

Annual

governance

report

Bracknell Forest Council

Audit 2010/11

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Key messages

This report summarises the findings from the 2010/11 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 your arrangements to secure value for money in your use of resources.

Table 1: **Key messages - financial statements**

Financial statements	Results	Page
Unqualified audit opinion	Yes	6
Important weaknesses in internal control	No	8

Table 2: **Key messages - value for money**

Value for money		
Proper arrangements to secure value for money	Yes	12

Audit opinion

1 My audit is substantially complete and remaining areas are being progressed. Subject to successful completion of these closing procedures, and approval of accounts by members, I plan to issue an unqualified opinion on the financial statements.

Financial statements

2 In 2010/11 local government financial statements were required to be produced under International Financial Reporting Standards (IFRS) for the first time. Re-stating the accounts to comply with the requirements of IFRS is a complex task, which has caused significant difficulties for a number of local government bodies.

3 My review however has shown that you have tackled the transition to IFRS well by carrying out early work which in turn has enabled my review and feedback in advance of the main audit of the Statements.

4 My audit has identified one issue of presentation of a material item and this has been adjusted by management.

5 There are a number of non-material adjustments. Some have been adjusted by management; others remain unadjusted pending your final approval of the financial statements. Details are set out in appendix 2 and 3.

Value for money

6 I am satisfied that, in all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011

Audit fees

7 The estimated fee for the statutory audit is £256,600. This estimate is consistent with my fee letter issued to the Governance and Audit Committee in March 2010 and my audit plan of March 2011.

8 Having completed my audit I remain satisfied that the estimate remains appropriate and no further adjustment is therefore required.

Independence

9 I can confirm that I have complied with the Audit Practice Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

10 I identified and mitigated a potential threat to auditor independence. The Audit Manager for the engagement is the friend of a Director of a company who has overseen the implementation of a financial system at the Council. I applied the safeguard of ensuring that the review of the system change was performed by other members of my engagement team.

11 During the year the Audit Commission's Audit Practice undertook non-audit work for the Council for a fee of £2,500. We reviewed the Council's performance management arrangements and made recommendations for improvement. The completion of this work did not cause any conflict with my functions as statutory auditor.

Financial Statements

The Council's financial statements and annual governance statement are important means by which the Council 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

12 My audit is substantially complete. I will need to carry out final quality procedures and ensure that all agreed adjustments have been made in the financial statements and general ledger.

13 Subject to satisfactory completion of these closing procedures, and approval of the accounts by members, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Key areas of judgement and audit risk

14 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 3: **Key areas of judgement and audit risk**

Issue or risk	Finding
<p>First time adoption of International Financial Reporting Standards</p> <p>The re-statement of the 2009/10 accounts and the preparation of 2010/11 accounts in accordance with IFRS is a significant project for the Council.</p>	<p>You made good progress in relation to IFRS implementation by drawing up accounting policies and producing restated accounts well in advance of producing year end statements.</p> <p>My team carried out early testing on the restated opening balances in the financial statements and gave feedback on compliance with the presentation and disclosure requirements set out in CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.</p>

Issue or risk	Finding
	My final audit showed continued good overall compliance with the Code. I have suggested how to improve compliance further and management have corrected some errors identified in the restatement of the cashflow statement as set out in Appendix 2.
<p>Valuation of non-current assets</p> <p>In my 2009/10 Annual Governance Report I recommended that the Council needed to ensure that values for assets properly reflect the physical size, condition, usage and estimated life.</p> <p>IFRS introduces changes in the accounting treatment and valuation of assets. These factors increase the risk of error and misstatement appearing in the financial statements.</p>	Some progress has been made but there remains scope for further improvement. My audit identified issues with the quality of some evidence to support valuations undertaken. There remains more to do in ensuring asset valuations are kept updated, are accurately reflected in the statements and that the Council's policy for capitalisation is consistently applied.
<p>New financial system</p> <p>The Council has replaced its revenue and benefits system. This has impacted on three significant financial systems – Housing Benefit, Council Tax and NDR.</p>	<p>The implementation of Northgate has been reviewed by Internal Audit and reported separately to the Governance and Audit Committee.</p> <p>I have applied substantive procedures to secure assurance over material classes of transactions in the financial statements.</p> <p>Early work on the 2010/11 housing benefit claim has identified errors in individual cases. Their extrapolated value is set out in Appendix 3.</p>

Errors in the financial statements

15 Corrected errors identified during the course of the audit are outlined in appendix 2. Corrections of non-material presentational and disclosure errors are not listed individually but details have been provided separately to officers as a check on the adjustments made. The presentational adjustment due to the indexing change in public service pensions is shown on grounds of materiality.

16 Uncorrected errors are set out in appendix 3. If these are to remain unadjusted, I am satisfied they would not have a material impact on the financial statements. Nevertheless I will require your confirmation on these errors in the letter of representation.

Recommendation

R1 The Council should agree to adjust the errors in the financial statements I have identified or otherwise set out the reasons for not amending the errors.

Weaknesses in internal control

17 I have reviewed your Annual Governance Statement and have raised some matters which have been adjusted by management. I have concluded that the Statement accords with proper practice and is consistent with my knowledge of the Council.

18 My audit did not identify any significant deficiencies in internal control. In the review of the new revenues and benefits system Internal Audit have identified a number of control improvements which management have agreed to address. I will report further on completion of my Housing Benefit and Council Tax benefit certification work.

19 In addition I also identified a control weakness on journal processing which management have agreed to address. This matter summarised in table 4.

Table 4: **Weaknesses in internal control**

Description of weakness	Potential effect	Management action
Some journals process transactions in the general ledger which have not already gone through feeder systems. It is important therefore journals are authorised. There is currently no authorisation step within the Agresso system.	The ability to process journals is restricted to finance staff. This reduces the risk. We carried out additional testing on journals and found no further issues to report. We will continue to perform additional testing until we have assurance planned improvements are working.	The intention is that the planned upgrade to financial ledger will address this control weakness.

20 These weaknesses are only those I identified during the audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

Recommendation

R2 Strengthen controls over the authorisation of journals.

Quality of your financial statements

21 I consider the qualitative aspects of your accounting practices, accounting policies, accounting estimates and financial statement disclosures. Table 5 summarises the issues I want to raise.

Table 5: **Accounting policies, practices and financial statement disclosures**

Issue	Finding
<p>Property valuation</p> <p>The Council is required to ensure that valuations for assets are materially correct</p> <p>Working papers were of a good standard overall. Some audit time was lost though due to valuation schedules being altered after asset values had been recorded in the Statements.</p>	<p>Martins Heron community centre and associated land is included in the asset register but incorrectly at no value.</p> <p>PFI assets carried at construction cost, are now operational but have not been revalued.</p> <p>As reported in my previous audit the closed Downside Resource Centre is included in the balance sheet without provision for impairment pending a decision on its future use. It should be reviewed for impairment.</p>
<p>Schools capital expenditure</p> <p>Schools are required to complete a return showing capital items purchased through the imprest system during the year.</p> <p>These returns should then be analysed so that completed work can be reclassified from Assets under Construction to Other Land and Buildings and revalued appropriately.</p>	<p>The capital return was not initially available for all schools and the analysis and revaluation not undertaken for assets under construction.</p>
<p>Capitalisation threshold</p> <p>The Council has a capitalisation threshold of £2,000 - assets below this value should not be capitalised.</p>	<p>My audit identified some assets below the Council's capitalisation threshold have been incorrectly capitalised.</p>
<p>Leave accrual</p> <p>The Council is required to make an accrual for unpaid leave at the year end. The accrual is based on a percentage estimate.</p>	<p>The wrong rate was applied for teachers' leave for 2010/11 and 2009/10. The impact of this is shown in Appendix 3.</p>
<p>Related party transactions</p> <p>The related party transactions note 45 discloses material transactions with bodies or individuals that have the potential to control or influence or be controlled or influenced by the Council. I reported last year that the Council needed to improve processes for compiling related party transactions.</p>	<p>The Council improved its arrangements for identifying transactions this year and asked the Chair of the Governance and Audit Committee to follow up outstanding returns from Members. Nine Council Members did not return their declarations for 2010/11.</p>
<p>Termination benefits</p> <p>The disclosure of termination benefits to officers is a new requirement in the 2011 Code. We reviewed the disclosure in Note 11 to the accounts and found the note to be fairly stated.</p>	<p>Most termination benefits are payable entirely in accordance with statutory terms. I identified scope to improve the process where discretionary payments are involved.</p>

22 As a result of these issues of accounting practice and I would like to make the following recommendations.

Recommendations

R3 In relation to capital expenditure and valuations:

- Ensure that all assets and up-to-date valuations are in the asset register and the statements.
- Ensure information is available from schools regarding capitalisation of assets.
- Ensure all new assets under construction are transferred to other land and buildings and revalued upon completion.
- Apply the Council's capitalisation policy consistently regarding assets below capitalisation threshold.
- Continue to improve evidence supporting property valuations.

R4 Review the process for the payment of employee termination payments.

R5 Continue to improve processes for recording related party transactions.

Significant matters that were discussed or subject to correspondence with management

23 I have raised the following significant matters with management and I bring these to your attention in terms of open and transparent communication.

Non Current Assets

24 The issue of the accounting treatment of non-current assets used by the different categories of maintained schools has been subject to debate for a number of years. The move to International Financial Reporting Standards (IFRS) has meant that the treatment of non-current schools' assets has been subject to further discussion and debate.

25 The debate arises because the circumstances of each of the categories of maintained schools, such as ownership and access to economic benefits and service potential are different. The preliminary view set out by CIPFA on this issue indicates that non-current assets used by voluntary controlled, voluntary aided and foundation schools are not the assets of local authorities.

26 This view accords with the current accounting policy applied by the Council and therefore no change has been proposed to the recognition of these assets in the balance sheet upon first time adoption of IFRS.

Infrastructure assets

27 Infrastructure assets are measured in the accounts at historical cost. All other classes of assets, except assets under construction and community assets, are held at fair value or depreciated replacement cost (DRC). HM Treasury have expressed concern that the valuation of local government infrastructure assets is inconsistent with the measurement of similar assets, in the Whole of Government Account (WGA).

28 In consulting on the draft Code of Practice for 2012/13, CIPFA has proposed two possible alternative approaches to the recognition and disclosure of infrastructure assets, allowing authorities to:

- measure transport infrastructure assets at DRC in accordance with the requirements of the Infrastructure Code; and
- continue to measure transport infrastructure assets at historical cost.

29 Compliance with the Infrastructure Code will result in authorities developing robust highways infrastructure asset inventories and management plans which will assist in confirming the existence of relevant assets. Many authorities will need to undertake a significant amount of work to improve their transport infrastructure asset management systems. Proof of existence of highways infrastructure assets is a prerequisite for the materially correct measurement of those assets.

Recommendation

R6 Review the requirements of the Infrastructure Code and ensure asset management systems and accounting records are developed to enable the authority to meet the new reporting requirements.

Letter of representation

30 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation.

Value for money

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

31 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission.

32 My conclusion on each of the two areas is set out below.

Table 6: **Value for money criteria and findings**

Criterion	Findings
<p>1. Financial Resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>I have concluded that the Council has adequate arrangements to secure financial resilience. The Council:</p> <ul style="list-style-type: none"> ■ has a track record of achieving revenue budgets; in 2010/11 it achieved an underspend of £1.682 million; ■ has engaged with members and staff on the financial challenges it faces; ■ is re-visiting its medium term financial plans accordingly with a view to prioritising resources and renewing the Council's strategy from 2012/13; these will need to be updated for changes in Local Government finance settlements; ■ has general fund and earmarked reserves balances to ensure there are funds to meet unexpected costs. In 2010/11 the Council was able to make a contribution to reserves of £1.125 million instead of a planned withdrawal of £0.557 million; and ■ experienced significant slippage on its planned capital programme in 2010/11. Whilst the overall backlog remains high resources have been targeted towards priority maintenance obligations. <p>The main risk to financial resilience is the challenge of achieving a balanced budget over the medium term with reduced funding.</p>

Criterion	Findings
<p>2. Securing economy, efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2010/11:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>I have concluded that the Council has adequate arrangements for challenging how it secures economy, efficiency and effectiveness. The Council:</p> <ul style="list-style-type: none"> ■ has recognised that difficult decisions about priorities and services lie ahead and has established a framework to determine and identify options for delivering priorities; ■ consults with staff and residents over prioritisation of services; ■ has a track record of continuously achieving efficiencies through its Service Efficiency Strategy; ■ has a culture of constantly reviewing services to improve delivery and uses benchmarking information to inform its service reviews; ■ has overall costs which compare well with others. The Council knows which services are higher cost and can demonstrate that these are due to priorities; and ■ has continued to develop its governance arrangements over the year particularly performance and risk management, and procurement. <p>The Council needs to maintain an emphasis on strategic policy changes and longer-run savings programmes to shift the balance away from an annual round of targets to balance the revenue budget.</p>

33 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.

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.

34 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 11);
- take note of the adjustments to the financial statements which are set out in this report (appendix 2);
- agree to adjust the errors in the financial statements I have identified that management has declined to amend or set out the reasons for not amending the errors (appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 4); and
- request officers to respond to the recommendations made in my report.

35 I will be pleased to present the report and discuss any matters arising at your Governance and Audit Committee meeting on 29 September 2011.

Phil Sharman
District Auditor

September 2011

Appendix 1 Draft independent auditor's report to Members of Bracknell Forest Borough Council

Opinion on the Authority accounting statements

I have audited the accounting statements of Bracknell Forest Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and 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 Bracknell Forest Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, the Borough Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Bracknell Forest Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Bracknell Forest Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

Phil Sharman
District Auditor

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

September 2011

Appendix 2 Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities.

Table 7: **Agreed amendments to the financial statements**

Description of error	Accounts affected	Comprehensive income and expenditure statement (CIES)		Balance sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
<p>1) Exceptional and material items.</p> <p>The impact of the change of uprating public service pensions with the CPI rather than the RPI is relevant to an understanding of the Council's financial performance. It should be given a degree of prominence necessary to give a true and fair view of the accounts and disclosed separately as an exceptional item the CIES.</p>	<p>Dr Corporate and Democratic Core on the CIES</p> <p>Cr Exceptional items line on the CIES</p>	29,300			
			29,300		

Description of error	Accounts affected	Comprehensive income and expenditure statement (CIES)		Balance sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
2) Financial instruments (note 42) should not include amounts which do not arise from contracts. The note currently includes National Insurance, PAYE and Teachers' Pensions	Impacting on the note 42 only and not the balance sheet Cr - Debtors Government VAT £1,032,621 Dr - Creditors Government Tax/NI £2,069,618 Teachers Super £557,480 Dr - Creditors other public bodies LG super £792,190			2,627	1,033
3) to reconcile the CIES to note 5 - amounts reported for resource allocation decisions	Dr Cost of Services Cr Cost of Services	310	310		

4) In addition we identified and agreed correction of non-material errors and presentational and disclosure adjustments, including 2009/10 restated cash flow entries. These errors relate mainly to the application of new accounting guidance under the IFRS based code.

Agreed audit adjustments have been summarised in a report to management and have been validated in the final version of the financial statements.

Appendix 3 Unadjusted misstatements in the financial statements

I identified the following misstatements during my audit, including uncorrected misstatements brought forward from earlier years, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities and ask you to correct these misstatements. If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Table 8: **Unadjusted errors in the financial statements**

Description of error	Accounts affected	Comprehensive income and expenditure statement (CIES) and Movement in Reserves Statement (MIRS)		Balance sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1) Holiday and Flexitime accrual overstated	Dr - Leave creditor overstated			742	
	Cr Accumulated Absences Account - overstated				742
	Cr CIES in-year credit overstated		1,128		
	Dr CIES prior year debit - understated	386			
	Dr MIRS (Accumulated Absence Account) understated	742			

Description of error	Accounts affected	Comprehensive income and expenditure statement (CIES) and Movement in Reserves Statement (MIRS)		Balance sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
2) Valuation of fixed asset Martins Heron - community centre and land values are included in the asset register but at no value	Dr Property Plant and Equipment Cr Revaluation Reserve			362	362
3) Assets capitalised incorrectly	Dr CIES Cr Property Plant and Equipment	56			56
4) Housing Benefit and Council Tax Subsidy Based on an extrapolation of errors found so far our initial sample for certification testing there is a potential over claim of subsidy. Overpaid benefit due to local authority error may also be recoverable from claimants	To reflect potential errors in subsidy claimed Dr CIES - Other Housing Services Cr Creditors Government departments (note 30)	150			150

Description of error	Accounts affected	Comprehensive income and expenditure statement (CIES) and Movement in Reserves Statement (MIRS)		Balance sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
Overpaid benefit due to local authority error may also be recoverable from claimants	to reflect recovery of overpayments Dr Sundry debtors (note 28)			150	
	Cr CIES - Other Housing Services		150		
5) Central government income in respect of 2011/12 has been incorrectly included in the 2010/11 accounts as a creditor rather than income in advance for 2011/12	Dr Crs (short term) Cr Receipts in Advance (short term)			99	99
6) misclassification of income property income	Dr CIES trading undertakings Cr CIES - investment income in relation to investment properties	156	156		
7) invoice not accrued to 10/11 (extrapolation)	Dr CIES Cr Creditors	442			442
8) Infrastructure assets based on an extrapolation - we were unable to verify capital expenditure for part of a sample on infrastructure expenditure brought forward from previous years	Dr CIES	322			

Description of error	Accounts affected	Comprehensive income and expenditure statement (CIES) and Movement in Reserves Statement (MIRS)		Balance sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
	Cr Infrastructure				322
	Dr Capital Adjustment Account			322	
	Cr MIRS		322		

Appendix 4 Draft letter of representation

Phil Sharman
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Bracknell Forest Borough Council - Audit for the 2010/11 period ended 31 March 2011.

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Members, officer and officials of Bracknell Forest Council the following representations given to you in connection with your audit of the Council's financial statements for the 2010/11 year ended 31 March 2011. All representations cover the Council's included within the financial statements.

Compliance with the statutory authorities

I have fulfilled 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/International Financial Reporting Standards which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance within the Council – the Governance and Audit Committee - and the reasons for not correcting these items are as follows;

- uncertainty as to the amount; and
- they are not material to the overall context of the Council's financial statements.

Supporting records

All relevant information and access to persons within the entity has 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 financial statements.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

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

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;
- 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; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. 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.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

I confirm for valuations of Other Land and Buildings the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the process.

Other representations

The Council does not own the freehold of playing fields for Voluntary Aided Schools and accordingly these are not included in the Statement of Accounts.

Related party transactions

I confirm that I have disclosed the identity of Bracknell Forest Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Bracknell Forest Council

I confirm that the this letter has been discussed and agreed by the Governance and Audit Committee on 29 September 2011

Signed

Name: Alan Nash

Position: Borough Treasurer

Date: 29 September 2011

Appendix 5 Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

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.

If I agree that 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 that the statements give a true and fair view.

Materiality (and significance)

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

'Significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper adequate arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission. The two specified criteria for Unitary Authorities are:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

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

The Code of Audit Practice also defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;

- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

I am required to report by exception if I find that the body did not have these proper arrangements in place.

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- any director/member or officer in their individual capacity; or
- any third party.



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