

# Annual Governance Report

South Bedfordshire District Council

Audit 2008/09

Date **22 October 2009**

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# Contents

<b>Key messages</b>	<b>4</b>
<b>Next steps</b>	<b>6</b>
<b>Financial statements</b>	<b>7</b>
<b>Use of resources</b>	<b>13</b>
<b>Appendix 1 – Independent auditor’s report to Members of Central Bedfordshire Council as successor to South Bedfordshire District Council</b>	<b>14</b>
<b>Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources</b>	<b>16</b>
<b>Appendix 2 – Adjusted amendments to the accounts</b>	<b>18</b>
<b>Appendix 3 – Unadjusted misstatements in the accounts</b>	<b>20</b>
<b>Appendix 4 – Draft letter of representation</b>	<b>22</b>
<b>Appendix 5 – Value for money conclusion</b>	<b>27</b>
<b>Appendix 6 – Action plan</b>	<b>29</b>

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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 Annual Governance Report**

As Members of the successor body to South Bedfordshire District Council I am pleased to present my report on the results of my audit work for 2008/09 for the latter authority. The report reflects the position at the date of drafting the report (22 October).

A draft of the report was discussed and agreed with the Director of Corporate Resources and will be updated as the remaining outstanding issues noted in paragraph 1 are resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in this report before authorising the financial statements for issue;
- 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 value for money 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 6).

Yours faithfully

Debbie Hanson  
District Auditor  
Date 22 October 2009

# Key messages

This report summarises the findings from the 2008/09 audit as at the date of drafting (22 October) which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements presented for audit free from error	No	7
Adequate internal control environment	Yes	8
Use of resources		
Adequate arrangements to secure value for money	Yes	13

## Audit opinion

- 1 Our audit work is largely concluded at the time of drafting this report (22 October) apart from checking that the adjustments agreed with officers have been correctly incorporated into the revised accounts, I will provide an update on this at the Committee meeting.
- 2 Based on the work we have completed to date I expect to issue an unqualified audit opinion.

## Financial statements

- 3 We received the draft financial statements and initial working papers on 21 July, with a signed set provided on the 31 July.
- 4 The working papers provided at the start of our audit on 21 July were not adequate. Although steps were put in place to provide further working papers there remained gaps. Due to local government reorganisation some finance staff had left before the audit commenced and others had moved into new posts at the successor authority. Whilst steps were taken during our audit to bring in personnel to deal with audit queries, the time taken to resolve issues was protracted in some cases.
- 5 Material amendments were required to the financial statements for fixed assets. These included: adjustments to reflect valuations obtained in year for the housing stock; amendment for the impairment chargeable to the revaluation reserve; and revision to the closing figures for fixed assets to show these at the amounts in the valuation certificates provided by the valuers. We also identified that costs of £1.6 million for staff time on local government organisation needed to be reflected within the exceptional item. These amendments are detailed in Appendix 2.
- 6 Our audit also identified a number of non material but non-trivial errors. Management have not amended for these errors which are noted in Appendix 3. A number of amendments were also

## Key messages

made to disclosures in the accounts to improve presentation and ensure full compliance with the SORP.

- 7 For the purposes of our audit, we define non-trivial errors as those in excess of 1 per cent of our materiality figure, which for the 2008/09 financial statements is £17,600. Previously we defined non trivial errors as those in excess of 10 per cent of our materiality figure, and on this basis the figure would have been £176,000. 'Material' errors would be any in excess of £1.7 million for the main statements and £3,873,000 for balance sheet items (either individually or in aggregate). Use of resources
- 8 As South Bedfordshire District Council demised on 31 March 2009 no formal use of resources assessment was required by the Audit Commission. However we have undertaken sufficient work to review the arrangements in place in the last year of the Authority in order to be able to issue the value for money conclusion. I will be issuing an unqualified conclusion. .

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## Audit Fees

- 9 As referred to in the section on 'financial statements' above we have experienced some difficulties with working papers. Capital accounting continues to be the most complex area to be audited and an area where the audit resulted in changes both to working papers and figures within the financial statements. As a result we have incurred additional time on the audit and will need to raise additional fee. The level of additional fee will be discussed and agreed with the Director of Corporate Resources on the conclusion of the audit.

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# Next steps

**This report identifies the key messages 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.**

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**10** I ask the Audit Committee to:

- consider the matters raised in this report before authorising the financial statements for issue;
- 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 value for money 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 6).

# 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 members for the successor Council you have final responsibility for these statements. It is important that you consider my findings before authorising the financial statements and annual governance statement for issue.**

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## Opinion on the financial statements

**11** Subject to satisfactory clearance of outstanding matters noted in paragraph 1, 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.

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## Errors in the financial statements

**12** The material errors identified during the audit were:

- Corporate and democratic core costs included £1,602,000 for staff time involved in local government reorganisation (LGR). In our view, this should have been included within the exceptional costs of LGR line in the net cost of services.
- The total impairment of £14,974,000 on council dwellings and sheltered housing was not initially charged against the balances for individual properties on the revaluation reserve. When this was corrected it was found that £3,981,000 of the impairment should have been charged to income and expenditure, leaving a balance of £3,981,000 on the revaluation reserve against individual assets. This has meant that the impairment charged to the income and expenditure account and the transfer from the capital adjustment account have been increased by this amount.
- The Authority obtained a revaluation of its council dwellings and sheltered housing at 31 March 2009. This had been recommended within our final accounts memorandum on the 2007/08 audit. It is also required to obtain a valuation for resource accounting purposes each year as at 1 April. Although the Council obtained the resource accounting valuation for 1 April 2008 this was not put through the accounts. This valuation showed an overall increase in asset values as at 1 April 2008 of £12 million (a material increase). Correction of this omission has resulted in an increase in revaluation gains and impairments when the valuation increase has been allocated against individual properties.
- The calculation of depreciation for council dwellings and sheltered housing should have taken into account the valuation for resource accounting purposes. Although this has not been done, we have determined that the impact of the £12 million adjustment identified in the previous bullet point on depreciation charged in year was not material.
- Depreciation on council dwellings and sheltered housing was incorrectly deducted from the value as at 31 March 2009 provided by the external valuers. Adjusting for this has increased the closing asset value by £3,769,000 and affected the revaluation reserve and capital adjustment account. The same issue also arose for general fund properties where the value of the depreciation incorrectly deducted was £934,000.

**Recommendation**

- R1** Ensure appropriate valuations are used to compile the 2009/10 accounts and that depreciation is calculated correctly using the resource accounting valuation is used within this.

**Material weaknesses in internal control**

- 13** Our audit work identified that whilst invoice requests are completed before sales ledger invoices are raised, there were no checks evidenced on these. The Authority was dependent on staff within the exchequer team being aware of the types of income that could be invoiced and those staff who would be likely to raise them. This does not represent an adequate control on which we can rely for our opinion. We therefore undertook substantive testing at year end.
- 14** We have not identified any further weaknesses 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.
- 15** We have not provided a comprehensive statement of all weaknesses which may exist in internal control. Or of all improvements which may be made. We have reported only those matters that have come to our attention because of the audit procedures we have performed.

**Recommendation**

- R2** Ensure there are clear authorisation procedures and an authorised signatory lists or that IT systems are configured so that those who raise debtor invoices only do so on receipt of duly authorised instruction.

**Letter of representation**

- 16** 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**

- 17** 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**

<b>Issue or risk</b>	<b>Finding</b>
Risks arise from the potential loss of staff leading to potential breakdown in internal control and good governance arrangements.	Our pre-statements work did not identify significant breakdown in internal control or governance arrangements.
Service continuity will be at risk during the transition. Performance management and risk management must be especially robust during	Some staff did not leave until after 31 March 2009 and service continuity was maintained during the transition.



## Financial statements

Issue or risk	Finding
the change period.	
<p>The audit of the financial statements of a demised body contains a significant amount of inherent risk.</p> <p>While we did not identify any specific risk issues in addition to those identified during our initial audit planning in 2008. The following risks remained significant:</p> <ul style="list-style-type: none"> <li>• closedown working papers will not be of a sufficient standard to fully support all the entries in the draft financial statements;</li> <li>• there will be unexpected loss of key personnel during the audit period (July-September).</li> <li>• controls may not be operated correctly during the period due to loss of staff, low morale resulting in a substantive approach being required; and</li> <li>• key supporting records may not be able to be located (for example due to relocation or departure of officers).</li> </ul>	<p>We found that controls were operating effectively during the year and staff were mainly in post until 31 March 2009.</p> <p>However we did identify some issues during the course of the audit:</p> <ul style="list-style-type: none"> <li>• Initial working papers provided were not adequate. Further papers were subsequently provided, although some gaps remained. Steps were taken to engage an officer who had left the Authority to help with audit queries and other officers, now working for Central Bedfordshire, also made themselves available.</li> <li>• Some records (payroll reports) could not be located at our audit visit and summary figures had to be prepared for months 1-11 and then month 12 in order to provide us with a full year's figures.</li> </ul>
Not all of the fundamental systems will have been covered by the Internal Audit team by the time of our pre-statements visit	Internal Audit coverage did provide us with sufficient assurance in a number of areas and we were therefore required to undertake additional work.
<p>There are, as last year, some changes to the SORP, which will need to be taken account of in preparing the accounts; those of most relevance to this Authority being:</p> <ul style="list-style-type: none"> <li>• clarification of circumstances in which Depreciated Replacement Cost can be used;</li> <li>• incorporation of the requirements of "Delivering Good Governance in Local Government" regarding AGS;</li> <li>• clarification of exclusion of previously named deferred charges from Balance Sheet. Such expenditure is now termed "Revenue expenditure funded from capital under statute";</li> <li>• amendments to the SORP to reflect the Equal Pay Back Pay deferral of the impact of the necessary provision elements of SI2007/573;</li> <li>• clarifying amendments to Chapter 4</li> </ul>	As noted above in paragraph 10, there were issues regarding the accounting for fixed assets. Other changes to the SORP were dealt with satisfactorily, although some minor changes in wording were required to the financial statements, for example the term deferred charges was still used in error in some places.

Issue or risk	Finding
Financial Instruments; <ul style="list-style-type: none"> <li>• amendments re Gains and Losses on disposal;</li> <li>• clarification of accounting for a statutory capital receipt that has not arisen from the disposal of a fixed asset; and</li> <li>• amendment to allow Cash Flow Statements to be prepared using either the 'direct' method or the 'indirect' method. The latter not being cover by the 2007 SORP.</li> </ul>	
The 2007/08 audit identified a number of issues relating to capital accounting. As a result we charged an additional fee of £5,800.	Capital accounting continues to be the most complex and challenging area within the audit. Changes were made to working papers and material amendments were made to the accounts for capital. As a result we will again need to raise additional fee. The level of additional fee will be discussed and agreed with the Director of Corporate Resources on the conclusion of the audit.

- 18** We planned to undertake work centrally across all Bedfordshire councils on items included within the transitional costs which were apportioned out to the other Bedfordshire authorities. Our sample checks undertaken as part of this work found a creditor of £119,000 relating to employee redundancy costs where, as at 1 October 2009, the member of staff concerned was still employed and the related payment had not been made. As the timing of this payment is still unknown this amount would be more appropriately treated as a provision. Our testing of transitional costs also identified an overall uncertainty of £169,000. As transitional costs are apportioned between the three demised bodies, the impact on South Bedfordshire's financial statements is clearly trifling (£10,000).

### Accounting practice and financial reporting

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

**Table 2 Qualitative issues**

Issue or risk	Finding
Completeness of assets	During the year the Authority disposed of a strip of land at Churchill Road for £1.25 million. The land was not recorded on the Authority's asset register as it was not assessed to have any value in advance of the disposal. Although we were not able to obtain assurance that there were no other such pieces of land that had been omitted from the register we were satisfied that, in light of their

## Financial statements

Issue or risk	Finding
	<p>nominal value in advance of disposal, there was no risk of material misstatement in the accounts.</p> <p>Going forwards, Central Bedfordshire Council needs to ensure that all such assets are identified and recorded in the asset register.</p>
Statement of total recognised gains and losses (STRGL)	There was a difference of £96,000 between the STRGL and the revaluation reserve for the in year revaluation surplus (STRGL showed £19,342,000 and note 25 shows £19,438,000).
Statement of Movement on the general fund balance (SMGFB)	Pension contributions and net charges for pensions in the SMGFB were both understated by the amount of unfunded benefits contributions (£397,000)
Employees earning over £50,000	<p>Redundancy payments paid after 31 March 2009 were not included in the bandings in the officers' emoluments note, although they were included in the overall transition costs which were allocated out to the different authorities.</p> <p>Although this treatment is in line with the SORP we have requested that a line be added to the note to make it clear to a reader that payments to employees which fall into the 2009/10 financial year will be disclosed in the accounts of Central Bedfordshire for 2009/10.</p>
Creditors	Creditor balances of £1.2 million relating to 'other local authorities' and £14,000 relating to 'Government departments' have been included within sundry creditors. These should have been disclosed separately.
Debtors	Debtors incorrectly included a credit balance of £613,000 for the amount payable to the non domestic rates pool.
Operating lease disclosures	No disclosures have been made for leases where the Authority is the lessor, as required by the SORP, we have assessed the level of income as not material in 2008/09.
Housing Revenue Account	Note 8 to the HRA, amount provided for bad debts, was incorrectly stated as £390,000, and should have been £481,000.
Cash flow comparative	<p>Initial analytical review identified that the line for 'other revenue cash payments' in the cash flow had decreased by £4.1 million year on year. Further investigation found that there was an error of £4.5 million in the prior year comparative as payments relating to temporary investments had been shown as £500,000 instead of £5 million. The figure for 'other operating costs' for the prior year will also need to be amended.</p> <p>Note 28 to the cash flow did not include the movement in provisions of £225,000 in the 'movement in provision and earmarked reserves' entry.</p>

<b>Recommendation</b>	
<b>R3</b>	Undertake a review of all land holdings to ensure all are included in the Council's fixed asset register, even where they have nil value.
<b>R4</b>	Ensure the 2009/10 officer emoluments disclosure includes any redundancy payments made to officers who were employees of South Bedfordshire.

# Use of resources

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.

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## Value for money conclusion

- 20** 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, the Audit Commission specified criteria for bodies affected by local government reorganisation. My conclusions on each of the areas are set out in Appendix 5.
- 21** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

# Appendix 1 – Independent auditor’s report to Members of Central Bedfordshire Council as successor to South Bedfordshire District Council

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## Opinion on the financial statements

I have audited the Authority accounting statements and related notes of South Bedfordshire District 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 Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These 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 South Bedfordshire District 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.

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## Respective responsibilities of the Director of Corporate Resources and auditor

The Director of Corporate Resources'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 financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

## **Appendix 1 – Independent auditor’s report to Members of Central Bedfordshire Council as successor to South Bedfordshire District Council**

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 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. My responsibilities do not extend to any other information.

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### **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.

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### **Opinion**

In my opinion the Authority financial 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 as at 31 March 2009 and its income and expenditure for the year then ended.

# Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

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## 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.

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## 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.

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## 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 December 2006, and the supporting guidance, I am satisfied that, in all significant respects, South Bedfordshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

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## Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

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### 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  
(Officer of the Audit Commission)  
Regus House  
1010 Cambourne Business Park  
Cambourne  
Cams  
CB23 6DP

Xx November 2009

# 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	
Nature of adjustment	Adjusted misstatements	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Corporate and democratic costs included staff costs for local government reorganisation which should have been included in the exceptional item	Dr Exceptional costs of LGR Cr Corporate and democratic core	1,602	1,602		
The adjustment for the impairment of council houses that had not been charged to income and expenditure	Dr Impairments HRA Cr Statement of movement on HRA balance Dr Capital Adjustment Account Cr Revaluation Reserve	3,981	3,981	3,981	3,981
The HRA resource accounting valuation as at 1.4.2008 was not put through the accounts	Dr Fixed assets Details not yet available of the other side will primarily affect the revaluation reserve (for gains) and the capital adjustment account and the statement of			12,000	

**Appendix 2 – Adjusted amendments to the accounts**

		Income and Expenditure Account		Balance Sheet	
	movement on losses for any losses				
Fixed assets should be shown at the 31.3.09 valuation provided by the valuers	Dr Fixed assets - HRA Dr Fixed assets - GF Details not yet available of the other side will primarily affect the revaluation reserve (for gains) and the capital adjustment account and the statement of movement on losses for any losses			3,769 934	

# 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**

Description of error	Accounts affected	Value of error £000
Depreciation not charged on the HRA resource accounting value	Fixed assets overstated Depreciation charges in HRA understated Statement of movement HRA credit understated Capital adjustment account overstated	60
Depreciation charge for equipment was understated due to errors in the way that depreciation was calculated by the fixed asset register system	Fixed assets overstated Depreciation charge in income and expenditure understated Statement of movement balance credit understated Capital adjustment account overstated	142

### Appendix 3 – Unadjusted misstatements in the accounts

Description of error	Accounts affected	Value of error £000
<p>South Bedfordshire District Council's share of the pension fund assets was understated. This was due to the total value of the pension fund managed by Bedfordshire County Council at 31 March 2009 exceeding the actuary's estimate by £2.8 million, as a result of improved fund performance compared to the FRS17 figures provided by the actuary (which are necessarily provided on an estimated basis).</p>	<p>Pension fund liability overstated Pension fund reserve (negative) overstated</p>	<p>135</p>
<p>The amount due to the pool was understated due to transitional relief error in parameter. This has been corrected in 2009/10</p>	<p>NNDR pool creditor understated NNDR payers account debtor overstated</p>	<p>51</p>
<p>The accounts did not include an adjustment for the difference between depreciation calculated on current cost basis compared with historic cost</p>	<p>Revaluation reserve overstated General fund understated</p>	<p>25</p>

# Appendix 4 – Draft letter of representation

Ms D Hanson  
District Auditor  
Audit Commission  
Regus House  
1010 Cambourne Business Park  
Cambourne  
Cams  
CB23 6DP

## **South Bedfordshire District 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 the successor body to South Bedfordshire District 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 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 Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

## Appendix 4 – Draft letter of representation

### 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 Council and Committee meetings, have been made available to you.

### Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

### 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.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### **Fair Values**

I confirm the reasonableness of the significant assumptions within the financial statements. For all relevant 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
- adjustments to the fair value measurement have been made in relation to subsequent events if required.

### **Assets**

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

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

### **Compensating arrangements**



## Appendix 4 – Draft letter of representation

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note 22 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;
- 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 the successor Council, 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:**

All material tangible fixed assets are included in the asset register.

## Appendix 4 – Draft letter of representation

Signed on behalf of Central Bedfordshire Council as successor to South Bedfordshire District Council

I confirm that the this letter has been discussed and agreed by the Audit Committee on 30 October 2009

Signed

Clive Heaphy  
Director of Corporate Resources

Date

# Appendix 5 – Value for money conclusion

The following table summarises the key findings and conclusions for each of the three use of resources themes.

Code Criteria	Description	Met
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Yes
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Yes
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Yes
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Yes
5	The body has put in place arrangements to maintain a sound system of internal control. Continuing or shadow authorities have a responsibility to secure, through the joint implementation arrangements, the economic, effective, efficient and timely transfer of functions, property, rights and liabilities from the demising authorities. This includes the transfer of services, assets, contracts, finance and staff.	Yes
6	The body has put in place arrangements to manage its significant business risks.	Yes
7	The body has put in place arrangements to manage and improve value for money.	Yes
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Yes
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Yes

## Appendix 5 – Value for money conclusion

Code Criteria	Description	Met
10	The body has put in place arrangements for managing performance against budgets.	Yes
11	The body has put in place arrangements for the management of its asset base.	Yes
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Yes

# Appendix 6 – Action plan

Ref.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2008/09 - Recommendations</b>						
R1	Ensure appropriate valuations are used to compile the 2009/10 accounts and that depreciation is calculated correctly using the resource accounting valuation is used within this.	3				
R2	Ensure there are clear authorisation procedures and an authorised signatory lists or that IT systems are configured so that those who raise debtor invoices only do so on receipt of duly authorised instruction.	2				
R3	Undertake a review of all land holdings to ensure all are included in the Council's fixed asset register, even where they have nil value.	2				
R4	Ensure the 2009/10 officer emoluments disclosure includes any redundancy payments made to officers who were employees of South Bedfordshire.	2				

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Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

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