

TITLE	Annual Audit Letter 2013/14
FOR CONSIDERATION BY	Audit Committee on 9 December 2014
WARD	None Specific
STRATEGIC DIRECTOR	Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

External Audit provides independent assurance over the way the council uses its resources including the production of its financial statements.

RECOMMENDATION

That the Audit Committee consider the attached letter.

SUMMARY OF REPORT

This letter summarises Ernst & Young's 2013/14 audit of Wokingham Borough Council. It includes the high-level messages highlighted in Ernst & Young's Audit Results Report which was presented to the Audit Committee on 23 September 2014.

Ernst & Young issued an unqualified opinion on the financial statements for the year ending 31st March 2014 and concluded that the council had made proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Ernst & Young certified completion of the audit.

The Annual Audit Letter confirmed that no action had been taken by External Audit under the Audit Commission Act 1998 in respect of the audit of the 2013/14 financial statements.

Background

See above.

Analysis of Issues

See above.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	N/A	N/A
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

Other financial information relevant to the Recommendation/Decision

N/A

Cross-Council Implications (how does this decision impact on other Council services and priorities?)

N/A

Reasons for considering the report in Part 2

N/A

List of Background Papers

Ernst & Young's Audit Results Report – Presented to Audit Committee on 23 September 2014

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Date 1 December 2014	Version No. 1

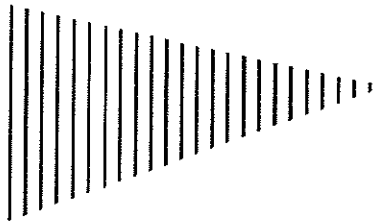
Annual Audit Letter

Year end 31 March 2014

Wokingham Borough Council

17 October 2014

Ernst & Young LLP



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working world



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17 October 2014

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Wokingham Borough 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 Wokingham Borough Council in our audit results report issued on 11 September issued on 11 September 2014.

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

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

Yours faithfully,

Maria Grindley
Director
For and behalf of Ernst & Young LLP
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1. Executive summary

Our 2013/2014 audit work has been undertaken in accordance with the Audit Plan we issued in April 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 Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority 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 Authority 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 Wokingham Borough Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK and Ireland)	On 29 September 2014 we issued an unqualified audit opinion.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 29 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit Committee) communicating significant findings resulting from our audit.	On 11 September 2014 we issued our audit results report.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 23 September 2014
Consider the completeness of disclosures in the Authority'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 29 September 2014 we issued our audit completion certificate.

2. Key findings

2.1 Financial statement audit

We audited the Authority'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 29 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: Accounting for local retention of business rates

The Business Rates Retention Scheme came into force on 1 April 2013. Where local businesses believe the current rateable value for business properties is wrong they can appeal. Where rating appeals are successful, monies to settle appeals will come out of the Council's collection fund reducing the rate income shared by the Council with the CLG and Royal Berkshire Fire Authority. This includes both claims from 1 April 2013 and claims that relate to periods before the introduction of the scheme. As appeals are to the Valuation Office Agency (VOA), authorities may not be aware of the level of claims. Appeals can be speculative in nature and multiple appeals can be made against the same property and valuation on different grounds.

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.

We assessed the reasonableness of the Council's methodology in estimating the provision in respect of rateable value appeals at the balance sheet date.

This involved consideration of both the completeness and accuracy of the data on the number of appeals and the basis for the assumptions made by the Council on the likelihood of success.

We were satisfied that the Council applied reasonable estimation techniques in determining the amount of provision it included in its accounts.

Significant risk 2: Risk of management override

Our general audit work on journals, accounting estimates and significant unusual transactions identified no matters that we need to bring to the Council's attention.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority 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 2013/2014 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 29 September 2014. Our audit did not identify any significant matters.

Other risk: Achievement of savings plan

We found that the Council achieved an underspend against budget and has set a balanced budget for 2014/15. The Council through its medium term financial plan is aware of future budget pressures and is considering a number of ways to improve efficiencies including the outsourcing of back office functions.

2.3 Objections received

We received no objections to the 2013/2014 accounts from members of the public.

2.4 Whole of government accounts

We reported to the National Audit office on 23 September 2014 the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts. We did not identify any areas of concern.

2.5 Annual governance statement

We are required to consider the completeness of disclosures in the Authority'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 completed this work and did not identify any areas of concern.

2.6 Certification of grants claims and returns

We will be undertaking work certifying one grant claim and one return in 2013/14. This work is currently on going. We will report on our findings in the Annual Certification Report which we will issue in December 2014.

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 of internal control we communicated to those charged with governance at the Authority, as required, significant deficiencies in internal control.

We completed this work and did not identify any areas of concern.

4. Audit Fee

A breakdown of our agreed fee is shown below.

	Proposed Final Fee 2013-14	Scale Fee 2013-14	Explanation of variance
	£'000	£'000	
Total Audit Fee – Code work	139,752	139,752	
Certification of claims and returns	8,324	6,917	1,407*
Non-audit work (provide details)	21,000	0	see below***

* The scale fee did not include an amount for the certification of the CFB06 return, which we were required to certify.

** We have undertaken non-audit work outside of the Audit Commission's Audit Code requirements. This work provided financial analysis in respect of its on-going discussions on with FCC Environment (previously named Waste Recycling Group) to Wokingham, Bracknell Forest & Reading Councils.

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