



**St Edmundsbury Borough Council**

Year ending 31 March 2014

**Annual Audit Letter**

28 October 2014

Performance and Audit Scrutiny Committee  
St Edmundsbury Borough Council  
West Suffolk House  
Western Way  
Bury St Edmunds  
IP33 3YU

28 October 2014

Dear Members,

## **Annual Audit Letter**

The purpose of this Annual Audit Letter is to communicate to the Members of St Edmundsbury 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 St Edmundsbury Borough Council in the following report:

2013/14 Audit Results Report for St  
Edmundsbury Borough Council

Issued 12 September 2014

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

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

Yours faithfully

Neil Harris  
Director  
For and behalf of Ernst & Young LLP  
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## Contents

<b>1. Executive summary .....</b>	<b>2</b>
<b>2. Key findings .....</b>	<b>4</b>
<b>3. Control themes and observations.....</b>	<b>6</b>

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 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 Council 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 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:

<p>Audit the financial statements of St Edmundsbury Borough Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK &amp; Ireland)</p>	<p>On 24 September 2014 we issued an unqualified audit opinion in respect of the Council.</p>
<p>Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.</p>	<p>On 24 September 2014 we issued an unqualified value for money conclusion.</p>
<p>Issue a report to those charged with governance of the Council (the Performance and Audit Scrutiny Committee) communicating significant findings resulting from our audit.</p>	<p>On 24 September 2014 we issued and presented our report in respect of the Council to the Performance and Audit Scrutiny Committee.</p>
<p>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.</p>	<p>We reported our findings to the National Audit Office on 25 September 2014.</p>
<p>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.</p>	<p>No issues to report.</p>

Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	We did not issue such a report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	We did not take such action.
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 2014 we issued our audit completion certificate.
Issue a report to those charged with governance of the Council summarising the certification (of grants claims and returns) work that we have undertaken.	We plan to issue our annual certification report to those charged with governance with respect to the 2013/14 financial year by 31 January 2015.

## 1.1 Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Planned fee	Scale fee	Final
Code audit work	£57,456	£57,456	£59,456
Certification of claims and returns	£41,096	£41,096	See note below
Non-Code work	Nil	N/A	Nil

Our final fee includes an additional fee of £2,000. This is a proposed fee variation and is subject to Audit Commission approval. As reported in our Audit Results Report we have undertaken more work than anticipated in agreeing the financial statements disclosures. We have also spent extra time in understanding the audit trail which supported the financial statements following the change in the general ledger and also tracking through all the amendments to the draft accounts, either from our own work or those subsequently identified from the Council.

Work on the certification of claims and returns is not yet complete. We will report our final fee for the certification work in our report to be issued by 31 January 2015.

We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

## 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 25 September 2014.

In our view, the quality of the process for producing the accounts was generally good. The review process could be further strengthened by ensuring that supporting working papers provided for audit readily agree with disclosures within the financial statements.

The main issues identified as part of our audit were:

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#### Significant risk 1: Risk of management override

We did not identify any material instances of fraud or error.

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#### Significant risk 2: Localisation of business rates

Our audit work confirmed that the accounting treatment adopted by the Council for business rates was appropriate and in compliance with the CIPFA Code of Practice.

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#### Significant risk 3: System changes

Our review of the work of Internal Audit, as well as our own work on the general ledger system did not raise any issues over the completeness and integrity of the data transferred to the new system.

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#### Other key findings:

We identified one material misstatement during our audit. This related to £4.5 million which was reclassified from cash and cash equivalents to short term investments.

Management have corrected all the misstatements we identified. None of the adjustments made impacted on the Council's useable reserves.

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### 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 2013/14 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. Our audit did not identify any significant matters.

### **2.3 Objections received**

No objections have been received in respect of the 2013/14 financial year.

### **2.4 Whole of government accounts**

We reported to the National Audit office on 25 September 2014 the results of our work performed in relation to the accuracy of the consolidation pack the Council 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 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 completed this work and did not identify any areas of concern.

### **2.6 Certification of grants claims and returns**

We have not yet completed our work on the certification of grants and claims. We will issue the Annual Certification Report for 2013/14 in January 2015.

### **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 communicated to those charged with governance at the Council, as required, significant deficiencies in internal control.

We had no such matters to report.



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