



**DEMOCRATIC SERVICES**

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Date:	8 December 2009	Direct Line:	01895 837227

Dear Councillor

**AUDIT COMMITTEE**

The Audit Committee will be held as follows:

DATE: THURSDAY, 10TH DECEMBER, 2009  
TIME: 6.00 PM  
VENUE: ROOM 6, CAPSWOOD, OXFORD ROAD, DENHAM

Yours faithfully

J.A. BURNES

**Director of Resources**

**To: Members of the Audit Committee**

Mr Hollis (Chairman)  
Mrs Wallis  
Mr Binns

Mr Chapman (Vice-Chairman)  
Mr Bullock  
Mr Thomson





### Declarations of Interest

Any Member attending the meeting is reminded of the requirement to declare if he/she has a personal interest in any item of business, as defined in the Code of Conduct. If that interest is a prejudicial interest as defined in the Code the Member should also withdraw from the meeting.

### A G E N D A

3. 2007/08 and 2008/09 Accounts

To receive an oral update on progress with issuing the opinion on the 2007/08 and 2008/09 SBDC Accounts.  
Annual Governance Report

**(Pages 1 - 16)**

The next meeting of the Committee is due to take place on Thursday, 25 March 2010

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# Annual Governance Report

South Bucks District Council

Audit 2008/09

December 2009 update

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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.
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# Key messages

This report summarises the findings from the 2008/09 audit. It includes the messages arising from our audit of your financial statements and the results of the work we 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 I issued an unqualified opinion on the 2008/09 financial statements on 27 November 2009.

## Financial statements

- 2 We found no material errors in the financial statements.

## Use of resources

- 3 I issued an unqualified value for money conclusion on 27 November 2009.

## 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 work to verify changes to the accounts.

## Conclusion of audit

- 5 We cannot formally conclude the 2007/08 and 2008/09 audits until we have completed our work on the 2007/08 objection.



## Next steps

**This report identifies the key messages that you considered before I issued my financial statements opinion and value for money conclusion. It includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.**

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6 I asked the Audit Committee to:

- consider the matters raised in the report;
- consider the reasons for not adjusting misstatements (Appendix 2) and include reasons for not doing so in your letter of representation;
- take note of the adjustments to the financial statements which are set out in this report (Appendix 3);
- take note of the value for money conclusion; and
- approve the letter of representation on behalf of the Council (Appendix 4).

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# 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 was important that you considered our findings before you adopted the financial statements and the annual governance statement.**

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## Opinion on the financial statements

- 7 I issued my auditor's report including an unqualified opinion on the financial statements for 2008/09 on 27 November 2009. Appendix 1 contains a copy of my auditor's report.

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## Errors in the financial statements

- 8 We did not discover any material errors in the financial statements. However there were some minor disclosure issues and a change in classification of the cash and bank balance from a negative asset to a liability (Appendix 3).
- 9 There were also a couple of items that we recommended should be adjusted which the Council decided not to adjust (Appendix 2). One item related to the capitalisation of scanning data which we suggested was not capital and the other related to impairment of offices which we did not see as material and therefore was not required. The reasons for not adjusting the accounts have been explained in your letter of representation.

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## Material weaknesses in internal control

- 10 We are satisfied that there were no material weaknesses in internal control.

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## Letter of representation

- 11 Before I issued my opinion, auditing standards required 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 and you provided a signed letter before I issued my opinion.

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## Accounting practice and financial reporting

- 12 We considered the qualitative aspects of your financial reporting. There were no specific issues that we needed to raise with you.

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# Use of resources

We are required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

We are also 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 conclusion.

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## Use of resources judgements

- 13** In forming our scored use of resources judgements, we have used the methodology set out in the use of resources framework. Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 14** We have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work. The Council's use of resources theme scores are shown in Table 2 below.

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**Table 1 Use of resources theme scores**

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	2
Managing resources	2

- 15** We will include more details on the results of our use of resources work in our annual audit letter.

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## Value for money conclusion

- 16** We assessed 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 value for money conclusion at each type of audited body.
- 17** I issued an unqualified conclusion on 27 November 2009 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 report.

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

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## 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.

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.

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### 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.

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**Delay in certification of completion of the audit**

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

Mick West

District Auditor

Audit Commission  
Unit 5, Isis Business Centre  
Horspath Road  
Cowley  
Oxford OX4 2RD

27 November 2009

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# Appendix 2 – Unadjusted misstatements

The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. We brought them to your attention to assist you in fulfilling your governance responsibilities.

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**Table 2**

<b>Description of error</b>	<b>Accounts affected</b>	<b>Value of error £'000</b>
Capitalisation of scanning expenditure	assets and revaluation reserve	97
Impairment of offices	assets and revaluation reserve	235

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# Appendix 3 – 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. We brought them to your attention to assist you in fulfilling your governance responsibilities.

**Table 3**

		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 4 – Draft letter of representation

Draft management representation letter

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## Letter of representation

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

Dear Mick

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## 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;

- 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;

## Appendix 4 – Draft letter of representation

- 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.

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## Copies of this report

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