

Annual Audit Letter

South Bucks District Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Contents

Key messages	2
Audit opinion and financial statements	2
Value for money.....	2
Current and future challenges	2
Financial statements and annual governance statement	3
Overall conclusion from the audit	3
Internal control.....	3
Closure of the accounts for 2007/08 and 2008/09.....	3
Value for money	5
2009/10 use of resources assessments	5
Value for money conclusion.....	5
Approach to local value for money work from 2010/11.....	6
Current and future challenges	7
Spending review and economic downturn	7
International Financial Reporting Standards.....	7
Closing remarks	8
Appendix 1 Audit fees	9
Appendix 2 Glossary	10

Key messages

This report summarises the findings from my 2009/10 audit of the Council's financial statements (pages 3 to 4) and my assessment of the arrangements to achieve value for money in its use of resources (pages 5 to 6).

Audit opinion and financial statements

- 1** I issued an audit report including an unqualified opinion on the financial statements on 30 September 2010.
- 2** I reported to those charged with governance (in this case, the Audit Committee) on the issues arising from the 2009/10 audit.

Value for money

- 3** I gave an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources when I gave my opinion on the financial statements.

Current and future challenges

- 4** The Council faces some major challenges. These include responding to the government's Spending Review which requires every council across the country to make large financial savings. The Council has been anticipating this for a while and has already made plans to make big savings.
- 5** Like other local government authorities, the Council must prepare financial statements for 2010/11 based on International Financial Reporting Standards (IFRS). It has a project plan for putting IFRS in place. This is on track to meet all the statutory deadlines for financial reporting in 2010/11.

Financial statements and annual governance statement

The financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

Overall conclusion from the audit

6 I issued an audit report including an unqualified opinion on the financial statements on 30 September 2010.

7 I found no errors in your financial statements.

Internal control

8 The entries in the Council's financial statements come from the general ledger and other significant financial systems. The accuracy of the transactions in financial systems depends on the various checks which staff undertake; these make up the system of internal control.

9 I identified weaknesses in internal controls in my Annual Governance Report. I recommended improvements to arrangements for:

- keeping supporting information to explain journals - these are accounting entries which move balances, income or expenditure from one area of the accounts to another;
- agreeing the transactions in the debtor and benefits systems with those in the general ledger monthly; and
- council tax and business rates cash collections - showing that collections have been recorded in the general ledger, by signing off the monthly reconciliations.

10 I reported my findings on internal control to the Audit Committee. It said it would resolve the weaknesses I identified over the current year.

Closure of the accounts for 2007/08 and 2008/09

11 In the two previous years I also gave an unqualified opinion for the Council's financial statements. However, I could not conclude the audit because local electors had objected to items in the 2007/08 accounts. The objection was about how the Council accounted for the transactions of the Farnham Park charity.

12 I have now finished my work on the objection. I decided there was no action I needed to take on the matters raised by the electors. The Council accepted the charity's accounts should be separated from the Council's financial statements and amended its 2007/08 financial statements. I concluded my audits for 2007/08 and 2008/09 in April 2010.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed its performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money conclusion.

2009/10 use of resources assessments

13 At the end of May 2010, the Audit Commission wrote to all chief executives to inform them that following the government's announcement, work on Comprehensive Area Assessment (CAA) would end immediately. The Audit Commission would no longer issue scores for its use of resources assessments.

14 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the work completed on the use of resources assessment up to the end of May to inform my 2009/10 value for money conclusion.

15 I report the significant findings from the work I have carried out to support the value for money conclusion.

Value for money conclusion

16 I assessed the Council's arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission.

17 This is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes
Workforce	Yes

18 I issued an unqualified conclusion stating the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Approach to local value for money work from 2010/11

19 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible choices for a new approach to local value for money audit work. The Audit Commission aims to introduce a new, more targeted and better value approach to our local value for money audit work.

20 I will base my work on the fewer reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

21 I will set out a local programme of value for money audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement for my local value for money audit work. Instead I will report the results of all my local value for money work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

Spending review and economic downturn

22 The Council faces some major challenges. The new coalition government announced details of its spending plans for the next few years on 20 October 2010. It requires every council across the country to make big financial savings.

23 The Council anticipated major changes in funding. It has already identified significant savings plus its reserves are higher than expected and it is aiming to reduce its dependency on interest from investments.

24 It will be important in this time of major change for the Council to consider and respond to the following issues:

- the resilience of medium-term financial strategies and the capacity to deliver significant efficiency savings;
- the need to keep enough management capacity to influence and respond to changes in patterns of demand for services; and
- the need to preserve proper standards of governance through changes in the way services are provided.

25 However the economic downturn is still putting the Council under pressure. The Council is continuing to watch financial performance closely and to take correcting action where possible.

International Financial Reporting Standards

26 Like other local authorities, the Council must prepare financial statements based on International Financial Reporting Standards (IFRS) for 2010/11. The transition to IFRS is challenging. The financial impact will vary widely from one body to another but the broader implications are wide-reaching. IFRS is not just a technical accounting issue for the finance team as there are wider process and systems changes to consider across the organisation. Significant preparatory work is essential.

27 The Council has recognised the challenges posed by IFRS. The Council has a project plan for putting IFRS in place. This is on track to meet the deadlines for financial reporting in 2010/11. In addition the Audit Committee has been kept informed of the impact of the changes on the financial statements and how these are being addressed.

Closing remarks

28 I have discussed and agreed this letter with the Chief Executive and the Director of Resources. I will present this letter to the next Audit Committee and will provide copies to all members.

29 I have included the detailed findings, conclusions and recommendations in the areas covered by my audit in the reports I issued to the Council during the year.

Report	Date issued
Audit plan	April 2009
Opinion plan	March 2010
Annual governance report	September 2010
Opinion	September 2010
Value for money conclusion	September 2010

30 I have set out in Appendix 1 my audit fees for 2009/10.

31 The Council has taken a positive and helpful approach to my audit. I wish to thank its staff for their support and cooperation during the audit.

Mick West
District Auditor
November 2010

Appendix 1 Audit fees

	Planned and Actual
Financial statements and annual governance statement	£63,310
Value for money	£30,190
Total audit fees	£93,500

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2010.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946