

Milton Keynes Council

Year ended 31 March 2013

Annual Audit Letter

21 October 2013

Ernst & Young LLP



Building a better
working world

The Members
Milton Keynes Council
Civic Offices
1 Saxon Gate East
Central Milton Keynes
MK9 3EJ

21 October 2013

Dear Member

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Milton Keynes 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 Milton Keynes Council in the following reports:

2012-13 Audit results report for Milton
Keynes Council

Issued 24 September 2013

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

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

Yours faithfully

Mick West
Director
For and behalf of Ernst & Young LLP
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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 Audit Results Report 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 2012-13 audit work has been undertaken in accordance with the Audit Plan we issued in April 2013 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 it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its 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 the Authority has in place to secure economy, efficiency and effectiveness in its use of resources
- ▶ 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 Milton Keynes Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland).	On 27 September 2013 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 27 September 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 24 September 2013 we issued our report in respect of the Authority.
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 4 October 2013.
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	No issues to report.

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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 8 October 2013 we issued our audit completion certificate.
Issue a report to those charged with governance of the Authority summarising the certification (of grants claims and returns) work that we have undertaken.	On 31 October 2012 we issued to those charged with governance our annual certification report with respect to the 2011-12 financial year.

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 auditor's report on 27 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

When we planned our audit of the financial statements we identified one significant risk: the Authority had to prepare group accounts for the first time in 2012-13. We found that:

- ▶ Management had appropriate arrangements in place to compile the group financial statements
- ▶ The Authority made appropriate disclosures for group accounts

Our audit of the financial statements did not identify any significant matters.

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 2012-13 our conclusion was based on two criteria:

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

We issued an unqualified value for money conclusion on 27 September 2013. Our audit did not identify any significant matters.

During 2012-13 the Authority set up two limited liability partnerships. Our approach focussed on how the Authority had determined that the formation of these partnerships would help it secure financial resilience. We were satisfied the Authority had proper arrangements for setting up the partnerships.

2.3 Whole of Government Accounts

We reported to the National Audit office on 4 October 2013 the results of our work performed in relation to 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.

2.4 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.

2.5 Certification of grants claims and returns

We issued our Annual Certification Report for 2011-12 to those charged with governance, the Audit Committee, in October 2012. In 2011-12 we checked and certified five claims and returns. We carried out three limited and two full reviews. We found no errors. We could not fully certify one return and issued a qualification letter. The Authority had carried out most of the recommendations from the previous year and improved its arrangements.

We will issue the Annual Certification Report for 2012-13 in January 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 control we have to communicate significant deficiencies to those charged with governance, the Audit Committee. We had no matters to report.

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