll Creditor					290	
CR CIES Expenditure Write Off				290		

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
12: Depreciation on Heritage Assets applied incorrectly.	F					
DR Heritage Assets					97	
CR Capital Adjustment Account						97
CR CIES - Depreciation				97		
Dr MiRS - General Fund					97	
13: Valuation of Asset Lock up Garages has been valued incorrectly by the valuers due to the incorrect input data applied (overstating the value)	F					
CR PPE - Other Land and Building						1,471
DR Reserve - Revaluation Reserve					1,471	
CR Revaluation Gains through CIES			1,471			
CR MiRS - General Fund						1,471

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

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	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
14: Creditor - Parent Pay Unidentified Amount which is unidentified, and has been agreed that the total creditor should be written back to revenue	F					
DR Creditor					1,805	
CR Income				1,805		
DR MiRS					1,805	
CR Reserves						1,805
15: Creditor recognised overstated against workings (3 errors below materiality)	F					
Dr Creditor					164	
Cr CIES Expenditure				164		
Dr MiRs					18	
Cr Reserves						18

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

			Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
16: Creditor Accruals recognised incorrectly (5 errors below materiality)	F					
Dr Creditor Accruals					1,530	
Cr CIES Expenditure				1,530		
17: Creditor Receipt in Advance incorrectly recognised as Receipt in Advance (9 errors)	F					
Dr Creditor Receipts in Advance					1,895	
Cr CIES Expenditure				1,738		
Cr Debtor						157
Dr MiRs					1,710	
Cr Reserves						1,710
18: Creditor - Reclassified to Long Term Creditor	F					
DR Creditors					279	
CR ST Creditor						279

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
21: Debtor Error - Rent deposit scheme write off due to change in council policy	F					
CR Debtor						1,427
DR CIES Expenditure			1,427			
22: Debtor Error - Housing Report discrepancy impacting bad debt provision	F					
DR CIES - Bad Debt Provision			1,331			
CR CIES - Expenditure				1,331		
23: Debtor Error – Debtor to be written off (3 errors below materiality)	F					
CR Debtor						422
DR CIES Income			349			
DR Capital Grants Unapplied					73	

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
24: Debtor Error - Debtor raised with LA School which is not permitted	F					
CR Debtor						205
DR CIES Income			8			
DR CIES Expenditure			197			
25: Debtor Accruals – Accruals written off due to insufficient evidence or lack of recoverability (5 errors)	F					
CR Debtor						316
DR CIES Bad Debt Write Off			316			
26: Debtor Error - Grant Income incorrectly raised as Payment In Advance rather than Receipt in Advance (9 errors)	F					
DR Debtor					1,034	
CR Creditor - Receipt in Advance						753
CR Income				281		

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

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	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
DR MiRS					281	
CR Reserves						281
27: Debtor – Receipt in Advance write off	F					
DR Income		101				
CR Debtor						101
28: Debtor Error - Grant incorrectly treated as Payment in Advance	F					
CR Debtors						13
DR Creditors – Payment in Advance					13	
DR CIES Income				3		
CR CIES Expenditure			3			

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

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	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
29: Miscoding of Revaluation of OLB upward and downward revaluation	F					
DR Revaluation Upwards					57,392	
CR Revaluation Downwards					1,543	
CR Capital Adjustment Account						58,935
DR CIES - Deficit Surplus in Revaluation of PPE				58,935		
CR MiRS					58,935	
30: Journal to account for the McCloud and GMP	J					
DR Past service costs			6,622			
DR Pension Interest Cost			89			
CR Net pensions liability						6,711
DR Pensions reserve					6,711	
CR MiRS						6,711

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

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	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
31: Valuation of Street Purchases for 2018/19 purchases recognised at cost rather than valuers valuation	F					
CR PPE - Council Dwellings						6,468
DR Capital Adjustment Account					6,468	
CR MIRS						6,468
CR CIES - Deficit Surplus in Revaluation of PPE			6,468			
32: Valuation of Community Assets- Revaluing remaining community assets	F					
DR PPE - Community Assets					47,738	
DR MiRS					47,738	
CR Revaluation Reserve :Upwards						45,540
CR Capital Adjustment Account - Upwards Revaluation						2,339
DR Revaluation Reserve :Downwards					100	
DR Capital Adjustment Account - Downwards Revaluation					41	

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

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	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
33: LGPS Overstated Investment Return	J					
DR CIES - Investment Return			18,541			
CR Net pensions liability						18,541
CR Pensions reserve						18,541
DR MiRS					18,541	
34: PO Correction due to over receipting (note this is part of a larger £10.5m balance) [1]	F					
DR Reserve					4,993	
CR MIRS						4,993
DR CIES Expenditure			7,777			
CR Creditor						7,777
DR Reserve					2,784	
CR MIRS						2,784

[1] This is also a misstatement in the prior period but as it is not material no prior period adjustment is required.

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

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			Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
35: Interest on long term debtor should have been rolled up at the year end	F					
DR Long Term Debtor					151	
CR Interest Income				151		
36: Capital Grant GLA Building Council Homes for Londoners - received after the year end and not accrued for	F					
DR Debtor					2,924	
CR Capital Grants Unapplied						2,924
CR CIES - Taxation and Non-specific Grant Income				2,924		
DR MiRS					2,924	
37: Asset valued adopted using incorrect measurement value	F					
CR Investment Property						790
DR CIES Finance and Investment - Loss on Disposal			790			
DR Capital Adjustment Account - Disposal					790	
CR MiRs - General Fund						790

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

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	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
38: Investment Property demolished in 2014 has been incorrectly revalued in 2018/19 [1]	F					
CR Investment Property						248
DR CIES Finance and Investment - Loss on Disposal			248			
DR Capital Adjustment Account - Disposal					248	
CR MiRs - General Fund						248
39: HRA Asset Under Construction Asset Overstated Prior period Adjustment	F					
DR Council Dwellings					31,802	
CR Asset Under Construction						31,802

[1] This is also a misstatement in the prior period but as it is not material no prior period adjustment is required.

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Error Type		Income and expenditure		Statement of Financial Position	
Adjusted audit differences		NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
40: Grant Errors	F					
DR Income		TBC				
CR Creditors						
DR Debtors						
CR MiRS						
DR Equity						
41: Housing Debtor unidentified difference between Housing and Ledger	F					
DR Income			801			
CR Debtor						801
42 To adjust year-end finance lease liability posted incorrectly	F					
CR ST Creditor - Finance Lease						526
DR LT Creditor- Finance Lease					466	
DR CIES - Property Lease Expense			59			

PROJECTED AUDIT DIFFERENCES FOR ALL UNADJUSTED ERRORS

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Below we have detailed the impact of the all the current unadjusted errors once extrapolated. The extrapolation represents our best estimate of misstatements in populations, involving the projection of misstatements identified in audit samples to the entire populations from which the samples were drawn.

	Areas of Financial Statement	Value of Error £'000	Extrapolated Error £'000	Unadjusted Audit Difference Ref.
1	Depreciation - Overstated	14	886	5
2	PPE Additions - Overstated	810	1,815	6
3	CIES Income - Overstated	32	200	7
4	HRA Supervision and Management Expenditure - Overstated	27	261	9
5	HRA Repairs and Maintenance Expenditure - Overstated	24	1,375	10
6	Social Care Expenditure - Overstated	13	778	14
7	Community Asset Revaluation - Overstated	610	686	15
8	Surplus Asset Revaluation - Understated	93	109	15
9	Other Land and Building - Overstated	383	882	15

PROJECTED AUDIT DIFFERENCES - WHERE PARTIAL NUMBER OF ERRORS CORRECTED

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Below we have detailed the impact of the all the current adjusted errors once extrapolated. The extrapolation represents our best estimate of misstatements in populations, involving the projection of misstatements identified in audit samples to the entire populations from which the samples were drawn. Note: the error extrapolated amount is reduced by the corrected amount.

	Areas of Financial Statement	Value of Error £'000	Extrapolated Error £'000	Unadjusted Audit Difference Ref.	Errors Corrected	Revised Extrapolation of potential error remaining.
10	Creditors - Overstated	1,970	3,167	11	£1.9m Error #14,15,	£1.20m
11	Creditors Accruals - Overstated	1,530	4,795	11	£1.5m Error #16	£3.26m
12	Creditor Receipt in Advance - Overstated	1,895	2,587	11	£1.90m Error #17	£691k
13	Debtor - Overstated	422	1,312	12	£422k Error # 23	£889k
14	Debtor Accrual – Overstated	2,281	4,323	12	£2.28m Error # 21,24,25	£2.04m
15	Debtor Receipt in Advance	919	1,016	12	£919k Error # 26,27,28	£97k

ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

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We are required to bring to your attention other financial reporting matters that the Audit Committeeis required to consider.

The following adjusted disclosure matters were noted:

- Disclosure changes to the EFA Note
- Disclosure changes to the Pension Scheme Notes
- Disclosure changes to the HRA Statement notes
- Disclosure changes to the Financial Instrument Note
- Disclosure changes to the PPE Notes and Investment Property Notes
- Disclosure additions for Intangibles
- Disclosure changes to the Unusable Reserve Notes and Capital Financing notes
- Disclosure changes to Senior Remuneration Disclosures
- Disclosure changes to Cash and Cash Equivalent Note

Responsibilities and reporting

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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidation Group and Council financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Group has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit & Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	Our work identified a significant number of issues in relation to: • Quality of working papers provided; • Quality of draft accounts provided for audit; • Poor internal review of evidence provided for samples requested; and
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	This work is in progress.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION AND REPORTS ISSUED

Contents

Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit & Standards Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Plan	21 December 2018	Audit & Standards Committee
Report on significant weaknesses in internal controls / first audit progress report	22 October 2019	Audit & Standards Committee
Second audit progress report	3 February 2020	Audit & Standards Committee
Interim audit completion report	27 April 2020	Audit & Standards Committee
Audit Completion Report	TBC	Audit & Standards Committee
Annual Audit Letter	TBC	Audit & Standards Committee

OUTSTANDING MATTERS

Contents

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2019.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit & Standards Committee meeting at which this report is considered:

- Partner and other internal quality and technical reviews of audit work completed and subsequent clearance of any points raised;
- Extended journals testing;
- Extended cut off testing;
- Creditors testing;
- Debtors testing;
- Legal cases testing;
- Final testing of Purchase Order correction;
- Review of all prior period adjustments and associated disclosures for compliance with reporting standards;
- Review and conclusion on updated group accounts consolidation;
- Agreement / amendment of any unadjusted errors to become adjusted errors, including conclusion on net impact of remaining unadjusted errors Review of final set of financial statements (once provided);
- Subsequent events (this cannot be completed until the date of signing)
- Casting of final set of accounts; and
- Conclusion on value for money.

AUDIT QUALITY

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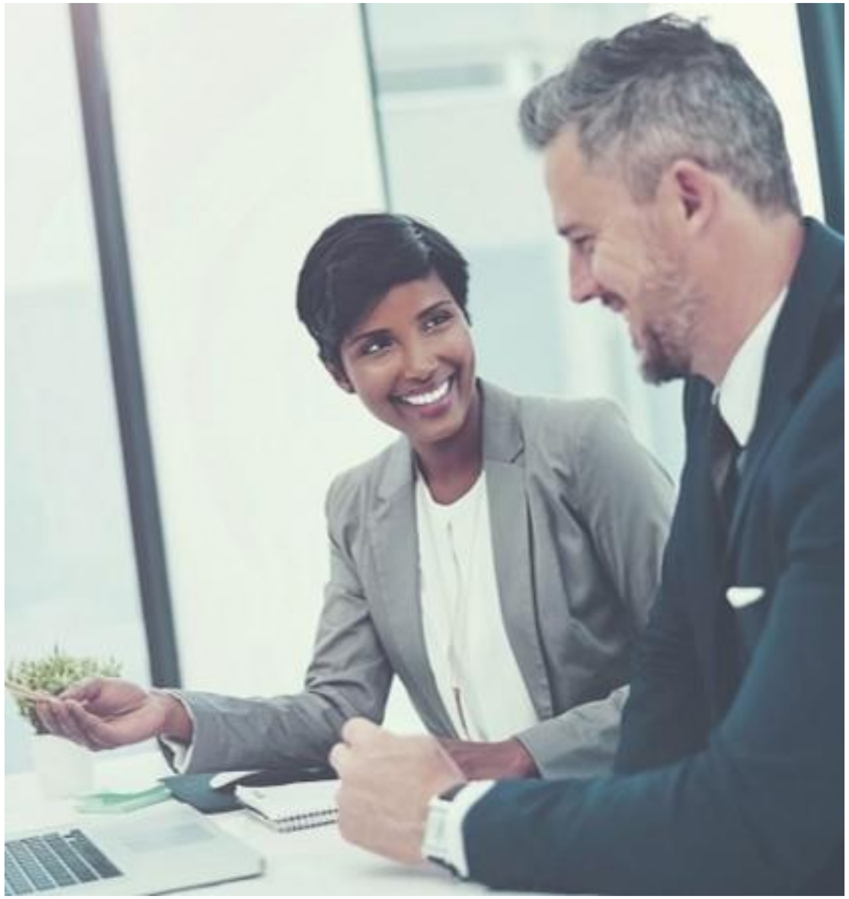

BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

Letter of representation

Contents

London Borough of Barking and Dagenham
Council letter headed paper

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Sirs

Financial statements of London Borough of Barking and Dagenham Council for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Group and the Council' financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Deputy Chief Executive and Chief Operating Officer has fulfilled her responsibilities for the preparation and presentation of the Group and the Council financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended 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).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Group and the Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note xx to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council's ability to continue as a going concern.

We consider that this indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Group and the Council's ability to continue as a going concern. We consider that the disclosures in the financial statements adequately describe this uncertainty and our plans to deal with these events or conditions. *Insert further representations underpinning management's going concern assertion here.*]

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note xx to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the controlling party of the Council are accurate.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and Council financial statements.

Accounting estimates

List the significant assumptions made in relation to any accounting estimates (including fair value measurements) used in the preparation of the financial statements, either below or in an Appendix e.g.

- *Assumptions underlying cash flow forecasts or those concerning discount rates*
- *Assumptions concerning the intent and ability to hold assets for the long term*
- *Assumptions made in revenue recognition policies.*

Contents

For each significant assumption depending on the nature, materiality and extent of estimation uncertainty, consider including representations:

- *About the appropriateness of the measurement processes, including related assumptions and models used by management in determining accounting estimates in the context of the applicable financial reporting framework, and the consistency in the application of the processes;*
- *That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;*
- *That disclosures relating to accounting estimates are complete and appropriate under the applicable financial reporting framework; and*
- *That no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.*

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Other

[*Insert further specific representations required to support your audit opinion here*. OR *delete this section*]

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Claire Symonds

The Deputy Chief Executive and Chief Operating Officer

date

Cllr Princess Bright

Chair of the Audit & Standards Committee

date

FOR MORE INFORMATION:

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