



**Brighton & Hove
City Council**

AUDIT & STANDARDS COMMITTEE ADDENDUM

4.00PM, TUESDAY, 27 SEPTEMBER 2016

**COUNCIL CHAMBER, HOVE TOWN HALL, NORTON ROAD,
HOVE, BN3 4AH**

ADDENDUM

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Subject:	Audited Statement of Accounts 2015/16 and Annual Governance Statement		
Date of Meeting:	27 September 2016		
Report of:	Executive Director of Finance & Resources		
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Ward(s) affected:	All		

FOR GENERAL RELEASE.

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that final calculations on the values of the land non-current assets were being completed.

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report provides information about the audit of the council's 2015/16 Statement of Accounts and recommends approval of the 2015/16 audited accounts and the Letter of Representation on behalf of the council. It also provides information about the Annual Governance Statement.
- 1.2 Under the Accounts and Audit Regulations 2015, the council's accounts for 2015/16 must be approved by Members by the 30 September 2016. Under the council's constitution, the Audit & Standards Committee is charged with this responsibility.
- 1.3 The council's external auditors (EY) are required to give assurance that the accounts are free from material misstatement and to report significant matters arising from the audit. EY will be presenting their findings to this Committee through the Audit Results Report (ARR) elsewhere on this agenda, after which they will be able to issue their audit opinion and the accounts will be published.
- 1.4 This report presents the revised 2015/16 accounts following the audit. It outlines the amendments made to the accounts since they were presented to the June committee and provides assurances in relation to the preparation of the accounts. It also informs the committee of the outcome of the public inspection of the accounts. Copies of the revised accounts are available in the Members' rooms.

2. RECOMMENDATIONS:

It is recommended that the Audit & Standards Committee:

- 2.1 Notes the findings of EY in their Audit Results Report (ARR). The ARR is a separate item on this agenda.
- 2.2 Notes the outcome of the ongoing work on the valuation of property, plant and equipment and any related misstatement / adjustment to the 2015/16 accounts (paragraph 3.19 and Appendix 4).
- 2.3 Notes the results of the public inspection of the accounts (Section 9).
- 2.4 Approves the Letter of Representation on behalf of the council (Appendix 1).
- 2.5 Approves the audited Statement of Accounts for 2015/16.
- 2.6 Note the Annual Governance Statement (Appendix 5).

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 3.2 It is a requirement that the annual accounts be prepared as soon as practicable after the end of the financial year and considered and approved by a resolution of the committee charged with governance or Full Council by the 30 September. Therefore, the accounts must be published and signed off by the external auditor as soon as reasonably possible after the conclusion of the audit and by the 30 September.

Format of the Accounts

- 3.4 Clearly, local authority accounts are not viewed from a commercial perspective, for example, in terms of an authority's attractiveness for possible merger or acquisition. However, local authorities are viewed in terms of their financial resilience, effective financial management and general viability (going concern). The purpose of the accounts therefore is to provide information to a whole range of stakeholders and the general public about the financial position, financial performance and cash flows of the council and to provide answers to basic questions such as:
 - What did the council's services and capital programme cost in 2015/16?
 - Where did the money come from?
 - What does the council own?
 - What commitments does the council have and what provisions and reserves has the council set against these?
 - What amounts were due and what was owed at the end of the financial year?
- 3.5 In accordance with the Accounts and Audit Regulations, the accounts include:
 - The Narrative report;
 - Statement of responsibilities;
 - Core financial statements (Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement);
 - Supplementary statements (Housing Revenue Account and Collection Fund);
 - Notes to the accounts; and,
 - Accounting policies.

- 3.6 The narrative report aims to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. A brief commentary on these key aspects of the 2015/16 accounts is included in Appendix 3 to this report.
- 3.7 The statement would normally comprise both “Single Entity Accounts”, which are in respect of wholly council controlled activities, and “Group Accounts” in respect of activities where the council has a significant interest or share in a subsidiary, associate or joint venture entity. However, there are no activities requiring the preparation of Group Accounts in 2015/16.
- 3.8 EY has completed their work on the audit of the accounts and will be reporting their findings to this Committee through the ARR. Following this report, EY will be able to issue their audit opinion and the accounts will be published.

Preparation of the Accounts

- 3.9 As reported to the June committee, the council is required to prepare its accounts on an International Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA); the 2015/16 accounts cover the period 1 April 2015 to 31 March 2016. There has been no deviation from the requirements of the Code and all accounting policies adopted by the council for the 2015/16 accounts are in line with the requirements of the Code.
- 3.10 As reported to the June Committee, there have been two key changes in the 2015/16 accounts:
- the council has fully adopted the new accounting standard IFRS 13 relating to fair value measurement;
 - the Accounts and Audit Regulations 2015 have introduced a new requirement for category 1 authorities, such as this council, to prepare a narrative statement (report).

More detail of these key changes are included in Appendix 2 to this report.

- 3.11 The accounts have been prepared by appropriately qualified and trained council officers who have undertaken extensive training on the requirements for preparing local government accounts. Finance officers who are involved in the preparation of the accounts attend regular training to ensure an up to date knowledge and continuous professional development.
- 3.12 Officers have made reference to CIPFA’s practitioner’s guidance notes, disclosure checklists and other technical guidance in preparing the accounts to ensure compliance with all statutory and other regulatory requirements. Officers have also liaised closely, during the preparation of the accounts, with EY over the proposed accounting treatment of the key changes affecting the 2015/16 accounts.
- 3.13 In preparing the accounts, the council makes a number of critical judgements, accounting estimates and assumptions; the details are disclosed in note 3 to the accounts.
- 3.14 As part of the accounts preparation process, a full review of the financial statements, notes and critical accounting transactions was undertaken by senior officers within Finance. Following this review, the accounts were then approved

by the Chief Finance Officer to be issued for public inspection and audit. Evidence of this review formed part of the working papers produced for EY.

- 3.15 During the accounts audit process, officers liaised closely with EY in respect of audit queries and worked closely to ensure prompt and successful resolution of these queries. During the audit of the 2015/16 accounts, there have been no disputes between council officers and EY in relation to the required amendments to the accounts.

Audit of the Accounts

- 3.16 EY has completed the audit of the council's accounts and their Audit Results Report (ARR) forms part of this committee's agenda. EY are responsible for:

- Forming an opinion on the financial statements;
- Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources.

- 3.17 Compilation of the financial statements relies on data extracted from the financial systems, including those systems which interface into the financial system. It is therefore important for EY to be satisfied that these systems have adequate controls in place so that assurance can be given on the integrity of the information held within them.

- 3.18 During the course of the audit, EY identified a number of audit differences which have been discussed and agreed with council officers and amendments have been made to the financial statements for all identified differences. These differences are below EY's reporting level of £0.836 million).

- 3.19 EY identified one material audit difference in respect of the valuation of property, plant and equipment and in particular the land assets valued using the depreciated replacement cost (DRC) methodology.. The accounts have been amended for this audit difference. Appendix 4 provides further details on this amendment.

- 3.20 The ARR for 2015/16 states that an unqualified audit opinion will be issued and that the council has proper arrangements in place to secure value for money in its use of resources. EY have made three specific recommendations in relation to bank reconciliations, leases and non purchase orders detailed in the ARR which will be implemented for 2016/17.

Annual Governance Statement

- 3.21 Following the approval of the Annual Governance Statement on the 21 June 2016, there have been no changes to this document. The Annual Governance Statement is attached at Appendix 5.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Under the Accounts and Audit Regulations 2015, the council's 2015/16 accounts are to be approved by the Chief Finance Officer by 30 June and following the audit process are to be approved by Members by 30 September each year. Under Brighton & Hove City Council's constitution, the Audit & Standards Committee is charged with this responsibility.

- 4.2 After the accounts have been made available for public inspection, alterations to the accounts may only be made with the consent of the external auditor, EY. The alterations in this case have received their consent.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Members of the public, in accordance with the Accounts and Audit Regulations 2015, are granted access for a period of 30 working days to the council's unaudited accounts and are invited to enquire on any aspect of these accounts. If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the accounts with EY.
- 5.2 The council received enquiries from five members of the public. These enquiries encompassed many areas of the accounts. Responses to the queries have been compiled and sent.
- 5.3 One objection to the accounts was received from a member of the public. The objection asks whether Lender Option Borrower Option (LOBO) loans that the council entered into represent value for money. Officers are aware that this is a common enquiry being made of many authorities following recent media coverage. EY have been able to conclude that the objection raised does not have an impact on their financial statement opinion. This is because they do not believe that it represents a risk of material misstatement in relation to items in the 2015/16 statement of accounts. The external auditor is currently examining the substance of the objection and will respond to the objection in due course.

6. CONCLUSION

- 6.1 It is a statutory requirement of the Accounts and Audit Regulations 2015 that the council's 2015/16 accounts should be approved by Members by the 30 September 2016 and published by the same date.
- 6.2 EY have carried out their audit of the 2015/16 accounts and have reported their findings and recommendations arising from the audit of the accounts as a separate item on this agenda.
- 6.3 The main changes resulting from the audit are included in this report to ensure members are aware of the changes to the accounts agreed with EY prior to the approval of the accounts.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The financial implications are included in the body of the report

Finance Officer Consulted: James Hengeveld

Date: 14/09/16

Legal Implications:

- 7.2 The legal framework for approving the council's statement of accounts is provided by regulation 9 of the Accounts and Audit Regulations 2015 (statutory instrument 2015/234), relevant details of which are set out in the body of the report.
- 7.3 The Regulations permit either Full Council or a committee of the council to approve the statement of accounts. As noted in the report, in Brighton & Hove it is the Audit & Standards Committee which fulfils this statutory role.

Lawyer Consulted: Victoria Simpson

Date: 15/09/16

Equalities Implications:

- 7.4 There are no equalities implications arising directly from this report. The accounts are a statutory publication and were made available for public inspection at the council's main offices and on the council's website. Information on the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

Sustainability Implications:

- 7.5 There are no direct environmental implications arising from this report. However, it is believed that the reputation of the council's financial control framework and its ability to demonstrate sound financial management could have an impact on the willingness of other funding partners to invest in and with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Any Other Significant Implications:

- 7.6 The quality of a public authority's accounts is of reputational importance and where the auditor gives an unqualified opinion, citizens, partners and other stakeholders can be assured that the accounts present fairly the financial position of the council.

SUPPORTING DOCUMENTATION

Appendices:

1. Letter of Representation
2. Summary of the main changes for the 2015/16 accounting period
3. Commentary on the Accounts
4. Details of ongoing work on property, plant and equipment valuations
5. Annual Governance Statement

Documents in Members' Rooms

1. Statement of Accounts

Background Documents

None

Letter of Representation:

Paul King
Ernst & Young LLP
Wessex House,
19 Threefield Lane,
Brighton & Hove,
SO14 3QB

This letter of representation is provided in connection with your audit of the financial statements of Brighton & Hove City Council (“the council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Brighton & Hove City Council as of 31 March 2016 and of its expenditure and income for the year then ended in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the council in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing

arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

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

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. For accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

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

I. Comparative information – corresponding financial information

1. Prior year adjustments have only been included in the financial statements to correct material prior year errors.

J. Use of the Work of an Expert

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

Yours Faithfully,

David Kuenssberg
Executive Director, Finance & Resources

Dated:

I confirm that this letter has been discussed and agreed at the Audit & Standards Committee on 27 September 2016

Councillor Ann Norman
Chair of Audit & Standards Committee

Dated:

Summary of the main changes for the 2015/16 accounting period

IFRS 13 Fair Value Measurement

The council has fully adopted the new accounting standard IFRS 13 in respect of the fair value measurement of non financial assets and financial assets and liabilities (i.e. financial instruments). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In adopting IFRS 13 for local authorities, the Code has introduced the concept and definition of current value for the measurement of property, plant and equipment (PPE). This concept requires the council to measure the service potential and thus operating capacity used to deliver local authority goods and services through PPE assets. This means that the measurement requirements of operational PPE has not changed from the 2014/15 accounts. However the Code requires that non operational PPE classified as surplus assets are measured at fair value (estimated at highest and best use from a market participant's perspective). Investment property is also required to be measured at fair value.

In respect of financial instruments, the council's available for sale financial assets are held at fair value; all other financial assets and liabilities are carried at amortised cost.

In addition to ensuring that relevant assets and liabilities have been measured at fair value in accordance with the Code, the council is required to make enhanced disclosures under the fair value framework.

Narrative Statement (report)

The Accounts and Audit Regulations 2015 have introduced a new requirement for category 1 authorities, such as this council, to prepare a narrative statement (report) which must include comment by the council on its financial performance and its arrangements for securing economy, efficiency and effectiveness in its use of resources over the financial year. In order to meet the new requirements, the Code recommends that the narrative statement should provide an analysis of the development and performance of the council in the financial year and its position at the end of the year together with an analysis of the financial and non financial performance indicators as relevant to the performance of the authority. In essence, the new narrative report has replaced the explanatory foreword and has been enhanced to include new information, such as performance indicators and the direction of travel / strategic approach for the council, in order to meet the new requirements.

Review of Accounting Policies

As part of the 2015/16 accounts closure process, officers have undertaken a significant review of the accounting policies for the accounts with the aim of streamlining them. Although much shortened, the review has not resulted in any fundamental changes to the council's accounting policies.

Commentary on the Accounts

Balance Sheet (BS)

The Balance Sheet is particularly technical, which is unavoidable given the requirement to observe the Code of Practice and the complex capital accounting, financial instrument and pension reporting standards. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

Non Current Assets

Total non current assets (including current assets held for sale) have decreased from £2,292.610 million as at 31 March 2015 to £1,878.062 million as at 31 March 2016. The in-year movement in non current assets is detailed in note 9 to the core financial statements. The movement of £414.548 million includes the following:

- An increase of £73.201 million in respect of capital expenditure incurred on Property, Plant & Equipment (PPE), heritage assets and intangible assets which reflects the significant capital investments made;
- PPE and heritage assets upward revaluation transactions of £154.957 million;
- Depreciation, impairment and revaluation losses transactions of £631.405 million;
- Upward movement in the fair value of investment properties of £2.005 million;
- Disposal of non-current assets of £12.152 million.

Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services. At 31 March 2016, the council's level of borrowing (including the bank overdraft) was £247.070 million, an increase in the year of £27.734 million which includes a net increase of £20.037 million toward the construction of the i360. The council has raised new loans of £35.573 million and repaid £7.188 million during 2015/16. Note 11 to the accounts provides further information on borrowings.

Investments

At 31 March 2016, the council held investments of £79.837 million. Investments are made by the in-house treasury team and the council's external cash manager. The council uses an external cash manager to take advantage of investment opportunities in specialist markets not covered by the in-house team, such as government stock.

The level of investment has increased in year by £9.859 million. The council has placed new short term investments of £531.906 million in 2015/16 (including cash equivalents of £456.206 million) and has realised cash from the maturity of short term investments of £522.342 million (including cash equivalents of £469.642 million). Note 11 to the financial statements provides further information on investments.

Pension Liability

The estimated pension liability (net of pension assets) for future pension payments decreased in 2015/16 by £92.243 million from £362.522 million at 31 March 2015 to £270.279 million at 31 March 2016.

There are a number of contributory factors to the significant decrease in the pension liability; these are detailed in the Pensions Liability section of the Narrative Report.

The council also recognises a reserve for the estimated net pension liability. Therefore, amounts included in the council's accounts in relation to post employment benefits have no effect on the council tax requirement as the liability is offset by a Pensions Reserve.

Details of the Pension Liability can be found in note 24 to the financial statements.

Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2016 that are reasonably certain and can be estimated with reasonable accuracy. Significant provisions are included for the following:-

- Accumulated Absences – The council is required to make provision for accumulated compensated absences (e.g. annual leave and 'flexi' leave entitlements) that are carried forward for use in future periods if the current period's entitlements are not used in full. The provision as at 31 March 2016 is £3.022 million.
- Voluntary Severance Scheme Provision – The council has made provision in the 2015/16 accounts to meet the costs of expected severance packages resulting from a review of the staffing impacts of approved savings. The provision as at 31 March 2016 is £1.321 million.
- Business Rates Appeals Provision - The council has made provision for its share of the amount that it anticipates to repay ratepayers in the future following successful appeals against the rating lists. The provision as at 31 March 2016 is £2.127 million.

Reserves

The council holds two categories of reserves:

- Unusable Reserves – these reserves derive from accounting adjustments and are not available to the council to use to provide services. They include reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences between what is required from a statutory accounting perspective to be charged to the General Fund and HRA balance and what is required to be funded from council tax, locally retained non domestic rates and general grants. These reserves include the revaluation reserve, pension reserve and the capital adjustment account. The level of unusable reserves as at 31 March 2016 was £1,202.619 million. Note 7 to the accounts provides further information on unusable reserves
- Usable Reserves – these reserves can be used by the council to provide services and/or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. These reserves include the General Fund and HRA working balance, general reserves, capital reserves relating to capital receipts and capital grants received which have not yet been utilised and specific reserves which have been set aside by the council for specific purposes.

The level of General Fund working balance and general reserves held at 31 March 2016 was £12.728 million. The level of working balance and general reserves deemed appropriate by the council's Chief Finance Officer is £9 million, approximately 4% of net budget or 4 weeks council tax income; the balance of funds held at 31 March 2016 has already been committed by the council. In addition, there are also General Fund earmarked reserves of £38.876 million as at 31 March 2016.

The level of HRA working balance stands at £6.214 million as at 31 March 2016, which is in excess of the recommended minimum level of balances of £3 million. In addition, there are also HRA earmarked reserves of £2.338 million as at 31 March 2016. The HRA reserves are ring fenced for council dwelling provision.

Notes 6 and 8 to the accounts provide further information on usable reserves.

Usable reserves and provisions are reviewed during budget setting and the accounts closure to ensure that there is both the ongoing requirement for funds to be set aside and that the levels are appropriate.

Collection Fund

The Collection Fund is a separate fund recording the expenditure and income relating to council tax and non domestic rates.

As at 31 March 2016, there was a surplus of £ 2.676 million on the Collection Fund in respect of council tax and a deficit of £3.601 million in respect of non domestic rates.

Details of the material adjustment in respect of property, plant and equipment valuations

The valuation of property, plant and equipment was highlighted as a significant risk in EY's audit plan for the 2015/16 financial statements, additionally there was a reduction of approximately £500m within the draft unaudited statements. The assets which had reduced most significantly were those which had been valued under depreciated replacement cost (DRC) valuation methodology by Montagu Evans (ME).

EY's response to this (both the reduction and significant risk) was to commission their own internal expert to review the work of ME to give assurance that the reduction in valuations were real and compliant with accounting standards and the Code. Following some concerns regarding the assumptions made by ME being raised by EY's internal expert, the council was requested to perform additional work to confirm that the assumptions and data used by ME were reasonable and that the valuations were materially correct. This additional work provided EY with sufficient assurance that the building valuations were materially correct..

However, the original land valuations appeared to utilise a standardised land value per hectare for all assets regardless of geographical location. EY requested the council to consider a selected sample of asset valuations and confirm whether the land value per hectare was reasonable for each property location taking into account fluctuations across the City.

In liaison with ME, the council have revisited the assumptions made in the original land valuations and both the council and ME have agreed an alternative approach which gives greater recognition of the differential values across areas of the city. This resulted in revised valuations being calculated which has led to an increase of £92.221m in the valuations for the land assets on the council's Balance Sheet compared to the draft unaudited statements.

Annual Governance Statement 2015/16

Scope of Responsibility:

Brighton & Hove City Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper practice standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively to secure continuous improvement:

- 1 In discharging this accountability, the council is responsible for putting in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes the management of risk.
- 2 The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government and Guidance Note*. This is included in the Constitution of the council.
- 3 This Annual Governance Statement explains how the council has complied with its Code of Corporate Governance and also meets the requirements of the Accounts & Audit Regulations 2015.

The Purpose of the Governance Framework

- 4 Governance is about how the council ensures that it is doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.
- 5 The governance framework comprises the systems and processes, culture and values by which the council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives as set out in the Corporate Plan 2011 - 2015, and to consider whether those objectives have led to the delivery of appropriate, cost effective services. The council's Corporate Plan was updated for 2015 - 2019 and continues to reflect the council's corporate values.
- 6 The governance framework is designed to manage risk to a reasonable level, rather than to eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework

- 7 The governance framework has been in place within the council for the year ended 31st March 2016. It was reported to the Audit & Standards Committee in March 2016 that the governance framework will be supplemented by a Corporate Risk Assurance Framework by December 2016.
- 8 Maintaining the governance framework is an on-going process, and one to which the council is committed in order to ensure continual improvement and organisational learning. This is evidenced by:
 - the report to the Audit & Standards Committee in November 2015, relating to the council commissioned organisational learning review in early 2015 following the dismissal of the former head of housing in 2015. The review considered the circumstances involved and what lessons need to be learned. An action plan has been agreed to implement the recommendations set out in the report;

- other governance issues reported to the Audit & Standards Committee including learning from the loss of council funds relating to the Coin Co International contract and overpayments made to Mears Ltd. in relation to work carried out by a sub-contractor.
- 10 The key elements of the systems and processes that comprise the council's governance arrangements are shown below together with explanations of how they are embedded.

Council's Purpose, Vision, Values and Performance Management

- 11 The Corporate Plan 2015-2019 was approved by Full Council in 26 March 2015. It sets out the council's purpose, values, principles and priorities:

Our purpose

The Corporate Plan 2015-2019 sets out "our purpose to provide strong civic leadership for the well-being and aspiration of Brighton and Hove. We will be successful if we are judged to deliver the following outcomes:

A good life: Ensuring a city for all ages, inclusive of everyone and protecting the most vulnerable.

A well run city: Keeping the city safe, clean, moving and connected.

A vibrant economy: Promoting a world class economy with a local workforce to match.

A modern council: Providing open civic leadership and effective public services.

The **principles** that will enable delivery of the organisation's **purpose**, and build on those shared by the city's partnerships, are:

- Public accountability;
- Citizen focused;
- Increasing equality;
- Active citizenship.

Our vision

- 12 In its Corporate Plan the council has adopted the city's partnership vision, principles and priorities which combine with its purpose and values to help plan, budget and review services. The city's and the council's vision is:

"Brighton & Hove – the connected city. Creative, dynamic, inclusive and caring. A fantastic place to live, work and visit"

Our values

- 13 To improve performance and achieve better outcomes and value for citizens, requires our staff to be highly flexible and responsive to changes. The council's organisational values set out in the Corporate Plan describe the professional behaviour required to modernise the council and work with greater collaboration with partners and communities. The six values are:

Respect: Embrace diversity with kindness and consideration and recognise the value of everyone;

Collaboration: Work together and contribute to the creation of helpful and successful teams and partnerships across the council and beyond;

Efficiency: Work in a way that makes the best and most sustainable use of resources, always looking at alternative ways of getting stuff done;

Openness: Share and communicate with honesty about our service and self, whenever appropriate;

Creativity: Have ideas that challenge the ‘tried and tested’, use evidence of what works, listen to feedback and come up with different solutions; and

Customer Focus: Adopt our ‘Customer Promise’ to colleagues, partners, members and customers.

These values are reflected in the council’s constitution, codes of conduct for Members and Officers and the Performance Management Framework.

Our priorities

- Tackling inequality;
- Creating a more sustainable city;
- Engaging people who live and work in the city;
- Modernising the council.

14 The Corporate Plan also sets out five service **priorities** upon which to focus efforts to meet the organisation’s **purpose**. These are shared with our city partners in The Connected City (the Sustainable Community Strategy for Brighton & Hove) and are as follows:

- Economy, jobs and homes;
- Children & young people;
- Health & wellbeing;
- Community safety & resilience;
- Environmental sustainability.

How council services are rated and perceived by its customers, City Tracker Results can be found through this link: [CITY TRACKER](#).

15 The council’s modernisation portfolio of projects and programmes has been in place since 2014 and is led by the Chief Executive.

Modernisation is the council’s portfolio of change management programmes and projects which supports delivery of corporate principles and priorities as outlined in the Corporate Plan. This in turn helps evidence achievement of outcomes in relation to the council’s purpose. Modernisation drives the four year integrated service planning process and feeds into the Medium Term Financial Strategy. A cross-party Member Oversight Group monitor progress and provide support and challenge as required. This is also considered by the City Management Board as part of performance and risk reporting. The financial benefits are reported to the Policy & Resources Committee as part of Targeted Budget Management reports.

The importance of how the organisation demonstrates and values its commitment of achieving its purpose in delivering ‘A modern council’ is reflected in the strategic risk SR22 Modernising the Council.

16 The council has systems and reporting timetables to monitor its Performance Management Framework which consists of eight elements - business planning

and management, risk management, financial management, customer insight, modernisation projects/programmes, people management, health & safety management, safeguarding quality assurance.



The Performance Management Framework contributes to good corporate governance as it sets out:

- how the council will manage risks which may affect achievement of its objectives;
- monitoring of performance outcomes and through regular reporting enabling comparison of actual performance against targets to aid decision making and ensure everyone understands their responsibilities and accountabilities in order to achieve our purpose through delivering the principles and priorities as set out in our corporate plan;
- guidance for all those involved across the organisation.

- 17 Effective management processes, as detailed in the Performance Management Framework ensure the right actions are taken at the right time so that the council can achieve its purpose through delivering the principles and priorities.

The council uses a variety of mechanisms within its overall approach to performance management and service improvement to measure quality of service to users, ensuring service delivery is in accordance with its objectives, and for ensuring the best use of resources. These include key performance indicators, residents' perceptions, measurable improvements in value for money, benchmarking, identification and management of key risks.

Various joined up Performance management processes are embedded throughout the council and regularly reported to relevant stakeholders including Members in accordance with agreed timescales.

Members' and Officers' Capacity and Development

- 18 To enable the Members to fulfil their role as decision makers representing the community of Brighton & Hove the council has a Member training and development programme which starts with an extensive induction and is followed by a generic development programme as agreed by the cross-party Member Development Group (met throughout 2015-16 approximately at each quarter). The council successfully applied for and achieved the Member Development Charter, meeting standards set by the South East Employers and the Local Government Association (LGA). It is only one of 17 authorities to hold the Charter in the south east.

- 19 Further, more specific training is provided to Members as required (for example for Members serving on the Planning Committee, Audit & Standards Committee, Licensing Panels and Personnel Appeals Panels) as well as bespoke training and development opportunities for Members with special responsibilities, e.g. a session was held on Chairing of meetings. Use of LGA and Local Government Information Unit (LGIU) sessions are also offered to Members to enable them to take up development opportunities. Sessions on equalities and travellers have been held which were run by local voluntary groups.

- 20 The council recognises that the effectiveness of services relies substantially on the contribution of officers to the planning, development and delivery of services. The Performance Management Framework recognises this and supports staff, including developing skills and abilities, in making their contribution. The council recognises that the value of staff contributions will be enhanced through clear communication of the council's expectations, developing staff skills and abilities, providing a safe, healthy, supportive and inclusive working environment.

- 21 Reflecting the council's culture and understanding of our values in 2015/16 the council concluded the delivery of its management development programme.

Living our Values, everyday', which underpinned the councils values and behaviours. The last cohorts completed in March 2016 and the programme was attended by over 900 managers. The key messages of the programme have been integrated into other training e.g. Induction, Being a Manager and People and Performance Management to ensure consistency and continuity.

- 22 The council's Performance and Development Planning scheme provides a structured opportunity for a reflective assessment and feedback of progress, success and challenges over the previous six months. Future areas for development and learning are also important topics which are addressed.
- 23 The council undertook a staff survey in November 2015, the results of which results show 'our values' are well embedded across the organisation and have created a shift in people's behaviours.
- 24 The second phase of the council's culture change programme will look at how we improve the measurement and management of people's performance in delivering the aspirations and ambitions of the council. HR and Workforce Development are developing a competency framework in consultation with staff, partners and members, to describe both 'what we do' and 'how we do it'. Once developed, managers will be supported by e-learning, short courses, toolkits and HR to effectively apply the principles in your day to day people management activities.
- 25 The council has an on line induction available for all for all new staff and those who have changed roles recently. The induction programme is a series of short learning modules, which include themes such as; an overview of the organisational structure and services, information on key council and HR policies.

Budget holders also have access to training and support.

In addition in 2015/16 the council introduced mandatory e-learning courses for staff on key corporate governance issues such as Information Governance; and Fraud Awareness.

- 26 A corporate programme of learning and development is available to officers which is commissioned and in part delivered by the Learning and Development Team. The Learning and Development Team also supports mandatory skills training for front line staff, where applicable. Training and support for officers to enable increased collaboration with the community, other public services, the community and voluntary sector was undertaken in 2015/16 through continued delivery of the 'working with communities' course.

Roles, Responsibilities and Behaviour

- 27 To ensure effective leadership throughout the council, Members and officers work together to deliver common objectives with clearly defined functions and roles through the following:
- the council's Constitution includes details of the roles and responsibilities of all its committees, the full Council and Chief Officers and the rules under which they operate including protocols;
 - the council's political structure, including roles and responsibilities, are detailed on the council's website. The council's constitution and associated guidance are reviewed regularly to ensure they remain up-to-date, relevant and effective. During 2015/16 the Scheme of Delegations to Officers has been updated to reflect the Senior Management Team re-organisation; guidance has been issued for Members under the Code of Conduct in relation to the use of Social Media and responding to correspondence; the Scheme of Delegation to Committees has been updated to reflect the establishment of the Neighbourhoods, Communities and Equalities

Committee and the Council's Contracts Standing Orders have been updated to incorporate the introduction of the Procurement Contract Regulations 2015;

- the council's Head of Law is the designated Monitoring Officer with responsibilities for ensuring the lawfulness of decisions taken by the council, its committees and officers, providing support and advice on the maintenance of ethical standards and advising the council's Audit & Standards Committee.
- 28 The officer's Executive Leadership Team (ELT) includes, among its members, the Chief Executive, the Executive Director Finance & Resources (section 151 Officer) and the Monitoring Officer (who all have special responsibilities regarding governance). This ensures leadership of, and support to, good corporate governance at the highest level of the organisation. Other members of ELT include the Executive Directors for Children; Adults; Public Health; Environment, Development & Housing as well as the Assistant Chief Executive. They all bring additional perspectives that support legislative compliance and good governance generally.
- 29 The council has adopted a number of codes and protocols that govern the standards of behaviour expected of Members and officers. These are communicated as part of the e-induction process, ongoing awareness training and made available via the council's intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.
- 30 The Audit & Standards Committee remit includes promoting and maintaining high standards of conduct and ethical governance. During 2015/16 the council revised and updated the:
- i. Whistleblowing Policy;
 - ii. Information Governance Strategy;
 - iii. Social Media Protocol for Members & Social Networking Policy for Employees;
 - iv. Guidance on Member correspondence.

Communication and Consultation

- 31 Brighton & Hove Connected is the title of the Community Engagement Framework for the City, introduced by the Brighton & Hove Strategic Partnership. It aims to improve the ways in which citizens and communities can influence and shape services through improved communication.
- 32 Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. In 2015/16 these included the council tax leaflet containing budget details, the council's website and social media. The council continued with its budget to develop more open and transparent budget consultation during 2015/16 encouraging feedback on-line and through social media (such as Twitter™ via #BHBudget) as well as providing information on the council's web site including an updated budget animation.
- 33 There are a wide range of access channels and opportunities for all parts of the community and key stakeholders to engage in dialogue. This includes tenants' and residents' forums, Local Action Teams, neighbourhood forums,

and consultation events and surveys. The council's Corporate Plan and the Annual Statement of Accounts are made available via the council's website and distributed to certain key points across the City.

- 34 As part of its openness and transparency of decision making, advance notices, agendas, minutes and web-casts are available for council meetings. The council is also committed to meeting its obligations to give rights of public access to information held, through the Freedom of Information Act 2000 and the wider transparency agenda. All key decision-making meetings of the Council and committee are webcast. The council has also implemented the open government licence scheme.
- 35 The council has a Corporate Complaints Procedure which is in line with the Local Government Ombudsman guidance and follows the Statutory Complaints Procedures for Children's Social Care and Adults Social Care. We have an agreed process whereby the Chief Executive, Directors and Heads of Service are regularly updated on the issues of complaint for their areas and are able to drive and monitor improvements in response to customer feedback. The insight gained from customer feedback, which includes comments, and compliments is of great value to us. It enables the Chief Executive, Directors and Heads of Service to make decisions that shape and improve the way services are delivered and made more easily accessible.

Control Framework, Risk Management and Audit & Standards Committee

- 36 The council's high-level policies and procedures are updated and regularly communicated to officers and Members. The principal documents include the council's Financial Regulations and Contract Standing Orders alongside other corporate policies on key governance topics including Business Planning, Counter Fraud, Information Security, Equalities & Diversity, Health & Safety and Whistleblowing. In 2015/16 other policies and procedures to meet issues arising included:
- issue of Multi-Agency Integrated Working guidance;
 - new or revised policies on Member and staff usage of social media as well as on correspondence;
 - information Governance Strategy;
 - improved processes to facilitate and monitor annual declarations of interests using the council's HR system (PIER) by all Senior Officers and contract officers. This supplements the annual related party transaction declarations undertaken as part of the accounts and the combination of these assists in minimising incidents of non-disclosure.
- 37 The council's Risk Management Strategy 2014-2017 sets out an annual programme of risk management activity for each of the three years which is reported to the Audit & Standards Committee. It is supported by the Risk Management Lead who has a role to monitor consistency and make cross-level links, including comparison with industry standards and other organisation's issues. Risk management is embedded throughout the council and is regularly reviewed:
- Strategic Risks are considered at least twice a year by the Executive Leadership Team and each meeting of the Audit & Standards Committee

includes generally at least two risk management reports, one of which is a Strategic Risk Focus report to enable Members to question Strategic Risk Owners on how effectively Strategic Risks which have potential to affect achievement of the council's priorities are managed;

- Directorate Level Risks were reviewed by each Directorate Management Team five times a year;
 - Project and Programme Risks are managed by those responsible for delivering projects/programmes and support or facilitated risk work is commissioned from the Risk Management Lead. Training is delivered and quality of corporate programmes is monitored by the Advisory Support Group which includes the Risk Management Lead. Corporate modernisation project/programme risks are reported to the Corporate Modernisation Delivery Board meetings which take place every 4 to 6 weeks.
- 38 The council's internal audit arrangements are reviewed annually and considered to be effective for 2015/16 conforming to the governance requirements of the Public Sector Internal Audit Standards. The Head of Internal Audit works closely with key members of the Executive Leadership Team and Corporate Management Teams to give assurance and improve the council's financial control framework, give advice and promote good governance throughout the council.

The Corporate Fraud Team focuses on non-benefit related frauds. Following investigations by the Corporate Fraud Team, the council has:

- Successfully prosecuted 2 individuals for subletting their council properties
- Recovered 26 council dwellings
- Prevented 1 mutual exchange taking place
- Saved £80,000 in planned adaptation costs as it was found that an individual had misrepresented their circumstances
- Effected the removal of eight employees either through resignation or dismissal
- Cancelled 7 residents parking permits because the permit holders did not reside at the relevant address Identified an overpayment in a rent allowance of £1,448
- Removed council tax discounts of £11,729
- Cancelled 23 Blue Badges during 2015/16 as a result of reviewing the National Fraud Initiative data
- Continued to review the National Fraud Initiative 2014 data matches on Housing Benefit and other internal data sets with overpayments identified currently standing at £131,000
- Seen an increase in fraud referrals through the Whistleblowing Policy
- Allocated resources to look at the possibility of carrying out more in-house data matching. This project is on-going.

The Corporate Fraud Manager also designed and successfully implemented a fraud e-learning training package within the council which received positive feedback.

- 39 The council's Whistleblowing Policy was reviewed and refreshed at the end of March 2015. A further update, to reflect input from the Audit & Standards Committee, was reported to that Committee in June 2015 and submitted for approval to the Policy & Resources Committee. It aims to encourage officers, contractors and agency workers to report any instances of unlawful conduct, health and safety risks, damage to the environment, possible fraud and irregularities and unauthorised use of council funds. The Whistleblowing Policy is available on the council's intranet and website, and provides the mechanisms to raise concerns and receive appropriate feedback without the fear of victimisation.
- 40 Human Resources & Organisational Development (HROD) produced an Annual Report for 2015/16 to demonstrate HROD's contribution to the organisation including good payroll and administration; well defined policies; administration and training; and an effective safety management system and improving standards for the management of health and safety across all services. HROD services are a key enabler in delivering a modern council in support of delivery of the Corporate Plan.
- 41 The Audit & Standards Committee is independent of the council's scrutiny functions and embedded as a key part of the council's overall governance framework. Its terms of reference are aligned to CIPFA's best practice guidance for Audit Committees. The membership is politically proportionate and the Chair is an opposition Member. The Committee also has two Independent Persons with extensive experience and who, under the council's complaints process, chair all Member complaints panels. Other work requested by the Audit & Standards Committee in 2015/16 which contributed to improved governance are:
 - internal Audit work with ELT and other senior managers to ensure that all managers understand the importance of implementing audit recommendations, or if it not practicable to do so, ensure that action is taken to address the underlying risk;
 - reviewing and updating the council's webpages on Member complaints to better signpost the public appropriately.

Compliance with Established Policies, Procedures, Laws and Regulations

- 42 All officers of the council have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided as necessary and appropriate induction sessions are carried out. For example, in the important area of Financial Management there is a mandatory e-learning course and follow-up workshop which all Budget Holders must attend.
- 43 Compliance assessments are carried out by management, auditors and through the work of statutory inspectors, including the Care Quality Commission and Ofsted.
- 44 The Head of Law (the Monitoring Officer) has overall responsibility for ensuring the council acts lawfully and without maladministration. This includes reporting

on any proposal, decision or omission by the council likely to contravene any enactment or rule of law or any maladministration. No such reports were necessary during 2015/16.

Economic, Effective and Efficient Use of Resources

- 45 As part of the council's modernisation portfolio, it has projects/programmes to deliver modernised services that can achieve substantial efficiency savings and improve value for money by effective demand management.

Modernisation projects/programmes enable delivery of outcomes against the following themes. Most of the projects/programmes enable achievement of multiple themes.

Deliver Differently	Increase Income & Improve Efficiency	Manage Demand	Engagement, Co-production & Delivery with Communities	Improve Customer Contact	Reform Public Service
Robustly assess and evaluate the most appropriate and cost effective way of delivering our services, working with all our partners to achieve this	Streamline the way we work and bring a commercial approach to council business	Focus on interventions targeted at reducing demand on high cost services by preventing problems arising or dealing with them early on	Involve communities in decision making, and service design, create opportunities for communities to help each other	Review all of our customer access channels, to enable us to move as many services as possible online, whilst also ensuring we maintain face to face support for those who need it	Increasing choice, opening up services to a wider range of providers, devolving decision making to the lowest appropriate level, and improving transparency and accountability of public services (TBC)
Corporate Modernisation Programmes and Projects					
Directorate Modernisation Programmes and Projects					



Enabling Programmes	
People: Enabling the council to define and deliver workforce requirements for the future & enabling culture change that is needed	<ul style="list-style-type: none"> • People Plan & Culture Change
Process: Enabling services to redesign processes and operational business models that will change as a result of the programme	<ul style="list-style-type: none"> • Business Process Improvement • Service Redesign Toolkit • Integrated Service & Financial planning
Technology & Information: Driving a strategic approach to the use of systems, data and information to support the changes	<ul style="list-style-type: none"> • ICT Infrastructure • Information Management (included in Customer First in a Digital Age)

Other objectives include redesigning service delivery to maintain or improve user satisfaction, support the council's priorities, and also reduce the cost of provision where possible. Other cross-cutting objectives including reducing contract costs, increasing income, and growing the domestic and non-domestic taxbases given the significant financial challenges as a result of reductions in central government funding over the next 5 years. The financial assumptions within which the council will operate are set out in the Medium Term Financial Strategy 2015 – 2019 which accompanies the Corporate Plan.

- 46 The council has an Information Management Board to oversee ICT Governance and includes the Monitoring Officer as 'Senior Information Responsible Officer' (SIRO) and two Caldicott Guardians responsible for protecting the confidentiality of service user information.

Financial Management and Reporting

- 47 The council's financial arrangements fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). As Chief Financial Officer (CFO), the Executive Director of Finance & Resources is a key member of the Executive Leadership Team and Corporate Management Team and is responsible for the proper administration of the council's financial arrangements and leads a suitably qualified and experienced Finance Function.
- 48 The Executive Director of Finance & Resources (as Section 151 Officer) has overall statutory responsibility for the proper administration of the council's financial affairs, including preparation of the Statement of Accounts and making arrangements for appropriate systems of financial control. No reports were made during 2015/16 on any case of unlawful expenditure, loss or deficiency. Member support (P&R Committee, July 2015) was given to a new 4-year service & financial planning approach which required services to fundamentally consider which services could Stop, which should be Retained and redesigned, or which could be commercialised or provided under an alternative delivery model. This ensured closer alignment between the Corporate Plan and Medium Term Financial Strategy (MTFS) and service and financial planning. The council's MTFS sets the resource projections for the forthcoming five years, the financial challenges and opportunities that it faces and the approach planned to meet the priorities set out in the Corporate Plan. During 2015/16 the MTFS was updated and now includes a longer term resource projection up to 2019/20. New financial controls were introduced in September 2015 to help mitigate a substantial in-year forecast overspend relating to demand-led budgets such as social care and homelessness.
- 50 The council published a detailed budget book for 2015/16 to enable a greater understanding of where the council spends its money. It publishes all payments to suppliers over £250 from April 2013.

Partnership Working and Governance Arrangements

- 51 The governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report *Governing Partnerships: Bridging the Accountability Gap* (2005) are defined in the council's Financial Regulations.
- 52 The council has a leading role in Brighton & Hove Connected the local strategic partnership for the City. During 2015/16 Brighton & Hove Connected continued to implement the sustainable community strategy entitled 'Brighton & Hove – The Connected City'.
- 53 Brighton & Hove Connected and the City Management Board have created a range of specialist partnerships that take responsibility for the creation, implementation and monitoring of key city strategies. These include Employment and Skills; Economy; Housing; and Transport.
- 54 The City Management Board (CMB) is chaired by the council's Chief Executive and is the delivery arm of Brighton & Hove Connected. The board is made up of the key public service decision makers in the city in order to focus on delivery improvements city-wide including performance and risk management. Each board member is accountable to their parent body and to Brighton & Hove Connected.

The member organisations of CMB are:

- a) Brighton & Hove City Council;
 - b) Brighton & Sussex University Hospitals;
 - c) City College Brighton & Hove;
 - d) Brighton and Hove Clinical Commissioning Group;
 - e) East Sussex Fire & Rescue Service;
 - f) Jobcentre Plus Office of the Sussex Police & Crime Commissioner;
 - g) Sussex Police;
 - h) University of Brighton;
 - i) University of Sussex;
 - j) Kent, Surrey & Sussex Community Rehabilitation Company.
- 55 In 2013/14 the council, in close collaboration with the Clinical Commissioning Group (CCG) undertook a fundamental review of the Health & Wellbeing Board leading to an enhanced role for the Board that will enable it to provide system leadership across health and local authority social services. Following the local elections in May 2015 the Board has been chaired by Councillor Daniel Yates. The Board has equal voting representation between the council and the CCG. The Board also has a number of organisations attending including NHS England, Healthwatch and the Chair of both children and adults safeguarding boards. The Health and Wellbeing Board has also several joint meetings with Children's, Families and Skills committees when appropriate.

Review of Effectiveness

- 56 The council has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal control. The review of effectiveness is informed by the work of executive managers within the council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Internal Audit and Opinion Report and also by comments made by the external auditors, other review agencies and inspectorates.
- 57 Through evaluation and analysis during the 2015/16 review, the council has good assurance that its governance arrangements are fit for purpose and reflect the principles of its Code of Corporate Governance.
- 58 An Officers' Governance Board oversees the review of the effectiveness of governance arrangements throughout the year. It is a group of council officers meeting at least 4 times a year. It was chaired by the interim Executive Director, Finance & Resources and includes representation from the Head of Legal Services; the Head of Internal Audit and the Risk Management Lead. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework 2015/16 included the following:
- evaluation of the robustness of governance arrangements against the six principles of good governance in the CIPFA/SOLACE Delivering Good Governance Framework;
 - the annual opinion of the Head of Internal Audit states that '**reasonable assurance** can be provided on the overall effectiveness of the council's control environment for the year ended 31 March 2016, but only **limited assurance** on the effectiveness of the council's contract management

practices and the security over some of the council's information and records';

- review of the council's counter fraud strategy and framework;
- The provision of an effective Internal Audit Service, including compliance with professional standards, risk based approach, individual internal audit reports providing levels of assurance and monitoring actions to audit recommendations made for improvement;
- Risk management process outcomes including strategic risk management actions plans and directorate risk registers; and,
- Comments made by external auditors and outcomes of external assessments carried out by regulatory bodies.

Governance Issues

59 The annual effectiveness review of governance arrangements referred to above has identified the following significant weaknesses:

- Contract monitoring:
 - the council has not put in place corporate arrangements for monitoring contracts;
 - the council has been significantly overcharged for housing repairs carried out by a particular sub-contractor;
 - internal audit reviews identified other examples of ineffective contract monitoring during the year.
- Security of the council's IT systems:
 - controls to prevent staff who no longer work at the council from having access to council buildings and systems were not working during the year;
 - the council has not set out formal standards or protocols for managing IT applications to ensure that systems, technical specifications and disaster recovery needs are clearly documented;
 - ICT business continuity plans that are either out of date or have not been tested.

60 As detailed in the Annual Governance Statement 2014/15 existing actions in progress and new actions have been monitored for progress by the Officers' Governance Board and reported to the Audit & Standards Committee during 2015/16. In considering the governance issues contained in the Annual Governance Statement for 2014/15 enhancements to the council's governance arrangements have been achieved during 2015/16 as follows:

1. To embed the refreshed approach to Fraud & Corruption awareness across the council including whistleblowing arrangements and declarations of interest
 - the fraud e-learning awareness programme completed by 868 members of staff;
 - alerting staff to new and emerging fraud threats, including email fraud which has led to the formation of a cyber intelligence hub;

- working with colleagues in housing to prevent and identify housing tenancy fraud;
2. Further Information Governance focused work to maintain compliance with the Public Service Network (PSN) Code of Compliance and to meet the requirements of the Information Commissioners Office (ICO)
 - a suite of Information Governance Policies has been approved and a move towards alignment with ISO27001 is planned for the future;
 - an Information Audit has been completed, including business impact assessments for the loss or compromise of Confidentiality, Integrity and Availability;
 - open Government Licence implemented to support open government agenda and records management;
 - Code of Connection compliance was achieved for 2015;
 - an Information Governance training package has been rolled out across the entire organisation;
 3. Improved compliance with Contract Standing Orders incorporated into the Value for Money Programme in relation to third party spend
 - training has been delivered to highlight the need for compliance with Contract Standing Orders. However, technological solutions to monitor performance via an Integrated Procure-to-Pay System have been approved to support the Third Party Spend VFM programme in order to improve contract management and optimisation which will be implemented in 2016/17;
 4. Review of Code of Corporate Governance - prioritised refresh of council policies and communication methods to take account of the pace of change
 - the Code of Corporate Governance was reviewed and approved by Audit & Standards Committee in June 2015;
 - council policies, including ICT policies, and communication methods continue to reflect the organisation as it changes;
 5. Focus on the adequacy of Business Continuity arrangements and work to embed understanding of its practice in council service delivery
 - corporate Business continuity group continues to meet quarterly;
 - business continuity template format reviewed;
 - e-learning developed;
 - identified resources to facilitate review of risks and priority areas;
 - new Business Continuity Policy approved by ELT in January 2016;
 - scheduled quarterly reviews of business continuity arrangements at Directorate Management Teams from March 2016;
 6. Establishing a Procurement Advisory Board
 - during 2015/16 a Member Procurement Advisory Board was established to advise the Policy & Resources Committee and other relevant Committees on procurement matters, facilitating lawful and

- commercially robust decisions by the Committee relating to the council's procurement of high value services, supplies or works;
 - the Procurement Advisory Board focuses on procurements/contracts of over £1m but can consider any procurement through referral from a committee, executive directors or the Section 151 Officer;
- 7. Considering how to develop a procurement and contract management compliance function to work alongside the current advisory including support procurement service
 - Two business cases developed and submitted 12 months ago have been re-submitted to the Executive Director for Finance and Resources as follows:
 - Contract Performance Management Business Case detailing the necessary manpower requirements to monitor the performance of high value / risk service area contracts;
 - a business case relating to a Procure-to-Pay System. This system has now been approved through the Modernisation Board. There is an expected 6 month roll in period for this to start becoming effective;
 - Ongoing work from the single Contract Performance Manager is improving some high risk / value contracts, improving overall management and achieving cost reduction. This is limited due to the complexity and small resource;
 - Regular communication to ELT and CMT is still ongoing along with improved guidance and information for Contract Managers through the Wave and the Procurement Newsletter.
- 61 We propose over the coming year to take actions to address the above matters to further enhance our governance arrangements including:
 1. Reporting on progress being made to fully implement the recommendations from the Organisational Learning Review undertaken in early 2015 following the dismissal of the former head of housing;
 2. Development of a competency framework for the council;
 3. Developing a corporate risk assurance framework based on the 'three lines of defence model';
 4. Seeking approval of and implementing an updated counter fraud strategy and framework and raise awareness of how staff, citizens and others can report concerns;
 5. Contract monitoring to be strengthened including ongoing (service specific) training to raise the awareness of Contract Standing Orders and effective contract management; the Procure-to-Pay System will be introduced which will catalogue services with contractual prices. This will improve Purchase Order accuracy and provide exception reporting where suppliers exceed contractual pricing;
 6. Continuing to give a high priority to understanding and addressing ICT risks, particularly the security of the council's information systems.

We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation during 2016/17.

Signed:

Signed:

**Geoff Raw
Chief Executive**

**Councillor Warren Morgan
Leader of the Council**

Dated:

Dated:

Subject:	Ernst & Young – Audit Results Report 2015/16		
Date of Meeting:	27 September 2016		
Report of:	EY		
Contact Officer:	Name:	Paul King	Tel: 0118 928 1556 (Ext 41556)
	Email:	pking1@uk.ey.com	
Ward(s) affected:	All		

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least 5 days in advance of the meeting) were that the a number of queries in relation to the valuation of the Authority's Property, plant and equipment were still being finalised.

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Audit Results Report summarises the findings of the 2015/16 audit which is now substantially complete. It includes the key messages arising from the audit of the financial statements and the results of work undertaken to assess the Authority's arrangements to secure value for money in its use of its resources
- 1.2 We propose to issue an unqualified opinion on the Council's financial statements subject to full completion of outstanding areas of work.
- 1.3 We anticipate issuing an unqualified value for money conclusion. We are satisfied that, in all significant respects, Brighton & Hove City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

2. RECOMMENDATIONS:

- 2.1 To note the findings set out in the 2015/16 Audit Results Report, ask questions as necessary and raise any other matters relevant to the audit.

Brighton & Hove City Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

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

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance, the Audit & Standards Committee, on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Brighton & Hove City Council for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items we will issue an audit opinion in the form which appears in Appendix D:</p> <ul style="list-style-type: none"> • final procedures relating to the Whole of Government Accounts; • review of the final version of the financial statements; • completion of subsequent events review; and • receipt of the signed management representation letter. <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p>
Objections	<p>Under the Accounts and Audit Regulations 2015 members of the public can, for a period of 30 working days, ask questions of the Authority and raise objections with external auditors.</p> <p>The period ran from 15 June to 26 July 2016 and we received one objection to the 2015/16 accounts from a member of the public.</p> <p>The objection is on the grounds that the Lender Option Borrower Option (LOBO) loans that the Authority entered into are unlawful, on the grounds that the decision to take out the loans was unreasonable and irrational. We have accepted this objection as it met the criteria for consideration.</p> <p>We have been able to conclude that the objection raised does not have an impact on our financial statement opinion. This is because we do not believe that it represents a risk of material misstatement in relation to items in the 2015/16 statement of accounts.</p> <p>Our value for money conclusion considers whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources in 2015/16. We do not consider that the objection indicates that the Authority did not have proper arrangements in place in 2015/16.</p> <p>We anticipate issuing our audit opinion and value for money conclusion, but cannot issue our certificate of completion of the audit until the objection has been determined.</p>
Audit differences	<p>Our audit identified a number of audit differences which our team have highlighted to management for amendment. These have been corrected during the course of our work and further details are provided at Appendix A.</p>
Scope and	<p>In our audit plan presented at the 8 March 2016 Audit & Standards Committee, we communicated that our materiality takes into account</p>

materiality	<p>qualitative as well as quantitative considerations.</p> <p>We have assessed this based on the actual results for the financial year and the quantitative materiality level we have applied is £16.7 million.</p> <p>The threshold for reporting unadjusted audit differences which impact the financial statements was set at £0.836 million.</p> <p>The basis of our assessment is 2% of gross operating expenditure, which has increased on previous years due to a change in our assessment of the authority's risk profile.</p> <p>We carried out our work in accordance with our Audit Plan with the following amendments:</p> <ul style="list-style-type: none"> · In our audit plan we identified a significant risk to our financial statements audit regarding the risk of fraud in revenue recognition. Since presenting our plan we have been able to rebut that risk in line with the requirements of ISA (UK & Ireland) 240 and Practice Note 10 issued by the Financial Reporting Council (FRC).
Significant audit risks	<p>We identified the following significant risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none"> · Financial statements: risk of management override: As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement; · Financial statements: valuation of property, plant and equipment (PPE): Land and building valuations are based upon valuation reports issued by a range of internal and external professional valuers used by the Authority. In 2014/15 our testing identified a material amendment to the valuation of PPE included within the financial statements. Our audit plan identified a significant risk in relation to the timing and scope of the PPE valuations and the subsequent checks undertaken by central Financial Services to assess the reasonableness of the valuations provided. · Value for money: reductions in central government funding, coupled with demand led pressures on its services, mean the Authority is continuing to experience financial pressures. We identified the risk that the Authority will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. <p>We also identified one non-significant risk during the planning phase of our audit, and reported these to you in our Audit Plan:</p> <ul style="list-style-type: none"> · Financial statements – minimum revenue provision (MRP): local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. The Authority made changes to the basis on which it has charged MRP and its future approach to calculating the provision. <p>The 'addressing audit risks' and 'value for money' sections of this report sets out how we have gained audit assurance over those issues.</p>
Other reporting issues	<p>We have no other matters we wish to report.</p>

Control observations	During the audit, we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. These are set out in the "Assessment of control environment" section of this report.
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We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Paul King
Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Authority's responsibilities

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

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

Purpose of our work

Our audit was designed to:

- express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- report on an exception basis on the Annual Governance Statement;
- consider and report any matters that prevent us being satisfied that the Authority had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Authority's accounting policies and key judgments.

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

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks) - Risk of management override

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

Audit procedures performed	Assurance gained and issues arising
<ul style="list-style-type: none"> · 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 evidence of management bias; · Evaluated the business rationale for any significant unusual transactions; and · Evaluated the appropriateness of accounting policies against CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and for changes from the prior period. 	<ul style="list-style-type: none"> · At the point of drafting this report we have not found any indications of management override. Our work on journals remains in progress, but those tested to date have been supported by appropriate evidence; · We have reviewed the material accounting estimates and not found any instances of management bias; · We have not identified any transactions we would consider to be outside of the Authority's normal course of business; and · We have not identified any inappropriate accounting policies.

Significant Risks (including fraud risks) - Valuation of property, plant and equipment (PPE) - Land and building valuations are based upon valuation reports issued by a range of internal and external professional valuers used by the Authority. In 2014/15 our testing identified a material amendment to the valuation of PPE and we considered these issues to be a significant risk to the 2015/16 financial statements.

Audit procedures performed	Assurance gained and issues arising
<p>Our testing focussed on the recommendations made in 2014/15, specifically we:</p> <ul style="list-style-type: none"> ensured all property, plant and equipment revaluations are undertaken as close to the balance sheet date as reasonably possible; reviewed the scope of the annual impairment review undertaken by the Authority to ensure it was extended to explicitly consider the need to uplift asset values. This should consider both the results of actual revaluations undertaken across significant classes of assets and more widely available evidence of changes in value, for example available indices; and challenged the level and documentation of checks undertaken by the Authority's internal valuer and Central Financial Services on the reasonableness of asset valuations. 	<p>Our audit plan identified a significant risk in relation to the timing and scope of the PPE valuations and the subsequent checks undertaken by central Financial Services to assess the reasonableness of the valuations provided. We also confirmed that we would use our own internal experts in this area.</p> <p>On receipt of the draft financial statements our initial analytical procedures identified a reduction in the value of PPE of some £500 million.</p> <p>We challenged this movement both generally and within specific asset categories, including the valuation of land. We have had lengthy discussions with the Authority's finance staff, internal valuer, and external valuer.</p> <p>Consequently, a revised external valuation report has been provided, which has the effect of increasing the value of PPE by £92.2 million, this change is to reflect local knowledge of the availability and value of land in Brighton & Hove.</p> <p>In 2016/17 we recommend that the Authority:</p> <ul style="list-style-type: none"> undertake a more robust exercise to challenge the reasonableness of asset valuations; and ensure that there is early communication with any external valuers with regard to the timeline for 2016/17 and that any specific local information that should be taken into consideration is shared with them in a timely manner. <p>The need for this challenge and additional work will mean an additional fee, which we will calculate at the conclusion of the audit and agree with the Council and will then be subject to determination by PSAA Ltd</p>

We also identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p>Minimum Revenue Provision (MRP)</p> <p>Local authorities are required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP.</p> <p>MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement.</p> <p>The Authority proposes to make changes to the basis on which it has charged MRP and its future approach to calculating the provision.</p>	<p>We commissioned an EY expert to review the changes proposed by the Authority in this area.</p>	<p>Our testing highlighted some minor changes to the underlying arrangements but these did not have an impact on the council tax financing requirement.</p>

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Authority's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have no matters we wish to report.

Control themes and observations

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

We have tested the controls of the Authority only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Description	Recommendation
<p>Bank reconciliations:</p> <p>There has been a number of staffing challenges within the team responsible for producing the bank reconciliations. Our subsequent testing of the Authority's bank reconciliation process highlighted a small number of immaterial errors and difficulties in agreeing reconciling items.</p>	<p>The bank reconciliation is an integral part of the Authority's control environment and appropriate resource levels should be focussed on producing an accurate bank reconciliation that can be agreed to supporting working papers.</p>
<p>Leases</p> <p>As in previous years our testing highlighted errors within the leases working papers provided by the Authority. Further review was undertaken by the Authority which identified a further £2.6 million of adjustments required to the leases disclosure note</p> <p>The total effect of these errors was not material and the financial statements have been amended to correct this error.</p>	<p>The Authority should ensure that the working papers to support lease disclosures have been reviewed prior to completion of the draft accounts.</p>
<p>Non Purchase Orders</p> <p>Non purchase orders are authorised manually, our testing highlighted a significant number which had been approved for payment in excess of the authoriser's temporary limit.</p> <p>This was due to the manual nature of the authorisation process and the introduction of central financial controls.</p>	<p>Authorisation limits, including those of a temporary nature should be adhered to for both purchase orders and non purchase orders.</p>

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority.

Request for written representations

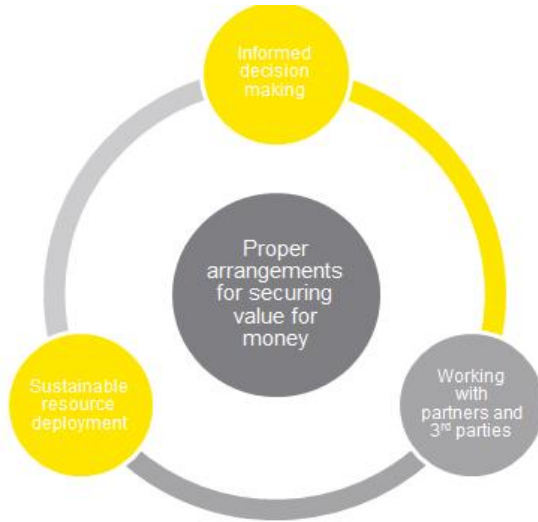
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix E.

Whole of Government Accounts

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

We are currently concluding our work in this area and will report any matters that arise to the Audit & Standards Committee.

4. Value for money



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

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

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

Overall conclusion

In our planning work we identified one significant risk for further review:

- Deploy resources in a sustainable manner: the Authority will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

We have performed the procedures outlined in our audit plan. And we did not identify any significant weaknesses in the Authority’s arrangements. We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Significant risks

The table below presents the findings of our work in response to the risk areas in our audit plan

<p>VFM risk included in our audit plan</p>	<p>Deploying resources in a sustainable manner (financial resilience): the Authority will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p> <p>At the planning stage of our audit we identified that reductions in central government funding, coupled with demand led pressures on its services, mean the Authority is continuing to experience financial pressures. It needed to save in excess of £20 million in its 2016/17 budget to match its spending to the resources available. In total it predicted that it will need to save some £68 million from its budget over the next four years. Continued reductions in government grants, and increasing demand and cost around key services such as adult social care and childrens’ services are the key drivers of the need for significant savings. The Authority continues to seek alternative solutions to ensure that local services can be maintained and supported in the future, in line with local need.</p>
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Response	<p>Our approach focussed on use of PSAA's value for money profile tool to assess Authority spending against similar authorities and reviewing and assessing the updated assumptions within the Authority's 2016/17 budget and medium term financial plan.</p>
Findings	<p>The 2015/16 financial outturn reported an underspend of £4.78 million against budget, with transfers into reserves to mitigate future risks. This reflected a significant improvement on the early year position where a forecast risk of over £8m was reported. We note that this risk was addressed by strong central financial control and wider collaboration across the Authority.</p> <p>We note that there was a shortfall of £1.9 million against planned savings of £21 million. The underperformance was predominantly within the Adult Services and Children's Services portfolios, which accounted for £1.5 million of the shortfall.</p> <p>The Authority's 2016/17 budget, published in February 2016, set a balanced budget based on identified savings of £20.3 million. Overall, at Month two there is pressure of £3.7 million on the general fund including savings which are £635k adrift of plan. Achievable recovery plans and measures are in place where necessary to return the Authority to financial balance at the end of 2016/17 and it is important that these are delivered. We note that there is central oversight over these plans, and that strong internal focus by the Executive Leadership Team is in place.</p> <p>In undertaking our work on value for money, we look not only at the budget and performance for the year of our audit (2015/16), and the following year, but also towards the arrangements being progressed to address the budget gaps identified over the medium term. We have concluded that the Authority has set a reasonable and achievable 2016/17 budget. We similarly assessed the assumptions made within the medium term financial forecast to be reasonable.</p> <p>The Authority's medium term forecast demonstrates a cumulative budget gap of around £44.4 million up to the end of 2019/20. As reported in the budget, the Authority has identified planned savings of £39.75 million to address the budget gap for the year; these plans are currently being stress-tested by the Authority using an established methodology. The Authority recognises that reserves cannot, and should not, be used to bridge the base budget gap in the absence of longer term plans to make the necessary savings and we note from the Medium Term Financial Strategy that there is no planned future use of reserves to address budget gaps.</p> <p>The Authority's approach to addressing the budget gap is based on a service review approach, with a number of key actions including:</p> <ul style="list-style-type: none"> • assessing services where funding can be curtailed; • identifying those that can be retained and Re-designed; and • adopting a 'Commercial Approach' within a public service context, in order to offset costs. <p>However we note that there are also now plans to ensure that a more commercial approach is taken to contract management; this is in line with good practice and, we understand, is also designed to offset financial pressures that may arise from demand-led services.</p> <p>The Authority has set aside funding into a number of earmarked reserves to manage the impact of future funding reductions, increased budgetary pressures and the cost of organisational redesign.</p> <p>At this point, having reviewed the 2015/16 outturn and the preparation of the</p>

2016/17 budget we judge the Authority to be financially resilient for the foreseeable future, and that the measures taken during 2015/16 have been both robust and proportionate. It is important that the Authority continues its track record of delivering its planned budget and savings. In particular, progressing the overall transformation programme and identifying clearly supported savings plans is critical to the Authority's finances and the balance it has to strike against the level of services it can provide.

We are however aware that there are a number of uncertainties, for example arising from the economic impact of the recent EU Referendum, government policy on Business Rates Retention and Welfare Reform, and wider demographic changes, in particular relating to the demand for Adult Social Care, that mean that the Authority's plans must remain flexible in order to meet future financial challenges. This will necessarily provide an additional focus for our ongoing audit work.

Appendix A – Corrected audit differences

The following corrected differences have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £m	Comprehensive income and expenditure statement (Decrease) / Increase £m
An increase in the value of Property, plant and equipment following the results of our work relating to our valuation significant risk		
Property, plant and equipment	92.221	
Revaluation reserve	(44.415)	
(Surplus) / deficit on revaluation of non current assets		(47.806)

Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 15 February 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit & Standards Committee on 27 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 15 February 2016.

Appendix C – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	158,550*	158,550	
Certification of claims and returns	15,957	15,957	

* In 2015/16 we have undertaken additional work outside the scope of the scale fee in relation to the PPE valuation significant risk and in dealing with the objection that we have received. We are still assessing the impact of this additional work on the fee and will agree this with the Director of Finance and report the final fee in our Annual Audit Letter which will be presented to the Audit & Standards Committee in November 2016.

Appendix D – Draft audit report

Independent auditor's report to the members of Brighton & Hove City Council

Opinion on the Authority's financial statements

We have audited the financial statements of Brighton & Hove City Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement; the Comprehensive Income and Expenditure Statement; the Balance Sheet; the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and the related notes 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Executive Director, Finance & Resources and auditor

As explained more fully in the Statement of the Executive Director, Finance & Resources Responsibilities set out on page 21, the Executive Director, Finance & Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director, Finance & Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Financial Statements 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Conclusion on Brighton & Hove City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Brighton & Hove City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us

to consider under the Code of Audit Practice in satisfying ourselves whether Brighton & Hove City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Brighton & Hove City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Delay in issue of Audit Certificate

We cannot formally conclude the audit and issue an audit certificate until we have resolved the accepted objection regarding the Authority's Lender Option Borrower Option loans. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
29 September 2016

Appendix E – Management representation letter

29 September 2016

Paul King
Ernst & Young LLP
Wessex House,
19 Threefield Lane,
Brighton & Hove,
SO14 3QB

This representation letter is provided in connection with your audit of the financial statements of Brighton & Hove City Council (“the Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Brighton & Hove City Council as of 31 March 2016 and of its expenditure and income for the year then ended in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2015 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

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

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than described in Note 7 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. For accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

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

I. Comparative information – corresponding financial information

1. Prior year adjustments have only been included in the financial statements to correct material prior year errors.

J. Use of the Work of an Expert

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

Yours Faithfully,

Executive Director, Finance & Resources

I confirm that this letter has been discussed and agreed at the Audit & Standards Committee on 27 September 2016

Chair of Audit & Standards Committee

Appendix F – Required communications with the audit & standards committee

There are certain communications that we must provide to the Audit & Standards Committee of UK clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ 	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about the Authority's ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have not matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	<p>We have received all requested confirmations.</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>We have not identified any material instances of non-compliance with laws and regulations.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan</p> <p>Audit Results Report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit Results Report</p> <p>Annual Audit Letter if considered necessary</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan</p> <p>Audit Results Report</p> <p>Annual Audit Letter if considered necessary</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Certification Report</p>

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