

# Annual Audit Letter

Aylesbury Vale District Council

Audit 2010/11



# Contents

---

- Key messages.....3**
  - Audit opinion and financial statements.....3
  - Value for money .....3
- Current and future challenges .....4**
- Financial statements and annual governance statement.....5**
  - Overall conclusion from the audit.....5
  - Significant weaknesses in internal control.....6
- Value for money.....7**
- Closing remarks .....9**
- Appendix 1 – Fees .....10**
- Appendix 2 – Glossary .....11**

# Key messages

---

**This report summarises the findings from my 2010/11 audit. My audit comprises two elements:**

- **the audit of your financial statements; and**
- **my assessment of your arrangements to achieve value for money in your use of resources.**

**I have included only significant recommendations in this report. The Council has accepted these recommendations.**

## **Audit opinion and financial statements**

I gave an unqualified opinion on your 2010/11 financial statements, on both the main accounts and the group accounts.

I found two material and several significant errors in the financial statements. You corrected the material errors and most of the other errors.

## **Value for money**

I gave an unqualified conclusion on your arrangements for securing economy, efficiency and effectiveness when I gave my opinion on the financial statements.

# Current and future challenges

The Council faces major changes in its environment as the wider economic situation continues to increase pressure on services.

Economic downturn and pressure on the public sector	The economic downturn continues to pressurise the public sector. Your decision-making and monitoring arrangements are robust. Your remaining reserves provide a buffer to the cuts in services other councils are considering in the short-term. You are planning how to address these issues with the longer-term reduction in your reserves as you deliver your capital programme.
Joint arrangements and shared services	You continue to explore joint arrangements with other local authorities.
Income streams	Income streams have remained stable so far; reductions in car parking income are due to the site redevelopments in Aylesbury town centre. Your reserves provide a buffer to pressure on services from the wider economic situation.
Treasury management	You are likely to recover almost all of the £3 million you had invested in Icelandic banks. Your other investments have continued to perform well although overall investments continue to reduce in line with your ambitious capital programme.
International Financial Reporting Standards (IFRS)	I was able to review your proposals for the necessary changes in opening balances in good time before the audit of the financial statements. However revising parts of the draft financial statements in mid-audit led to increased audit work. This delayed the audit and increased my work. I had to raise an extra fee as a result.

# Financial statements and annual governance statement

---

The Council's 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

I issued an unqualified opinion on the financial statements. I was not able to issue my closing certificate which signalled the end of the audit due to an objection from a local elector on payments for a parish council.

I found two material errors where you understated fixed assets by £2.7 million and misclassified fixed assets by £2.6 million. I also identified a 2009/10 asset disposal of £1.5 million included in this year's financial statements; and a £481,000 reduction to bring opening land and building balances into line with the agreed restated figures. You corrected these errors. They signal weaknesses in your controls around the asset register and capital accounting.

You amended most of the other significant errors and made extra disclosures in the notes to your financial statements. The largest unadjusted error referred to council tax and housing benefit subsidy with the subsidy grant claim. You over-accrued for subsidy and thus understated income by £643,000. The errors I found did not have a significant impact on your financial position or net worth.

I identified when planning my audit the twin risks of first-time:

- implementation of the requirements of International Financial Reporting Standards (IFRS); and
- production of full-year group accounts to include your involvement in Aylesbury Vale Estates (AVE).

I experienced difficulties in carrying out the audit in these risk areas and this led to delays and complications. In particular:

- you produced a second, revised set of financial statements during August with several changes to the main financial statements and supporting notes. I had to carry out more audit work to check these revisions;
- I experienced delays getting information I needed; and
- you did not provide expected information for Aylesbury Vale Estates within the agreed timescale.

Your finance team has been helpful throughout the audit and I have agreed an action plan to support a more effective close down for next year's audit.

## Significant weaknesses in internal control

I found two significant weaknesses in your internal controls:

- you did not keep your asset register up-to-date; and
- you failed to carry out regular reconciliations of suspense and control accounts and this contributed to mistakes.

You agreed to implement the recommendations I made in my Annual Governance Report on the issues I identified.

# Value for money

---

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

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources. I have set out my conclusion on the two areas below.

---

## Value for money criteria and key messages

Criterion	Key messages
<b>1. Financial resilience</b> <b>The organisation has proper arrangements in place to secure financial resilience.</b>	<p>I identified no significant risks and so did not undertake any risk-based value for money work. I reviewed your overall arrangements by:</p> <ul style="list-style-type: none"><li>■ updating my findings on last year's use of resources work;</li><li>■ checking your progress on my previous recommendations; and</li><li>■ reviewing how you manage current cost improvement and savings plans and in the future.</li></ul> <p>The Council has robust systems and processes to manage effectively financial risks and to secure a stable financial position that enables it to continue to operate for the foreseeable future. A longer-term financial strategy is being put in place to address harder public sector economic conditions in the longer-term as the Council has so far only had to make small-scale changes to its financial plans due to the high underlying level of reserves.</p> <p>I had assessed you as a low risk authority; my subsequent work confirmed my assessment.</p>

Criterion	Key messages
<p><b>2. Securing economy efficiency and effectiveness</b></p> <p><b>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b></p>	<p>I identified no significant risks and so did not undertake any risk-based value for money work. I carried out my review as above.</p> <p>You have shown leadership in prioritising resources and seeking ways to provide more cost-efficient and effective services and removal of non-essential services. You continue to apply innovative means of providing services.</p> <p>I had assessed you as a low risk authority and my subsequent work confirmed my assessment.</p>

---

# Closing remarks

---

I have discussed and agreed this letter with the Deputy Chief Executive and the Director of Finance. I will present this letter to the Audit Committee on 12 December 2011 and will provide copies to all members.

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

Report	Date issued
Audit opinion plan	June 2011
Interim opinion memorandum	June 2011
Annual governance report	September 2011
Auditor's report giving an opinion on the financial statements	September 2011
Grant claims and returns report	February 2012

You have taken a positive and helpful approach to our audit. I thank you and your staff for your support and help during the audit.

Mick West  
District Auditor  
November 2011

# Appendix 1 – Fees

	Actual	Proposed	Variance
Fee for 2010/11: main audit before rebates	£150,000	£131,250	£18,750
<b>Total</b>	<b>£150,000</b>	<b>£131,250</b>	<b>£18,750</b>
Grant claims and returns (estimate)	£TBA	£26,950	£TBA
Non-audit work	£0	£0	£0

The proposed 2010/11 audit fee excluded work on the group accounts.

The Audit Commission has also paid two rebates for 2010/11 fees: £7,798 against the extra burden of IFRS and £1,910 for the reduced burden of inspection and audit.

The fee for grant claims and returns is an estimate. As at mid-November work on the largest of these claims, for housing benefit and council tax subsidy, was in progress and on course for completion by the end of November 2011 deadline. I will include a detailed commentary on this work in my grant claims and returns report to the February 2012 Audit Committee.

# 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 financial statements, I must give my 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.

## **Opinion**

If I agree the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm the statements give a true and fair view.

## **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 resources based on criteria specified by the Audit Commission.

If I find the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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 2011.

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.

