

Bracknell Forest Council

Year ending 31 March 2014

Annual Audit Letter

October 2014



Building a better
working world

The Members of Bracknell Forest Council
Easthampstead House
Town Square
Bracknell
Berkshire
RG12 1AQ

21 October 2014

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Bracknell Forest 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 of the Council in the following report:

Bracknell Forest Council audit results report
for the year ended 31 March 2014

Presented to the Governance and Audit
Committee on 25 September 2014

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

We would like to take this opportunity to thank the officers of Bracknell Forest Council for their assistance during the course of our work.

Yours faithfully



Helen Thompson
For and behalf of Ernst & Young LLP
Enc

Contents

1. Executive summary	1
2. Key findings.....	3
3. Control themes and observations	6

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 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued in March 2014 and is 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 the Annual Governance Statement, the Council reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of governance arrangements in the year, and on any planned changes in the coming period. The Council is also responsible for putting in place 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 the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ 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 Bracknell Forest Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 25 September 2014 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 25 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Council (the Governance & Audit Committee) communicating significant findings resulting from our audit.	On 25 September 2014 we issued our report to 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 25 September 2014.
Consider the completeness of disclosures in the Council's 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.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of 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 25 September 2014 we issued our audit completion certificate.

Issue a report to those charged with governance of the Council summarising the certification of grant claims and returns work that we have undertaken.

We will issue our annual certification report to those charged with governance for 2013/14 upon completion of our grants work

2. Key findings

Financial statements 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 25 September 2014.

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:

Significant risk 1: Localisation of Business Rates

Issue:

- ▶ The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme half the business rates collected by councils are retained locally and half paid over to central government. The potential cost of successful rateable value appeals is significant to the Council. There is also a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.

Findings:

We are satisfied the Council developed an approach to ensure that a materially accurate and complete provision is included in the financial statements, and the provision has been calculated correctly based on an analysis of available information and professional judgment.

Significant risk 2: Risk of management override

Issue:

- ▶ Auditing standards require auditors ordinarily to presume there are risks of fraud in revenue recognition. We identify and respond to this fraud risk on every audit engagement.

Finding:

Our work identified no material misstatement due to fraudulent financial reporting.

Value for money conclusion

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

In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on two criteria:

- ▶ the organisation has proper arrangements in place for securing financial resilience; and
- ▶ the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 25 September 2014.

We noted the following issues as part of our audit.

Key finding 1: Financial Resilience

- ▶ The ongoing discussions around the future of the town centre redevelopment draws attention to the need for the Council to review its current approach to long-term financial planning and strategies. Current arrangements are 'fit for purpose' to support high-level financial planning. However, these need updating to support the volatility and uncertainties of the town centre redevelopment, the wider capital programme and the continued financial pressures in which the Council will operate.
 - ▶ The future capital programme is likely to present a step change to an already complex and ambitious set of schemes. It will require detailed forward planning, funding and cost control arrangements. Outline proposals identify a capital programme of some £100 million with funding from the Council of somewhere between £25 – 70 million depending on how much government funding is received to support increasing school capacity. These plans mean the Council is likely to need, longer-term, to seek borrowing to fund its longer-term capital plans for new schools, and other developments, including the town centre redevelopment.
 - ▶ More widely, the Council is also operating in an increasingly difficult financial environment with pressure on central funding and a growing incremental gap between service requirements and funding. Whilst the Council continues to hold a good level of reserves, these are unlikely, on their own, to bridge the forecast funding gap over the next three years.
 - ▶ In light of these challenges, the Council needs to develop a more formalised and consolidated suite of processes to support and inform the medium term financial strategy. Forward planning in the current environment will need to support a number of scenarios, and the Council needs to establish a means of setting out the likelihood of these with the necessary financial modelling to support them, often at short notice. The medium-term plan should be clearly linked to detailed cashflow and treasury management plans as well as setting out a strategy on borrowing and debt repayment. The Council could draw on best practice examples from both the local government sector and commercial sector in reviewing current arrangements to address the greater complexities and variables the Council needs to take into account.
-

Key finding 2: Better Care Fund

- ▶ The Council has liaised with the local commissioning care group to establish the structures to implement the Better Care Fund (BCF) during 2013/14. The Council has existing links with its main health commissioner and these have underpinned the development of an outline plan for delivery of BCF in February 2014 in accordance with the national timetable for development and submission of plans. This will shape the service developments and changes – and associated financial, IT and workforce strategies to support delivery – but these are at an early stage of development and will be worked up during 2014/15. The Council needs to ensure its involvement in developing the key infrastructure to deliver this balances putting systems in place to support the structures as well as ensuring it is not exposed to additional risks and financial costs.
-

Objections received

We did not receive any questions or objections to the 2013/14 accounts from members of the public.

Whole of government accounts

We reported to the National Audit Office on 25 September 2014 the results of our work performed in relation the accuracy of the consolidation pack the Council is required to prepare for the whole of government accounts.

We confirmed the Council falls below the audit threshold, and our work did not identify any areas of concern.

Annual governance statement

We are required to consider the completeness of disclosures in the Council's 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 have no issues to report.

Use of other powers

We identified no issues during our audit that would necessitate using powers under the Audit Commission Act 1998, including reporting in the public interest.

Certification of grants claims and returns

We intend to present our annual certification report for 2013/14 to those charged with governance in January 2015 when our work on 2013/14 grant claims and returns is complete.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to those charged with governance at the Council any significant deficiencies in internal control.

We noted through our procedures that Wilks, Head & Eve, the Council's chartered surveyors, had included finance costs within the valuation of assets subject to their review as part of the 5 year rolling programme in 2011/12 and 2012/13. The inclusion of finance costs within the valuation is inconsistent with the CIPFA Code, which stipulates that all investment property and land and buildings should be revalued using the "instant build" approach, which excludes finance costs incurred on the asset. The valuers correctly excluded finance costs in the 2013/14 valuations.

We recommended that finance officers and the Council surveyors communicate this issue to Wilks, Head & Eve. Council officers should also perform regular verification of valuations performed by Wilks, Head & Eve, to ensure finance costs are being excluded from future valuations

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

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

ey.com