



DEMOCRATIC SERVICES

To: All Members of the Audit Committee

Dealt with by: Greg O'Brien

Your Ref:

My Ref:

e-mail: greg.obrien@southbucks.gov.uk

Direct Line: 01895 837227

Date: 18 September 2009

Dear Councillor

Audit Committee - Thursday, 24th September, 2009

I am now able to enclose, for consideration at this meeting, the following report(s) that were unavailable when the agenda was printed:

Agenda No. Item

5. **Report on the SBDC 2008/09 Accounts**

To consider the External Auditors report on the 2008/09 Accounts.

Yours faithfully

J.A. BURNES

Director of Resources



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Annual Governance Report

South Bucks District Council

Audit 2008/09

Date

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Status of our reports

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.
-

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	6
Financial statements free from material error	Yes	6
Adequate internal control environment	Yes	6
Use of resources	Results	Page
Arrangements to secure value for money	Yes	7

Audit opinion

- 1 The audit for 2008/09 is substantially complete and subject to the 2007/08 objection being resolved and opinion being signed off we propose issuing an unqualified opinion for 2008/09 (subject to District Auditor and Audit Manager review).

Financial statements

- 2 The financial statements appear to be free from material error and therefore we are proposing to issue an unqualified opinion on the 2008/09 statements.

Use of resources

- 3 Our use of resources work has been completed and the scores have been reviewed by national moderation. At this stage we are proposing to issue an unqualified value for money conclusion.

Audit Fees

- 4 We are not proposing an increase in audit fees for 2008/09, although there will be an additional fee for the 2007/08 objection work and related audit to verify changes to the accounts.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

5 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- take note of the VFM Conclusion; and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council's accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 6** Subject to satisfactory clearance of outstanding matters and the 2007/08 objection and opinion, I plan to issue an audit report including an unqualified opinion on the financial statements for 2008/09. Appendix 1 contains a copy of my draft audit report.

Errors in the financial statements

- 7** We have not discovered any material errors in the financial statements. However there are some minor disclosure issues and a change in classification of the cash and bank balance from a negative asset to a liability.

Material weaknesses in internal control

- 8** We are satisfied that there are no material weaknesses in internal control.

Letter of representation

- 9** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

Accounting practice and financial reporting

- 10** I consider the qualitative aspects of your financial reporting. There are no specific issues that I need to raise with you.

Use of resources

I am required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Value for money conclusion

- 11** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 12** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Appendix 1 – Independent auditor’s report to Members of South Bucks District Council

Independent auditor’s report to the Members of South Bucks DC

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of South Bucks DC for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Bucks DC in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of resources and auditor

The Director of Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

Appendix 1 – Independent auditor’s report to Members of South Bucks District Council

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for (principal local authorities/other local government bodies). I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, South Bucks DC made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mick West

District Auditor

[Address]

[Date]

Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 1

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Cash and bank	Reclassified as a liability under creditors rather than a negative asset.			283	283

Appendix 3 – Draft letter of representation

Draft management representation letter

Letter of representation

Mick West
District Auditor
Audit Commission
Unit 5, Isis Business Centre
Horspath Road
Cowley
Oxford, OX4 2RD

Dear Mick

South Bucks District Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other chief officers of South Bucks District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Executive meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;

Appendix 3 – Draft letter of representation

- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair values

I confirm that the presentation and disclosure of the fair value measurements of material assets, liabilities and components of equity are in accordance with the financial reporting framework.

The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and appropriately reflect the best estimate of fair value of assets and liabilities required to be disclosed by these standards.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

The Council has a compensating arrangement between its bank accounts. There are no other compensating balancing arrangements with any of our cash or investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;

- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Audit Committee, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of South Bucks District Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 24 September 2009.

Signed

Name

Position

Date

The Audit Commission

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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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Agenda Item No:5

SUBJECT:	Statement of Accounts 2008/09 - Changes as a result of the External Audit Governance Report
REPORT OF:	Officer Management Team - Director of Resources Prepared by - Head of Finance & IT

1. Purpose of Report

- 1.1 The purpose of this report is to provide brief details of the changes made to the 2008/09 Accounts as a result of the external audit.

2. Links to Council Policy Objectives

- 2.1 Producing financial statements is part of good corporate governance.

3. Minor wording change to explanatory forward

- 3.1 The phrase on page 2 has been changed from:

‘The Authority authorised additional expenditure of £74,000 during the year that was not included in the original budget.’

to

‘The Authority incurred additional expenditure of £53,000 that was authorised during the year and thus was not included in the original budget.’

4. Presentational change for Cash & Bank Figure on Balance Sheet

- 4.1 The Cash and Bank Figure of £283,000 has been moved from the Current Asset to the Current Liability section of the Balance sheet (Page 18).

5. Minor wording change to Note 27 Events after the Balance Sheet Date

- 5.1 The phrase ‘and up to the authorised for issue date’ has been added to the Events after the Balance Sheet Date note on page 40.

6. Resource, Risk and Other Implications

- 6.1 There are no direct financial, legal or human resource implications from this report.

7. Recommendations

- 7.1 The changes to the Accounts are noted by the Audit Committee.

Officer Contact:	Rodney Fincham 01895 837268 Email: Rodney.Fincham@southbucks.gov.uk
Background Papers:	

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Explanatory Foreword

Introduction

The Accounts of South Bucks District Council for the year ended 31 March 2009 are set out on the following pages. The various statements include, where relevant, comparative figures relating to the previous financial year and supporting notes.

Financial Statements

The financial statements are prepared on an accruals basis and follow best practice recommended by the Code of Practice on Local Authority Accounting. They summarise the overall financial position of the Council and in particular include the following:

- **Income and Expenditure Account** - This statement brings together the net cost for the year of the functions for which the Council is responsible and shows how that cost has been financed from Council Tax payers, business rate income and Government grants.
- **Statement of Movement on the General Fund Balance** - This statement shows those amounts that are required by statute and non-statutory proper practices to be charged or credited in addition to the Income and Expenditure Account surplus or deficit in determining the movement on the General Fund Balance for the year.
- **Statement of Total Recognised Gains and Losses** - This statement brings together all the recognised gains and losses of the Authority for the year and identifies those, which have not been recognised in the Income and Expenditure Account.
- **Balance Sheet** - This statement shows the assets and liabilities of all the activities of the Council and the balances and reserves at the Council's disposal.
- **Cash Flow Statement** - This statement shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- **Collection Fund** - This statement reflects a statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Council as a billing authority in relation to council tax and non-domestic rates, and the way in which the total amount collected has been distributed to the precepting authorities and the national non-domestic pool.

Review of the Year

Revenue Income and Expenditure

The actual overall 2008/09 expenditure of the Council, including parish precepts, was £8.864m and the total income from council tax and general Government grants was £9.106m. Giving a net surplus in the year of £242,000.

The main issues to note are:

- The position in regard to general service budgets was an overall underspend of £54,000.
- The Authority earned £1.956m in unallocated interest in 2008/09 compared to a budget of £1.618m, a surplus of £338,000.
- The Authority had planned to use £464,000 in general reserves during the year, however these were not needed.
- The Authority incurred additional expenditure of £53,000 that was authorised during the year and thus was not included in the original budget.
- LABGI grant of £207,000 was awarded in the year.

Balance Sheet

This statement shows the assets and liabilities of all the activities of the Council and the balances and reserves at the Council's disposal.

Notes	At 31 March 2009 £'000	At 31 March 2008 Restated £'000
10 Intangible Fixed Assets	377	608
11 Tangible Fixed Assets		
Land and Buildings	4,083	4,018
Vehicles, Fixtures & Fittings and Equipment	1,141	1,439
Community Assets	67	67
Non Operational Assets - Investment Properties	5,668	5,829
	10,959	11,353
12 Long-term Investments	6,510	13,713
13 Long-term Debtors	261	303
Total Long-term Assets	18,107	25,977
Current Assets		
Stocks	4	3
14 Debtors	3,512	4,153
Debtors - Amounts due from Preceptors*	676	-
12 Short-term Investments	22,311	11,754
Cash and Bank	-	2,666
	26,503	18,576
Current Liabilities		
15 Creditors	(3,786)	(3,671)
Creditors - Amounts due to Preceptors*	-	(353)
Cash and Bank	(283)	-
Total Assets less Current Liabilities	40,541	40,529
16 Provisions	(145)	(145)
Financial Guarantee Liability	(14)	(17)
17 Government and other grants - deferred	(372)	(321)
1,18 Pensions Liability	(14,717)	(12,110)
Total Assets less Liabilities	25,293	27,936
Financed by:		
19 Capital Adjustment Account	8,843	9,250
19 Revaluation reserve	2,083	2,279
19 Available-for-Sale Financial Instruments reserve	(33)	(44)
19 Deferred credits	201	224
19 Capital receipts reserve	21,935	21,460
19 Capital reserves	3,925	3,925
19 Specific earmarked reserves	560	544
19 General fund reserve	2,597	2,355
1,18 Pensions reserve	(14,717)	(12,110)
19 Collection fund reserve *	(101)	53
Total Net Worth	25,293	27,936

*See supplementary financial statement for further details

26. Analysis of Government Grants Received in Year	2008/09	2007/08 Restated
	£'000	£'000
Revenue Grants		
National Non-Domestic Rate	2,620	2,500
Revenue Support Grant	365	419
Housing Benefit Grants	10,498	10,439
Council Tax Benefit Grants	2,872	2,673
LA Business Growth Incentive Scheme	755	82
Cost of Collection Allowance	104	107
Area Based Grant	22	-
Elections	-	706
Employment Support Allowance	-	15
Community Safety	-	69
Homelessness Prevention	45	35
Housing & Planning Delivery	55	250
Improvement Grants	180	154
Recycling	-	30
Air Quality	8	15
Smoke Free	-	24
Travel Concessions	165	24
Other grants	84	30
	17,773	17,572
Capital Grants		
Community Safety	-	3
Council Tax Leaflets etc	5	-
Housing & Planning Delivery	28	83
Recycling Bins	5	-
Swimming Grant	19	-
Waste	-	30
	57	116
	17,830	17,688

27. Events after the Balance Sheet Date

Events arising after the balance sheet date *and up to the authorised for issue date* should be reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included (adjusting events).

As at 31 March 2009 the Authority had a £2m 3 year Callable deposit that would not have been due to mature until 2 June 2011. As such this would normally be classified as a long term investment. However this investment was called on 2 June 2009, and thus this has been reclassified in the Accounts as a short term investment.

Similarly events which arise after the balance sheet date *and up to the authorised for issue date* and concern conditions which did not exist at that time should be detailed in the notes if they are of such materiality that their disclosure is required for the fair presentation of the financial statements (non adjusting events).

For the 2008/09 accounts there are no significant non-adjusting events to disclose.

28. Date Accounts Authorised for Issue

The Director of Resources authorised the Accounts for issue on 25th June 2009, and thus no events after this date have been recognised in the Statement of Accounts.

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