

Annual Governance Report

Bedfordshire County Council

Audit 2008/09

Date 18 September 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

2008/09 Draft Annual Governance Report

I am pleased to present my Draft report on the results of my audit work to date for 2008/09.

A draft of the report was sent to the Central Bedfordshire Director of Resources on 18 September 2009.

The Draft report sets out the key issues that you should consider based on my findings to date before I complete the audit.

It asks you to:

- consider the matters raised in the report
- 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, which 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
- agree your response to the proposed action plan (Appendix 6).

Yours faithfully

Debbie Hanson
District Auditor
18th September 2009

Key messages

This report summarises the findings from the 2008/09 audit to date. There are still a number of outstanding issues to be resolved. It includes the messages arising from my audit of your financial statements and a progress report on the work I have undertaken to assess how well you use and manage your resources to deliver value for money.

Financial Statements	Results	Page
Unqualified audit opinion (in progress)	To be confirmed (TBC)	7
Financial statements presented for audit free from error	No	7
Adequate internal control environment	Yes	7
Use of Resources		
Adequate arrangements to secure value for money	TBC	13

Audit opinion

- 1 Our work on the 2008/09 financial statements is still in progress. We received the final statements of account for audit on 27 July 2009, the date that they were approved by Central Bedfordshire Audit Committee. Central Bedfordshire Council, as a single tier council responsible for the preparation of final accounts for more than one predecessor council, was required to approve the accounts of the predecessor councils by 31 July 2009 rather than 30 June. The deadline for the publication of the accounts is unchanged at 30 September.
- 2 There are still a number of outstanding issues to be resolved before we can issue an opinion. At the time of writing this report work is still outstanding on all areas of the accounts with the exception of the Pension Fund.
- 3 In concluding the outstanding work should any further matters arise, that need to be reported to you, we will raise them with Chair of this Committee.

Financial statements

- 4 Subject to the satisfactory completion of the outstanding work set out above, the District Auditor proposes issuing the audit opinion by 30 September 2009. If we are unable to conclude our work by that date we will bring an updated Annual Governance Report (AGR) to the October meeting of this Committee.

Key messages

- 5 Our work on the financial statements of the pension fund is substantially complete and we have concluded that the statements present fairly the financial transactions of the pension fund. A separate Annual Governance Report setting out the findings of the Pension Fund audit is also being reported to this Committee.
-

Use of resources

- 6 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. Due to Local Government Reorganisation in Bedfordshire, I am not required to give a scored Use of Resources assessment at Bedfordshire County Council for 2008/09. I am however still required to give a VFM conclusion.
 - 7 Our work in this area is still in progress. In particular we have identified a risk in respect of performance information and as a result are testing some performance indicators published in 2008/09.
-

Audit Fees

- 8 In my original audit plan, the estimated fee for the opinion audit (excluding the Pension Fund audit) was based on my best estimate at the time and agreed at £255,876 (out of a total 2008/09 audit and inspection fee of £304,500).
- 9 In my supplementary audit opinion plan issued to the BCC Director of Human and Financial Resources, having considered the risks at that time, I remained satisfied that the original fee estimate would remain appropriate if the risks identified at that time were addressed and no additional risks arose that might impact on the level of audit fee.
- 10 We will reassess this fee when the audit is concluded. However, at the current time we believe that we may need to charge additional fee in respect of the following:
 - additional work above that originally planned, is required to assess your arrangements to secure value for money;
 - we may need to carry out additional work to verify the impairment figures in the accounts (see table 1 below).
- 11 We will keep officers informed of any additional fee required and update Members at the October meeting of the Audit Committee.

Next steps

This report identifies the key messages, based on my audit work completed to date, 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.

12 I ask the Audit Committee to:

- consider the matters raised in the report (pages 4 to 13);
- 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 which management has declined to amend or set out the reasons for not amending the errors (Appendix 3);
- take note of the VFM Conclusion;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 5).

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 publish the financial statements and the annual governance statement.

Opinion on the financial statements

13 Subject to satisfactory clearance of outstanding matters, 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.

Errors in the financial statements

14 Our work to date has identified one material error in the accounts submitted for audit. This relates to the presentation of the Area Based Grant (ABG) in the Income and Expenditure (I&E) Account. The grant totalled £17.517m in 2008/09.

15 The SORP guidance states that the ABG should be consolidated with Revenue Support Grant (RSG) on the face of the I&E account under "non specific" grants. It has currently been apportioned over the service headings in the top half of the account.

16 Officers have agreed to amend the accounts for this error as set out in Appendix 2. We have also identified other non material and non trifling errors these are set out in Appendix 3..

17 There is a material difference in the amount of impairment that the Council has put through their accounts for schools land (-50% as per index advised by their valuer, Mouchel) and the impairment that would have been charged based on the index suggested in the report by Audit Commission's valuer Gerald Eve (-32.75%). This difference is quantified as £66m against a materiality level of £10.3m.

18 We have asked officers to provide further evidence from Mouchel to support their estimate of 50%.

Recommendation
R1 Amend the accounts to disclose ABG in line with SORP requirements.
R2 Provide further evidence to support Mouchel's estimate for 50% impairment of schools land.

Material weaknesses in internal control

19 We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware. You have been made aware, through the work of Internal Audit, of the continued concerns around the operation of controls in the payroll system. We have taken this into account in planning our work on the statement of accounts (see table 1 below)

Recommendation

R3 Ensure the recommendations made by Internal Audit in respect of the Payroll system, which is now being used by Central Bedfordshire Council, are implemented.

Letter of representation

20 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

21 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>The audit of the financial statements of a demised body contains a significant amount of inherent risk. In particular:</p> <ul style="list-style-type: none"> • closedown working papers will not be of a sufficient standard to fully support all the entries in the draft financial statements; • there may be unexpected loss of key personnel during the audit period (July-September 2009). • controls may not be operating correctly during the period due to 	<p>We have worked closely with the finance team in order to minimise these risks.</p> <ul style="list-style-type: none"> • A set of 9 month accounts was prepared and made available in March 2009 and we were able to carry out some early work on areas including disposals of fixed assets. However, the majority of our work could not start until we received the final statements of account on 27 July 2009. • Key personnel have remained in post with the exception of the

Financial statements

Issue or risk	Finding
<p>loss of staff, low morale resulting in a substantive approach being required; and</p> <ul style="list-style-type: none"> key supporting records may not be able to be located (for example due to relocation or departure of officers). 	<p>capital accountant (covered by a temporary post).</p> <ul style="list-style-type: none"> See below in respect of payroll system control issues. Although to date we have not experienced any examples of key supporting documents not being available, there have been delays in receiving responses to our audit queries. In particular we are still waiting for explanations to audit queries raised as a result of our analytical review of the statements of account.
<p>In 2007//08 Internal Audit (IA) assessed the payroll system as adequate with reservations and highlighted this as a significant risk in the Annual Governance Statement (AGS).</p>	<p>In 2008/09 IA found weaknesses in the new SAP payroll system and issued a limited assurance opinion. This has been included in the 2008/09 AGS.</p> <p>As in previous years we have carried out additional substantive testing on the payroll figure in the statement of accounts. Our work on the payroll analytical review is substantially complete. There are no issues that we need to raise with you at this time.</p>
<p>There may be delays in obtaining management responses to IA recommendations in their managed audit reports, therefore resulting in delays in finalising reports.</p>	<p>There were delays in IA being able to obtain management responses to their managed audit reports in 2008/09. However, draft reports were made available to us and this did not have a significant impact on our audit work.</p>
<p>There are, as last year, some changes to the SORP, which will need to be taken account of in preparing the accounts. In particular from 2008/09 onwards the SORP 2008 has removed the term deferred charge and replaced it with the term "revenue expenditure funded from capital under statute".</p>	<p>See table 2 for issues relating to compliance with the SORP that we need to bring to your attention.</p>
<p>The 2007/08 audit identified a number of issues relating to capital accounting.</p>	<p>We have yet to complete our audit of fixed assets and capital accounting. The only material issue that we need to raise with you at this time is in respect of</p>

Issue or risk	Finding
	<p>impairment, as outlined below.</p> <p>There is also an issue still to be resolved regarding the part disposal of two land assets in year and the timing of the Mouchel revaluation for the opening balances for these assets. There is a possibility that the revaluation included in the accounts as at 1/4/08 is understated as Mouchel only revalued the un-disposed elements of the land still owned in December 2008, the date the revaluation was undertaken. This will also impact on the gain and loss on disposal and the revaluation reserve.</p> <p>This is not expected to be material but as yet it is not quantifiable as we are awaiting further clarification from officers.</p>
<p>Fixed Asset Impairment: This is a material accounting estimate for which the accounting treatment is complex. Errors were noted in the previous year's statements in relation to impairments.</p>	<p>We are in the process of testing impairments for compliance with FRS11. As noted in paragraphs 17 and 18 above, we have asked officers to provide further evidence from Mouchel to support their estimate of 50%.</p>
<p>Transitional Costs: These are the costs incurred during the period of transition to the new unitary authorities in Bedfordshire, which came into existence on 1/4/09.</p> <p>In respect of the new Central Bedfordshire Council, these costs have been recorded at Mid Bedfordshire DC and are to be apportioned out amongst the three demising authorities, including Bedfordshire CC.</p> <p>These costs are expected to be material to the Bedfordshire CC accounts and are politically sensitive.</p>	<p>Specific testing is being undertaken as part of the audit of the Mid-Bedfordshire accounts on behalf of the three demising authorities (including Bedfordshire CC). This has included substantive testing of the expenditure to ensure it is a valid transitional cost and confirmation of the apportionment basis.</p> <p>Our work on this has still to be concluded.</p>
<p>Delays in submitting WGA returns and additional work required to audit the WGA consolidation packs due to further information having to be provided to enable IFRS WGA reporting.</p>	<p>Your officers are currently giving priority to clearing our audit queries on the statements of account. They will therefore be submitting the WGA return (consolidation pack) for audit on 30</p>

Financial statements

Issue or risk	Finding
	<p>September 2009. .</p> <p>We will complete our audit of the pack as soon as we receive the WGA return and supporting working papers, following completion of the accounts audit.</p>
<p>Risks around the process for compilation and approval of the Annual Governance Statement given LGR.</p>	<p>The last Bedfordshire CC Audit Committee which met in March 2009 received a 9 month set of accounts and a draft AGS. The AGS was then updated and approved by the Central Bedfordshire Audit Committee in June 2009, and the final version included in the statements of account approved at the July 2009 Audit Committee.</p> <p>Our work on the AGS is not yet complete, but there are no issues that we need to raise with you at this time.</p>
<p>Officers' remuneration and Members allowances. These disclosures are considered to be politically sensitive.</p>	<p>Our work on these payments and their disclosure is still in progress. We are recommending additional disclosures in line with the SORP which states that;</p> <p>"If in any one year the numbers of employees falling within the various bands are significantly affected by termination payments made during the year, it would be helpful to explain this so that a reader may see the normal situation for continuing employees."</p> <p>This is considered to be a useful addition to the note given the significant increase in expenditure in the top band and the increase in staff falling in the lower bands.</p>

Recommendation
<p>R4 Ensure that outstanding audit queries are responded to in a timely manner to enable the opinion to be issued as soon as possible.</p>
<p>R5 Consider expanding note 13 in respect of officers' remuneration to note the impact of LGR.</p>

Accounting practice and financial reporting

22 I consider the qualitative aspects of your financial reporting. Table 2 contains the issues I want to raise with you.

Table 2 Qualitative aspects of financial reporting

Issue or risk	Finding
Agreement to the ledger	The accounts submitted for audit could not be agreed back to the trial balance in a number of areas including fixed assets. Work on this is still in progress.
Agreement to the fixed asset register (FAR).	The fixed asset note did not agree to the fixed asset register for a number of items. See Appendix 3 for details.
Fixed asset disclosure notes	There is no valuation information note included in the accounts as required by the SORP. The analysis of fixed asset at note does not include comparators.
Note 16(b) capital expenditure and financing.	The SORP requires this note to include comparators for the previous accounting period. These have not been included.

Recommendation
R6 Provide a reconciliation between the statements of account to the trial balance produced by the general ledger.
R7 Include valuation information note in the accounts as required by the SORP.
R8 Include comparators for 2007/08 in note 18 tangible fixed assets.
R9 Include comparators for 2007/08 in note 16(b).

Value for money conclusion

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

Value for money conclusion

- 23** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. For 2008/09 auditors are not required to give a scored Use of Resources (UOR) assessment at demising authorities but auditors must still give a VFM conclusion.
- 24** Our work in this area is still in progress. In particular we have identified a risk in respect of performance information. As a result of this we are undertaking testing of a sample of performance indicators published in 2008/09.
- 25** Initial discussions with officers have indicated that the information to support these indicators is no longer available, largely as a result of disaggregating of data to the two new successor authorities. If we are unable to complete this work we will need to consider the implications for the value for money conclusion.
- 26** Appendix 1 contains the wording of my draft report, this is based on an unqualified opinion. This may however be amended depending on the outcome of my work noted above.

Appendix 1 – Independent auditor’s report to Members

Independent auditor’s report to the Members of Central Bedfordshire Council as successor body for Bedfordshire County Council

Opinion on the Authority accounting statements

I have audited the accounting statements and related notes of Bedfordshire County Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, and the related notes. The 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 Central Bedfordshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Central Bedfordshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer’s responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

Appendix 1 – Independent auditor’s report to Members

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund’s assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, in all significant respects, Bedfordshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Debbie Hanson

District Auditor
Regus House
1010 Cambourne Business Park
Cambourne
Cambridge, CB23 6DP

Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 3 Adjusted misstatements

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Area Based Grant	Presentation in Income and Expenditure Account	17,517	17,517		

Appendix 3 – Unadjusted misstatements in the accounts

The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. If you decide not to do so, please tell us 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 4 Unadjusted misstatements

Description of error	Accounts effected	Value of error £Million
The fixed asset note did not agree to the fixed asset register for a number of items	Balance Sheet: Note 16 (a) and balance sheet	<p><u>Land and buildings:</u> Disposals were understated by £5.187m. Revaluations were overstated by .£0.589m Depreciation: was understated by £0.179m Impairments have been overstated by £5.967m</p> <p><u>AUC:</u> Impairments incorrectly include £0.124m, when the balance should be 0 (zero) as per the FAR.</p> <p><u>Investment properties:</u> Disposals were understated by £0.189m. Revaluations were understated by £0.589m Depreciation was overstated by £0.179m. Impairments have been understated by £0.497m.</p>

Appendix 3 – Unadjusted misstatements in the accounts

Description of error	Accounts effected	Value of error £Million
<p>Note 16(b) Capital Expenditure and Financing.</p> <p>The figures in note 16(b) for borrowing and financing from previous year have been misstated.</p>	Fixed Assets: Disclosures	<p>Borrowing as per note 16(b) is £36.284m and should be £35.770m as per the working paper. Difference = £0.514m overstated.</p> <p>Financing from previous year per note 16(b) is £1.351m and should be £1.865m. Difference = £0.514m understated.</p>
<p>Liability related to Defined Pension Scheme.</p> <p>The FRS17 assurance from the pension fund auditors has identified an undervaluation of the pension fund assets due to estimated valuation by the actuary.</p>	Balance sheet: Note 36	Pension fund assets understated by £1.032m
<p>The balance per the general ledger trial balance for Government Grants Deferred (£105.355m) does not agree to that disclosed in the accounts (£105.604m)</p>	Balance Sheet: Government Grants Deferred	£0.249m uncertainty
<p>The Council reviewed all assets that had capital expenditure greater than £0.500m in year and commissioned their valuer (Mouchel) to revalue these assets. Mouchel has determined that no revaluation is required on County Hall as expenditure of £0.695m incurred in the year has not added value. This is an</p>	Balance Sheet: Fixed Assets	Possible overstatement of fixed assets and understatement of revenue expenditure by £0.695m

Appendix 3 – Unadjusted misstatements in the accounts

Description of error	Accounts effected	Value of error £Million
<p>indication that this expenditure was revenue and should not have been capitalised.</p> <p>Consequently, fixed asset additions may have been overstated by £0.695m in respect of County Hall.</p>		
<p>Error in classification between Grants Unapplied and Contributions Unapplied on the Balance Sheet.</p>	<p>Balance Sheet Long term liabilities</p>	<p>Grants Unapplied should be £16.099m Contributions Unapplied should be £12.487m</p> <p>This is a movement between these balances of £6.162m.</p>

Appendix 4 – Draft letter of representation

Ms D Hanson
District Auditor
Regus House
1010 Cambourne Business Park
Cambourne
Cambridge, CB23 6DP

Bedfordshire County Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers, of Bedfordshire County Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009. All representations cover the Council's accounts and Pension Fund accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge 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: A Statement of Recommended which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed 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 and the reasons for not correcting these items are as follows;

- reason 1 etc;
- reason 2

Supporting records

All the accounting records have 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 accounting records. All other records and related information, including minutes of all Bedfordshire County Council meetings, have been made available to you.

Irregularities

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

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.
- 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; and
 - 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.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For fair value investment and borrowing assumptions I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- If subsequent events require adjustment to the fair value measurement, these adjustments have been made.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;

Appendix 4 – Draft letter of representation

- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note X to the financial statements we have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by Central Bedfordshire Audit Committee , no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations:

Signed on behalf of Bedfordshire County Council

Signed

Name

Position

Date

Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2008/09 - Recommendations						
7	Amend the accounts to disclose Area Based Grant in line with SORP requirements.	3				
7	Provide further evidence to support Mouchel's estimate for 50% impairment of schools land.	3				
8	Ensure the recommendations made by Internal Audit in respect of the Payroll system, which is now being used by Central Bedfordshire Council, are implemented.	3				
11	Ensure that outstanding audit queries are responded to in a timely manner to enable the opinion to be issued as soon as possible.	2				
11	Consider expanding note 13 in respect of officers remuneration to note the impact of LGR.	2				
12	Provide a reconciliation between the statements	2				

Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	of account to the trial balance produced by the general ledger.					
12	Include valuation information note in the accounts as required by the SORP.	2				
12	Include comparators for 2007/08 in note 18 tangible fixed assets.	2				
12	Include comparators for 2007/08 in note 16(b).	2				

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