



The Annual Audit Letter for Buckinghamshire County Council

Year ended 31 March 2013

October 2013

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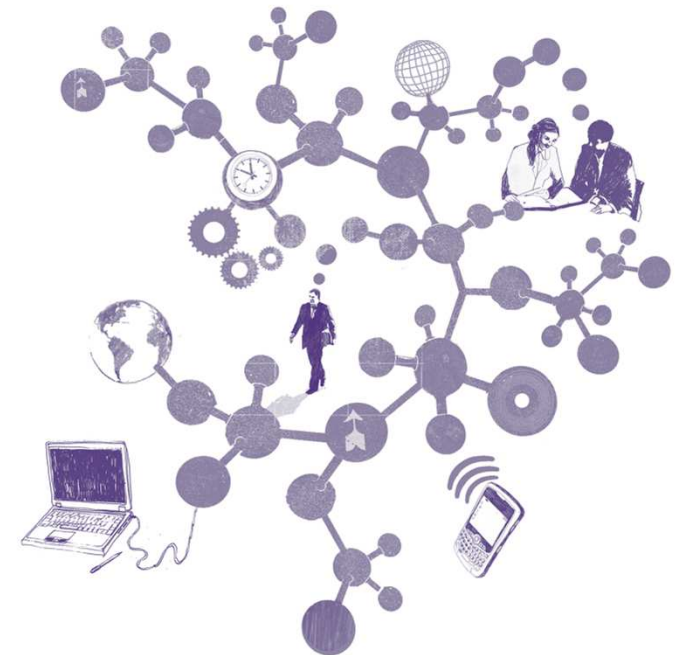
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Section 1: Executive summary

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Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Buckinghamshire County Council for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing your arrangements for securing economy, efficiency and effectiveness in your use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to you and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 24 September 2013 and in a final version shared with you on 27 September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

You are responsible for preparing and publishing your accounts, accompanied by an Annual Governance Statement. You are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 16 June 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion that your accounts give a true and fair view of your financial position as at 31 March 2013 and your income and expenditure for the year
- an unqualified conclusion in respect of your arrangements for securing economy, efficiency and effectiveness in your use of resources
- an unqualified opinion on your Whole of Government Accounts submission

There is one grant claim which we are required to certify. This work is still in progress although we have already identified some required amendments to the claim. The detailed findings of our certification work will be reported in our Grant Certification report upon completion of our work.

Key areas for Council attention

We summarise here the key messages arising from our audit for you to consider as well as highlighting key issues facing you in the future:

- your finance team produced a high quality set of financial statements and supporting working papers.
- we identified no material errors and only one error was not amended in the financial statements. Whilst this error had a significant impact on the income and expenditure reported in the financial statements it had no impact on your reported financial position.
- we had to carry out additional testing in respect of other revenues following the identification of errors in our initial testing. We also encountered some delays in the audit process this year due to difficulties experienced in interrogating the financial ledgers and obtaining evidence to support some figures in the financial statements.
- you remain in a strong financial position, with a high level of general fund reserves and earmarked reserves.
- we reviewed the reasonableness of the decision to enter into the Energy from Waste contract and identified no areas of significant concern. The risks associated with the contract letting stage of the scheme were well articulated and you have put in place appropriate mechanisms to manage or mitigate risks.
- 2013/14 will be a challenging year with the introduction of new delivery models; for example the creation of the Buckinghamshire Learning Trust and Buckinghamshire Care.

- you have already identified schemes to reflect the majority of savings required but as at 31 March 2013 £60m of savings are still to be identified for 2016/17. You recognise that recurrent savings will become more difficult to identify throughout the medium term but anticipate the second phase of your Transformation Programme should help you to achieve your aim of becoming a leaner council focussed on the commissioning rather than delivery of services. This approach also aims to deliver cost and efficiency savings.

Acknowledgements

This Letter has been agreed with the Service Director (Finance and Commercial Services) and will be presented to the Regulatory and Audit Committee on 19 November 2013.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by your staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

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Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

You presented us with draft accounts on 27 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced 1 July 2013. Your finance team produced a high quality set of financial statements, together with supporting working papers.

Issues arising from the audit of the accounts

There were no material issues arising from our audit of your financial statements and management agreed to adjust the financial statements for all identified misstatements, with one exception.

Our testing of transactions in other revenues identified internal recharges and budget virements which had not been excluded from the financial statements and resulted in the overstatement of both income and expenditure in the Comprehensive Income and Expenditure Statement. These overstatements were not amended in the financial statements. They did not have an impact on your reported financial position because it affected both income and expenditure.

We encountered some delays in the audit process this year due to difficulties experienced in interrogating the financial ledger and obtaining evidence to support some figures in the financial statements.

Annual Governance Statement

Management made some minor adjustments to the Annual Governance Statement so that it reflected the limited assurance opinions issued by Internal Audit during the year.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Regulatory and Audit Committee at the Council). We presented our report to the Regulatory and Audit Committee on 24 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on your 2012/13 accounts on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of your financial position and of the income and expenditure recorded by you.

Section 3: Value for Money

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Value for Money

Scope of work

The Code describes your responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

Whether you have proper arrangements in place for securing financial resilience. You have robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enable you to continue to operate for the foreseeable future.

Whether you have proper arrangements for challenging how you secure economy, efficiency and effectiveness. You are prioritising your resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered your arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our overall conclusion is whilst you face some significant risks and challenges, your current arrangements for achieving financial resilience are adequate.

Challenging economy, efficiency and effectiveness

We have reviewed whether you have prioritised your resources to take account of the tighter constraints within which you are required to operate and whether you have achieved cost reductions and improved productivity and efficiencies.

We have reviewed your strategic financial planning and decision making processes and your achievement of savings. Your plans to become a Commissioning Council are progressing well and you have already established a number of alternative service delivery models. The next phase of your Transformation Programme includes a Target Operating Model which will provide a roadmap for your ambition to become a leaner organisation, primarily commissioning rather than providing services

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects you put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

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Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by you. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm your entitlement to funding.

We will certify one claim for the financial year 2012/13 relating to expenditure of £99 million.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

Our work on certification of grant claims is on-going. Our work to date identified some amendments to the Teachers' Pension Contributions return which was submitted a week after the 31 May deadline. More detailed findings will be reported in our Grant Certification report upon completion of our work.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	117,450	TBC
Grant certification fee	8,500	TBC
Pension Fund Fee	25,033	25,033
Total fees	150,983	TBC

Fees for other services

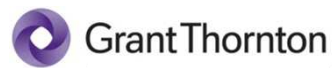
Service	Fees £
None	Nil

The final fee will be discussed and agreed with the Service Director (Financial and Commercial Services). All fees under the Audit Commission Act 1998, including the above, are subject to final determination by the Audit Commission.

Our grant certification work is on-going. We will report the final fee at the conclusion of our work.

Reports issued

Report	Date issued
Audit Plan	June 2013
Audit Findings Report (including Financial Resilience reported findings)	September 2013
Certification report	To be issued before February 2014
Annual Audit Letter	October 2013



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