

Central
Bedfordshire
Council
Priory House
Monks Walk
Chicksands,
Shefford SG17 5TQ



TO ALL MEMBERS OF THE AUDIT COMMITTEE

08 January 2014

Dear Councillor

AUDIT COMMITTEE – ANNUAL AUDIT LETTER

Further to the agenda and papers for the Audit Committee on 13 January, previously circulated, please find attached the following report which was marked to follow:-

8. Annual Audit Letter 2012/13

To consider the Annual Audit Letter for 2012/13 from Ernst & Young LLP and approve its publication.

Should you have any queries regarding the above please contact me.

Yours sincerely

Leslie Manning
Committee Services Officer

email: leslie.manning@centralbedfordshire.gov.uk
telephone: 0300 300 5132

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Meeting: Audit Committee
Date: 13 January 2013
Subject: Annual Audit Letter 2012/13
Report of: Ernst & Young LLP
Summary: The attached report sets out the Annual Audit Letter 2012/13 for consideration and approval.

Contact: Mick West, Director - Ernst & Young LLP
Public/Exempt: Public
Wards Affected: All
Function of: Audit Committee

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Central Bedfordshire Council Annual Audit Letter

Year ending 31 March 2013

Date: October 2013

Ernst & Young LLP



Central Bedfordshire Council
Priory House
Monks Walk
Chicksands
Shefford
Bedfordshire
SG17 5TQ

03 October 2013

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Central Bedfordshire Council and external stakeholders, including members of the public, the key issues arising from our work which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance, the Audit Committee, in our Audit Results Report dated 23 September 2013.

The matters reported here are the most significant for the Council.

I would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours faithfully



Mick West
Director
For and on behalf of Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' ('Statement of responsibilities'). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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

Our 2012-13 audit work has been undertaken in accordance with the Audit Plan issued in March 2013 and conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement, in which it reports publicly on the extent to which it complies with its own code of governance. This includes how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. It is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements
- ▶ Reviewing the Annual Governance Statement
- ▶ Forming a conclusion on arrangements to secure economy, efficiency and effectiveness in the use of resources
- ▶ Undertaking any other work specified by the Audit Commission

Summarised below are the conclusions from all elements of our work.

Audit the financial statements of Central Bedfordshire Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland).	On 24 September 2013 we issued an unqualified audit opinion for the Council.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 24 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with the governance of the Council (the Audit Committee) communicating significant findings from our audit.	On 23 September 2013 we issued our report for the Council.
Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 24 September 2013.
Consider the completeness of disclosures in the Annual Governance Statement, identify any inconsistencies with other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.

Consider whether, in the public interest, we should make a report on any matter coming to our notice during the audit.

No issues to report.

Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.

No issues to report.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

On 24 September 2013 we issued our audit completion certificate.

Issue a report to those charged with the governance of the Council summarising our certification (grant claims and returns) work.

We will issue the Annual Certification Report for 2012-13 in December 2013.

2. Key findings

2.1 Financial statement audit

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 24 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issues identified as part of our audit were:

Key findings:

Risk of misstatement due to fraud and error:

- This is a general risk we consider for the public sector bodies we audit
 - We obtained assurance that the risk of material misstatement due to fraud and error had been mitigated
-

Accounting for the Housing Revenue Account, in particular accounting for depreciation, impairments, debt premiums and discounts:

- We gained adequate assurance that the Council complied with accounting Code requirements for the Housing Revenue Account
-

2.2 Value for money conclusion

We are required to carry out enough work to conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012-13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements for securing financial resilience
- ▶ It has proper arrangements for challenging how it secures economy, efficiency and effectiveness

We issued an unqualified value for money conclusion on 24 September 2013. We noted the following issues as part of our audit.

Key findings :

Financial resilience:

- Our enquiries confirmed that the Council had in place adequate arrangements to ensure a good understanding and routine challenge of financial assumptions and performance.
 - The Council has a good track record of financial management in terms of delivering planned savings and efficiencies and our review of recent budgetary reports confirmed the Council's performance is being maintained.
-

Economy efficient and effectiveness:

- In relation to housing benefit administration we made enquiries of management to assess the Council's performance drawing on information within the Audit Commission VFM profile.
 - The Council is aware of the need to improve benefits processing and to this end performance is monitored on a weekly basis (report to Chief Finance Officer) and quarterly by CMT (performance dashboard report). Although work remains in progress we concluded that the Council's direction of travel is positive.
 - At a wider level, benchmarking data from various sources is used by the Council to identify variations in performance and to target resources to secure improvements.
-

2.3 Objections received

We have received no objections to the 2012-13 accounts from members of the public.

2.4 Whole of government accounts

The Council is required to prepare a consolidation pack for the whole of government accounts. On 24 September 2013 we reported to the National Audit office the results of our work on its accuracy. We did not identify any areas of concern.

2.5 Annual Governance Statement

We are required to consider the completeness of disclosures in the Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA/SOLACE guidance. We completed this work and did not identify any areas of concern.

2.6 Certification of grants claims and returns

We will issue the Annual Certification Report for 2012/13 in December 2013.

3. Control themes and observations

As part of our audit of the financial statements, we obtained sufficient understanding of internal control to plan our audit and determine the nature, timing and extent of testing. Although our audit is not designed to express an opinion on the effectiveness of internal control, we have to communicate significant deficiencies to those charged with governance, the Audit Committee. We had no matters to report.

Ernst & Young LLP

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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