

Annual Governance Report

Central Bedfordshire Council

Audit 2009/10

Date **20 September 2010**

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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 of the Audit Committee

2009/10 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Assistant Director of Financial Services on 20 September 2010 and updated it as issues have been resolved. A copy has also been sent to the Director of Customer and Shared Services.

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

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 15);
- take note of the adjustments to the financial statements 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

Paul King

District Auditor

September 2010

Key messages

This report summarises the findings from the 2009/10 audit 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 your arrangements to secure value for money in your use of resources.

Financial statements	Results	Page
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Audit opinion

- 1 My work on the 2009/10 financial statements is substantially complete, although there are a number of areas set out below where audit work is continuing. Until work in these areas is complete I cannot be confident that the audit will be complete in time for the Statement of Accounts to be published by 30 September, nor that will the audit opinion be unqualified.
- 2 The conclusion of the audit has been affected significantly due to delays in obtaining detailed and accurate breakdowns of the debtors and creditors balances in the accounts. This has meant that it has been difficult to determine accurately the size of the samples of the debtors and creditors that I need to test to provide sufficient assurance over these balances. The problems with debtors and creditors have also prevented me from progressing my audit work on the cash and bank balance and the agreement of the Council's opening balances as at 1 April 2009.
- 3 This first year was always going to be a challenging one, being the first set of accounts for the new unitary authority, incorporating the former County Council functions with those of the two districts. The Finance department faced a number of pressures during the year including responding to the budget pressures resulting from the significant overspend identified early in 2009/10, bringing together the accounts and financial systems of the three legacy authorities, and changes in key personnel during the year including the interim Chief Accountant
- 4 At the time of drafting this report my work on the following areas is still to be concluded:
 - Substantive testing of the debtors and creditors balances in the balance sheet

Key messages

- Agreement of cash and bank balances to supporting reconciliations
 - Agreement of the opening balances, in particular the disaggregation of the Bedfordshire County Council debtors, creditors, cash and temporary investments balances as at 31 March 2009
 - Completion of substantive testing of expenditure on adult social care in the Income and Expenditure Account (7 out of a sample of 26 outstanding)
 - Completion of cut off testing (9 payments / receipts outstanding from a sample of 57)
 - Audit of the Cash Flow Statement once it has been re worked to take account of the amendments to the accounts
 - Clearance of outstanding issues raised with officers during the course of the audit, in particular queries raised to enable completion of testing of provisions, government grants deferred, contributions deferred and contributions unapplied
 - Agreement of the revised accounts following amendments made as a result of the audit.
- 5 In concluding the outstanding work should any further matters arise, that need to be reported to you, I will raise them with Chair of this Committee.

Financial statements

- 6 A number of material amendments will need to be made to the accounts as a result of audit.
- 7 As noted in paragraph 1, until work in the areas set out in paragraph 3 is complete I cannot be confident that the audit will be complete in time for the Statement of Accounts to be published by 30 September, nor that will the audit opinion be unqualified.

Value for money

- 8 I plan to issue a value for money conclusion at the same time as my audit opinion. My work on the value for money conclusion is based primarily on the work carried out on use of resources earlier in the year.

Audit fees

- 9 The indicative audit fee of £323,000 was confirmed in my Audit Opinion Plan issued in April 2010. At the Audit Committee meeting on 18 June 2010 an additional fee of £5000 was agreed to cover the cost of substantive testing of the payroll system. Substantive testing was required as we were unable to rely on controls having been in place in this system during the year.

Independence

- 10** I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

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.

11 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 15);
- 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 that 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).

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 adopt the financial statements and the annual governance statement.

Opinion on the financial statements

12 As set out in paragraph 1, until my audit work is concluded I cannot be confident that the audit will be complete in time for the Statement of Accounts to be published by 30 September, nor that the audit opinion will be unqualified. If my audit work is concluded satisfactorily, I would plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of the draft audit report.

Errors in the financial statements

13 My audit identified a number of errors and uncertainties in the accounts presented for audit. I have set out below the material and non-trivial audit issues that have come to our attention during the course of the audit. Materiality for the 2009/10 audit was £5.933m for the statements as a whole, and £11.2m for the balance sheet only. The definition of 'trivial' error is 1% of materiality (£59,000 for the main statements and £112,000 for the balance sheet).

Material errors and uncertainties

Debtors and Creditors

14 The balances for debtors and creditors in the balance sheet in the accounts adopted by the Audit Committee were £58.536m and £67.932m respectively. A detailed breakdown of both figures was requested at the start of the audit so that we could select a sample of transactions from both balances to test substantively, but we were not provided with a clear listing of transactions that reconciled to the figures in the accounts. We were then informed that the balances were overstated by £33.196m (debtors) and £47.972m (creditors). We selected a sample and started testing of the revised balances of £25.367m and £19.960m respectively. On 14 September I was informed that both balances had changed, and would increase significantly. This will require me to carry out further substantive testing on the revised, higher balances. At the time of writing I have not received revised balances supported by a detailed breakdown to enable me to progress with this testing.

Cash and Bank

15 The changes to the debtors and creditors balances will affect the cash and bank balance as disclosed in the accounts. At the time of writing I have not received a

Financial statements

revised cash and bank reconciliation. The key issues from my work on the cash balance to date are:

- The reconciliation between the cash balance of £4.9m (debit) reported in the balance sheet and SAP ledger balance of £17.412m (credit) includes a £19.142m "adjustment to General Fund" and £3.17m "other adjustments".
- The SAP ledger balance for cash and bank of £17.412m credit includes a balance of £69.640m credit in respect of 1025021 IBS NNDR Payers Control a/c.
- The reconciliation of the Nat West Payments Account between the SAP ledger balance (£39.630m debit) and the balance as per the bank statement as at 31 March 2010 (£6.099m debit) includes a reconciling item of £36.870m.

16 At the time of writing, working papers to support these adjustments have not been provided.

Disaggregation of balances

17 I have been unable to agree the disaggregation of the Bedfordshire County Council balance sheet figures for debtors, creditors, cash and temporary investments. I have raised queries with officers and I am waiting for a response.

18 The disaggregation of the Bedfordshire County Council (BCC) pension liability and reserve between Central Bedfordshire and Bedford Borough Councils was done on the basis of headcount information, with the split being between those staff that transferred from BCC to either of the new unitaries. In January 2010, in discussions with the Director of Corporate Services at this Council and BBC I had indicated that officers should refer to the Actuary to determine a more sophisticated approach to the disaggregation of this balance. Information provided to BBC by the Actuary has now indicated that the division that has been made is materially incorrect. This will require an amendment to the Central Bedfordshire accounts to reflect the correct liability as at 1 April 2009. At the time of writing this report I am unable to quantify the change in the liability.

Valuation of council dwellings

19 The Council's valuers, Wilks Head and Eve, provided a valuation of the Council's housing stock as at 1 April 2009. This valuation is provided for HRA resource accounting purposes. On the basis of this valuation an impairment of £40.918m was made in respect of the value of the housing stock as at 1 April 2009. The impairment of £40.918m represents a fall in value of some 11.5% from the 31 March 2009 value. There have been no significant revaluations in year. This is not consistent with the general increase in housing values during 2009/10. The Audit Commission's valuer, Gerald Eve, has suggested an increase in residential property values of 5.1% in 2009/10 in the Eastern region (which includes Bedfordshire). The Wilks Head and Eve report for the Council, whilst not a full valuation report, also contained data on the movement in house prices in 2009/10 that indicated an increase of some 11.2% over the year to March 2010. I have asked the Council to provide further evidence to support the impairments included in the accounts.

Government Grants Deferred

- 20** Government Grants Deferred of £58.497m are understated by £7.682m Whilst preparing working papers requested to evidence the balance included in the balance sheet an error was identified.

Grants and Contributions Unapplied

- 21** Grants and Contributions Unapplied of £24.701m are understated £6.032m. Whilst preparing supporting papers requested to evidence the balance included in the balance sheet an error was identified.

Schools PFI Schemes

- 22** Bedfordshire County Council entered into a long term PFI contract for two schools in December 2003. I carried out a review of the Council's accounting treatment of this scheme to ensure that it is consistent with the requirements of International Financial Reporting Standards (IFRIC12). IFRIC 12 is being implemented for the first time in 2009/10 as part of the move to International Financial Reporting Standards in local government. As a result of this review we have asked the Council to revisit its accounting treatment. Our detailed findings are set out in Table 1

Area Based Grant

- 23** .The SORP guidance states that the Area Based Grant (ABG) £10. 21m and the revenue element of the £1.389m of Housing and Planning Delivery Grant (HPDG) should be consolidated with Revenue Support Grant (RSG) on the face of the Income and Expenditure Account under "general movements in government grants". In the accounts presented for audit these grants have been apportioned over the service headings in the top half of the account.

Non Trivial errors and uncertainties

- 24** I have also identified a number other I non material and non trifling errors and uncertainties. These are set out in Appendix 3.

Recommendations

- R1** Amend the accounts to correct the material errors noted above in respect of:
- Government Grants Deferred
 - Grants and Contributions Unapplied
 - Disclosure of Area Based Grant (ABG) and the revenue element of the £1.389m of Housing and Planning Delivery Grant (HPDG) in the Income and Expenditure Account.
 - The pension liability as at 1 April 2009
- R2** Consider amending the accounts for the non material and non trifling errors set out in Appendix 3.

Important weaknesses in internal control

- 25** In my Audit Opinion Plan, presented to the April 2010 Audit Committee I reported that my work on the Council's financial systems, informed by the work of Internal Audit, had identified weaknesses in the operation of controls in the Payroll system. As a result we substantively tested the payroll expenditure included in the accounts. The results are set out in Table 1
- 26** 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. However I have identified some areas where controls could be strengthened:
- As part of my testing of year end journals I found that journals with a value greater than £1m had been authorised by the Head of Corporate Finance instead of the Assistant Director Financial Services, as required under the Council's Finance Scheme of Management.
 - As part of my work on related party transactions for one of the declarations that we selected for testing, we were unable to confirm that there were no conflicts of interests relating to 2009/10. This was because the councillor had completed a new disclosure form in April 2010 and the 2009/10 declaration had been destroyed. Therefore we do not know if there are any potential risk arising from any conflicts of interest specifically relating to the 2009/10 accounts. All documentation should be retained to provide an adequate audit trail.

Recommendation

R3 Ensure that journals are authorised in accordance with the Council's financial procedures.

R4 Ensure that Councillors declarations are retained for a suitable period following the receipt of any new declarations.

Letter of representation

- 27** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.
- 28** In addition to the standard representations I have asked you for specific representations to confirm that:
- the Council has not given any Financial Guarantees during the year. Our review of the Council's minutes has not identified any however we do not have any other positive assurance that this is the case, and
 - confirmation that the profile for the Council's membership of the Bedfordshire Pension Fund is not inconsistent with the overall pension fund member profile giving rise to the estimated reduction of Employers FRS 17 liabilities (6-8%) as a result of the Government's announcement in the June 2010 Budget that pension

increases will be based on the Consumer Prices Index rather than the Retail Prices Index.

Key areas of judgement and audit risk

29 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. These risks were also included in my Opinion Audit Plan issued in April 2010.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>The Council faced considerable budget pressures in 2009/10. The 2010/11 budget has been set on the basis that the outturn for 2009/10 will be a break even position. We therefore carried out cut off testing on the 2009/10 financial statements to ensure that expenditure had not been incorrectly excluded from the 2009/10 accounts and income wrongly included within them</p>	<p>Our cut off testing (<i>completed to date</i>) concluded that income and expenditure had been included in the correct financial years.</p>
<p>Our work on the Council's financial systems, informed by the work of Internal Audit, identified weaknesses in the operation of controls in the Payroll system.</p>	<p>Testing of 70 payroll payments found no errors in relation to gross pay and pension contributions. There was an error in relation to National Insurance Contributions. The extrapolated value of this error was £264,430 which has been included in Appendix 3 as an unadjusted error.</p>
<p>The Council has had to bring together three asset registers, to form the Central Bedfordshire Asset Register. This includes the housing stock from South Bedfordshire District Council (SBDC) with over 5,000 properties and a large number of schools from Bedfordshire County Council.</p>	<p>My work confirmed that asset details from the legacy authorities have been transferred correctly to the <i>Council's</i> asset register.</p>
<p>Bedfordshire County Council entered into a long term PFI contract for two schools in December 2003. The Council need to ensure that the accounting treatment of this scheme is consistent with the requirements of International Financial</p>	<p>My detailed findings have been reported to officers. The Council assessed the PFI scheme as not meeting the requirements of IFRIC 12 and therefore excluded the schools from</p>

Financial statements

Issue or risk	Finding
Reporting Standards (IFRIC12).	<p>the 2009/10 balance sheet. The scheme is complex in that the schools have gained foundation status since the start of the scheme. . The SORP also applies IFRIC 12 retrospectively, so assessment of the scheme against IFRIC 12 is needed both before and after the schools achieve foundation status. Pre-foundation status, the PFI was a standard school scheme which clearly falls within the scope of IFRIC 12 and should be accounted for under the requirements of Appendix E of the SORP from the operational date until the date foundation status is achieved, that is to recognise both the school assets and liabilities from the operational date of the schools as at June 2006, effectively bringing them on balance sheet in 2006/07. Having gained foundation status, it is clear that some control has been transferred from the Council to the school governing body. In our view this is a fundamental change in arrangements which would require reconsideration of the accounting treatment. All the requirements of IFRIC 12 are no longer met and the PFI scheme needs to be considered under SSAP 21 and FRS 5 for accounting under the 2009 SORP, that is, the school assets are removed from the balance sheet.</p> <p>Our review of the PFI contract has also identified that the out of hours arrangements for the Council to allow the school premises to be used for third party or community use will need to be considered as a lease under IFRIC 4 (Determining whether an arrangement contains a lease) and IAS 17 (Leases). The Council should consider this aspect for the 2010/11 accounts..</p>
In December 2009 we reported in the Central Bedfordshire Annual Audit Letter that there had been a number of amendments to the SBDC 2008/09 accounts in respect of accounting for the	I have questioned the valuation of the Council's housing stock as at 31 March 2010, in particular the absence of any revaluation in year to reflect movements in house values.

Issue or risk	Finding
<p>HRA and that accounting correctly for capital will be a major challenge for the new Council.</p>	
<p>The opening balances of the new Council will comprise the closing balances of Mid Bedfordshire (MBDC) and SBDC and the Central Bedfordshire proportion of the disaggregated Bedfordshire County Council balance sheet</p>	<p>I have reviewed the Council's opening balances; this included a review of the disaggregation of the Bedfordshire County Council balance sheet as at 31 March 2009. I have raised a number of queries with officers which are <i>currently</i> outstanding.</p>
<p>Following the restructure at the Council the role of Chief Financial Officer (CFO) is no longer on the Corporate Management Team. The CFO occupies a critical position to ensure that resources are used wisely in order to secure positive results and influence the financial direction of the Council. The Council should ensure that the new arrangements meet the requirements of the CIPFA Statement on the Role of the CFO in Public service Organisations.</p>	<p>The Annual Governance Statement states that the Council's corporate and financial management arrangements did comply with the CIPFA statement for eleven months of 2009/10 until the Director of Corporate Resources left the Council at the end of February 2010. Whilst the Assistant Director Financial Services is not a full member of the Corporate Management Team (CMT), they do have full access to the agenda, reports and minutes that presented to CMT. The post holder also has access and can attend where they consider it necessary, CMT, the Executive and the Leadership Team meetings to discharge their responsibilities.</p>
<p>The DWP requested that we carry out additional work on the South Bedfordshire DC (SBDC) 2008/09 Housing Benefit claim as we reported to the DWP that there were a number of cells where we were unable to reach a conclusion or quantify the error.</p>	<p>We completed additional work on the SBDC claim at the request of the DWP in July 2010.</p> <p>We have started work on the audit of the Central Bedfordshire Housing Benefit claim for 2009/10. There are no issues in respect of this audit that I need to report to you at this time.</p>

Recommendation

R5 The Council should consider the out of hour use of both schools included in the PFI scheme against IFRIC 4 and IAS 17 for the 2010/11 accounts

Accounting practice and financial reporting

- 30** I consider the qualitative aspects of your financial reporting. Table 2 contains the issues I want to raise with you.
- 31** The Council's Statement of Account was due to have been adopted at the Audit Committee meeting on 28 June 2010 but were not complete at this stage. The Statement of Accounts adopted at the re-convened meeting on 30 June did not include a Cash Flow statement and some of the notes to the accounts were incomplete. The statements of account, with a completed Cash Flow Statement were signed by the s151 officer and the Chair of the Audit Committee on 7th July 2010.
- 32** We provided a schedule of working paper requirements to officers in advance of the audit commencing. However:
- A limited number of working papers were provided at the start of the audit, the remainder have been provided on a piecemeal basis during the course of the audit.
 - Many of the working papers provided to support the accounts have not been of the standard that we would expect and it was apparent that insufficient time had been available for senior officers to carry out a quality review of the working papers.
- 33** This has meant that a significant number of queries and requests for further information to support the accounts have had to be raised with officers. This in turn has increased the elapsed time from the start to completion of the audit.
- 34** This first year was always going to be a challenging one, being the first set of accounts for the new unitary authority, incorporating the former County Council functions with those of the two districts. The Finance department faced a number of pressures during the year including responding to the budget pressures resulting from the significant overspend identified early in 2009/10, bringing together the accounts and financial systems of the three legacy authorities, and changes in key personnel during the year including the interim Chief Accountant.
- 35** I know that officers and Members are reviewing the factors that led to the problems in finalising the Council's 2009/10 statements of accounts, with a view to putting in place arrangements for 2010/11 to avoid a recurrence. Finance is a key function for any council, particularly when the Council is facing considerable financial pressures and uncertainty with regard to future government funding.
- 36** I consider the non-numeric content of your financial reporting. I requested a review by the Audit Commission's technical team of the Council's financial statements as this was a year with significant accounting entries needing to be made and disclosed. The review identified a number of issues in respect of consistency and cross checking of

figures within the financial statements and made recommendations about the presentation of the statement of accounts. These have been shared with officers.

- 37** The format of the accounts will change for 2010/11 due to the introduction of International Financial Reporting Standards (IFRS). I will be reviewing the re-statement of the 2009/10 financial statements to provide the comparatives for the 2010/11 financial statements on to a basis consistent with IFRS during my 2010/11 audit.
- 38** The Council are currently behind the original timetable for the implementation of IFRS, largely due to delays in agreeing the disaggregation of the former Bedfordshire County Council balance sheet. The difficulties with the audit of the 2009/10 accounts will have added further to this, although there is no indication as yet that the Council will not be able to produce IFRS compliant accounts by 30 June 2011.

Recommendations

R6 Carry out a review of the procedures in place for the closure and preparation of the 2009/10 accounts .to ensure that adequate arrangements and sufficient resources are in place for the 2010/11 accounts preparation.

R7 Amend the 2009/10 accounts for the consistency and presentational issues identified as part of the technical review of the accounts.

R8 Ensure that adequate resources are allocated to ensuring that the Council is able to produce IFRS compliant accounts by 30 June 2011

Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. I have based my conclusion on my work on the use of resources assessment.

Value for money conclusion

- 39** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.
- 40** 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, except in the areas highlighted in Table 3. Appendix 1 contains my draft report.
- 41** My conclusion takes into account the work undertaken to date on:
- the use of resources;
 - performance management;
 - shared services, and
 - performance indicators.

Use of resources

- 42** I provided feedback in April 2010 to officers on the provisional findings and conclusions from the work undertaken on the Use of Resources assessment. In May 2010 the new Coalition Government announced that the Comprehensive Area Assessment (CAA) would be abolished. In recognition of this, the Audit Commission wrote to all councils to confirm that work on area assessments, managing performance statements and organisational assessments had ceased. The Commission also confirmed that work on the scored Use of Resources assessments would also cease, and that scores would not be published.
- 43** Whilst a scored assessment is not being published I have set out below a summary of the messages from the work that had been completed by the time of the cessation. The findings have been used to inform my value for money conclusion.

Table 2 Summary from use of resources work

Our findings show positive progress in the first year as a unitary authority

Theme	Managing finances
Criteria	Findings
<p>Planning for Financial Health</p> <p>Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?</p>	<p>The Council recognises that it faces a challenging financial future and are putting plans into place to manage this. Medium term financial planning is integrated with strategic and service planning on a medium to long term basis. There is evidence that resources have been shifted from low to high priority areas, for example adult social care and the learning agenda.</p> <p>The Council reported a significant overspend in August 2009, with the forecast overspend as the end of September 2009 reported as £8.6m. Action was taken to actively monitor the Council's financial position throughout the year to minimise the overspend at year end. The outturn for 2009/10 was a net overspend of £8.3m. Of this £7.1m has been met from general reserves, including £4.6m from the un-earmarked PFI reserve, leaving a shortfall of £1.2m.</p> <p>The 2010/11 budget was set on the basis that the 2009/10 outturn would be break even and therefore the £1.2m shortfall will require additional savings to be identified, in addition to the efficiency savings of £12m that had already been factored in to the budget</p> <p>An Efficiencies Board was set up in 2009/10, which meets monthly to consider and monitors reductions in costs. Efficiencies are reported to Corporate Management Team (CMT) monthly and to Executive quarterly.</p> <p>The budget process is timely and provides Members the opportunity to discuss and influence. The Council intends to review the Medium Term Financial Plan regularly and a decision has been taken to ring forward the start date of the budget process for 2011/12.</p> <p>The Council has engaged with stakeholders and the public in the financial planning process. Two quantitative research exercises were commissioned to strengthen the Council's understanding of customer and staff perceptions on key issues, including national performance indicators. The Council have not been able to engage external stakeholders as much as Members and Officers would wish and there is an intention to improve this for the next budget setting process.</p> <p>The need for regular financial training for both Members and officers is fully recognised with in house training provided for both.</p>

Theme	Managing finances
Criteria	Findings
<p>Understanding costs and achieving efficiencies</p> <p>Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?</p>	<p>The Council identifies and scrutinises high costs, for example highways, waste, home care, residential care, looked after children and out of county placements. Directorate budget management reports specifically cover these areas.</p> <p>Unit costs are used in the review of all major contracts, for example the SERCO contract review which challenged the cost per payslip.</p> <p>Key costs drivers have been identified for each Directorate and are reported on in the monthly budget monitoring report. Cost variations identified from the 2009/10 budget monitoring process have been analysed and included in the 2010/11 budget setting process as appropriate.</p> <p>The Council is an active member of the CIPFA benchmarking club and the information is being used to support decisions around restructures. Examples include:</p> <ul style="list-style-type: none"> • the DECATS (delivering efficient corporate and transactional services) project is reviewing 36 work streams, benchmarking them against other service providers and producing business cases for the service areas. Potential savings that are being identified have not been included in the 2010/11 budget but if delivered could amount to around 5 per cent of the total budget. • the 'Yourspace' project is looking to rationalise office space, ensure the most efficient location of staff, and fully integrate ICT systems. <p>As noted above the Council has identified efficiencies savings of £12m to achieve a balanced budget in 2010/11. The Efficiencies Board has been set up to monitor achievement of these savings.</p>
<p>Financial Reporting</p> <p>Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?</p>	<p>The Council produces relevant, timely and reliable monitoring and forecasting information. The overspend in 2009/10 was identified and reported to Members in August 2009.</p> <p>Financial reports are clear, relevant and concise. Key officers reported that they had access to understandable financial information that enables them to monitor their service and support decision making.</p>

Theme	Governing the business
Criteria	Findings
<p>Commissioning and Procurement</p> <p>Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcome and value for money?</p>	<p>The Commissioning Framework was agreed by Executive in August 2009 and the Corporate Commissioning and Procurement Strategy was agreed by Executive in November 2009.</p> <p>The Council's consultation database provides evidence of service users being given the opportunity to have their say on service provision. For example the consultation on Views and Experiences of People with Autism in Bedfordshire carried out in 2009 was carried out to understand people's experiences of local service to inform service gaps and future development plans.</p> <p>The Joint Strategic Needs Assessment (JSNA) is a key driver of the joint commissioning deliverables in Social Care, Health and Housing, and Children, Families and Learning.</p> <p>The Total Place pilot the Council is part of brings all public sector providers in a single location to collaborate and streamline services to produce better outcomes for users. The Children's Trust Board is a collaboration of the Council and all other children's services agencies to produce better outcomes for children and young people.</p> <p>Prospective suppliers are encouraged to register their interest with the Council via a web supplier portal. However officers recognise that more work is needed to reach potential new suppliers.</p> <p>The Council is part of the Procurement East Network, a regional networking to share best practice and market knowledge; and is a member of the Central Buying Consortium which shares best practice and collaboration of contracts, such as Flexible Procurement of Energy.</p> <p>User friendly procurement toolkits are being actively used across the Council and include the evaluation of different options for the procurement of services.</p> <p>The 'U' programme has been set up to review 40 contracts the Council has with suppliers. There is a standard framework with suppliers measured against 5 main areas: service delivery; risk management; value for money; partnership working; and efficiencies. A first tranche of 12 contracts, with a value of at least £1m are being reviewed.</p>

Theme	Governing the Business
Criteria	Findings
<p>Use of Information Does the organisation produce relevant and reliable data and information to support decision making and manage performance?</p>	<p>There is a Performance Management Framework in place, including the Data Quality Strategy and Audit Protocol. A series of Data Quality and Performance Management Training Workshops have been rolled out throughout the Council.</p> <p>The Council is a member of the local (Bedfordshire & Luton) Information Sharing Steering Group (ISSG) and has an Information Sharing Protocol in place. Membership of the ISSG has led to the creation of an internal Information Governance Group, whose remit it is to support good data quality within the whole information management process.</p> <p>The Council has attained Government Connect Secure Extranet CoCo compliance (Code of Connection). All new data is backed-up every night, system backups are run on a weekly basis for all business critical systems. Backup tapes are stored offsite at an authorised and specialist backup facility and the media is available for restore/recovery by authorised ICT staff when necessary. However, there has been no test to ensure the restore process would work if required. (ITRA).</p> <p>There were some IT operational problems during 2009/10 which affected the availability of IT services. The systems were restored and the incident did not have an adverse impact on financial data and reporting.</p> <p>The IT Risk Assessment that I carried out in March 2010 identified the need to establish policies and procedures over access controls, remote working and disaster recovery. Without policies and procedures, the Council cannot be sure it is applying consistent processes over IT operations.</p> <p>Decision makers are supported through quarterly performance reports which are reported to Directorate Management Teams, Corporate Management Team, Overview and Scrutiny Committees, and the Executive.</p> <p>My testing of a sample of performance indicators validated our assessment of the management arrangements in place for performance. (see "Performance Indicators").</p>
<p>Good Governance Does the organisation promote and demonstrate the principles and values of good governance?</p>	<p>This is an area of strength for the Council. The Council adopts, promotes and demonstrates good governance evidenced by a comprehensive training and development programme to equip Members and senior officers to carry out their roles.</p> <p>Members receive Personal Development Reviews and 1:1s. There is a protocol for councillor/officer relations. This is evidenced through 1:1s with the Chief Executive and Leader, 1:1s with Directors/Assistant Directors and Portfolio Holders as</p>

Theme	Governing the Business
Criteria	Findings
	<p>well as extended cabinet meetings.</p> <p>The Council has put some effective processes in place to facilitate Member development. The Councillor Champion Group is a cross party standing group of lead councillors in place (Councillor Development Champions) to drive forward councillor development in Central Bedfordshire with the aim of accreditation to the East of England Regional Assembly Charter on Elected Councillor Development.</p> <p>The LSP has agreed the core terms of reference and governance arrangements for all of the significant partnerships, including the statutory partnerships for: the Children's Trust; Adult Social Care; and Community Safety Executive.</p> <p>The Chair and Vice Chair of the Standards Committee attend training with Town Councils and Parish Councils to promote awareness and transparency.</p>
<p>Risk management and internal control</p> <p>Does the organisation manage its risks and maintain a sound system of internal control?</p>	<p>The Council has effective risk management arrangements in place. There is a Corporate Risk Management Strategy in place together with a number of strategies and policies to manage the risk of fraud and corruption.</p> <p>The Strategic Risk Register is reviewed by CMT on a quarterly basis and by the Executive Committee on a 6 monthly basis. There are also directorate and service area risk registers in place. There is evidence that risk registers are considered by the Council when reviewing budgets and in budget monitoring.</p> <p>Risk registers do include partnership working, however many of these are proposed rather than actually in place.</p> <p>I reviewed Internal Audit against CIPFA standards. I found that the IA service met the CIPFA standards and that we are able to rely on their work.</p> <p>IA identified controls weaknesses in the operation of Payroll and other key systems during 2009/10. These weaknesses have not resulted in material errors in the accounts. As a result of the weaknesses in payroll we have carried out substantive testing of the payroll expenditure in the accounts.</p>

Theme	Managing resources
Criteria	Findings
<p>Strategic Asset Management Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?</p>	<p>The Council is in the process of developing sound and effective asset management practices. There is a Medium Term Property Strategy 2009-11 and an Asset Management Plan 2009-11 in place.</p> <p>The Council is developing its review procedures for its assets. An Annual Property Asset Review will, initially, provide the principal means for updating and collecting information about existing assets including suitability, condition, sufficiency, costs, values and use. As the system develops, it will help to identify future accommodation needs, support the identification of surplus and/or under-performing assets and help in identifying opportunities for the shared use of assets.</p> <p>The Council has an understanding of its asset base and the scale of backlog maintenance required. Information relating to maintenance backlog is compiled using the information obtained from regular property inspections.</p> <p>Asset information from the three legacy councils was all held in different formats and has required a lot of work to reconcile. However, the asset register is now complete.</p> <p>The Council is working with its partners to identify the best use of assets for service delivery. It is working with Luton Borough Council, as part of Total Place, to identify all public buildings within the two areas and to discuss with the NHS, Police, Fire and Job Centres how and where joint use of facilities can lead to efficiency savings.</p>
<p>Workforce Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?</p>	<p>The Council has made a commitment to develop its staff through a Skills Pledge. The Skills Pledge is a voluntary, public commitment by an organisation to support the skills development of all its employees to develop their basic skills, including literacy and numeracy, and work towards relevant, valuable qualifications to at least Level 2 (equivalent to 5 good GCSEs).</p> <p>Workforce Management Information, provided monthly to senior managers, monitors staff numbers, vacancies, turnover, absence, and performance management activity. This information is used by services to plan for immediate and future workforce requirements.</p> <p>A Performance Development Review (PDR) process has been implemented at the Council. This enables staff to identify SMART work objectives that align to service workforce strategies and plans and agree development objectives which</p>

	<p>underpin the Council's Strategic Objectives. However, compliance monitoring at the time of my work on use of resources indicated that only 39 per cent of PDRs had been completed and 24 per cent are planned.</p> <p>On-going organisational change is supported by a Managing Change Policy.</p> <p>The Council has clear plans in place to improve equality and diversity. An action plan is in place to achieve Level 2 of the new Equality Framework.</p> <p>Overall sickness levels at the Council are around target levels of 9 days. However, there are issues in Adult Social Care where sickness levels are higher. Part of the recovery plan for Adult Social Care is to equip managers to be able to manage sickness. The Council has recently revised its sickness policy which places greater emphasis on managers to manage sickness within the services they are responsible for, rather than relying on the HR team.</p>
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Performance management

- 44** Our review was originally to be focused on the Local Area Agreement (LAA) but was subsequently refocused to consider performance management more generally given other reviews that were taking place of the LAA. Our findings supported the assessment that we had undertaken for use of resources and I do not therefore propose issuing a separate report
- 45** We found that the Council's arrangements for performance management were in the process of development during 2009/10. In particular:
- The Council were unable to make use of benchmarking information during 2009/10. It has now joined the PricewaterhouseCoopers benchmarking club and expected to receive the first set of information in Summer 2010.
 - At the time of our review (June 2010) the Council was finalising its community outcome objectives for 2010/11. Once agreed and included in the Corporate Plan they will be cascaded into development plans, service plans and personal development reviews.
 - There has been progress in obtaining information from the health service, previously unavailable to the Council. For 2010/11 the Council will get some indicators that are based on GP practice areas and should assist in the effective targeting of action.
 - The approach to service improvement was inconsistent between services in 2009/10. Sustainable Communities had performance clinics and Adult Services and Housing, both Children's Services and Corporate Shared Services dealt with service improvement as part of their regular departmental management teams. A more consistent approach is being developed and introduced during 2010/11.

Value for money

- Target setting for 2009/10 suffered from the lack of comparative information. Targets for 2010/11 were due to be finalised by the end of Quarter 1.
- Performance reporting will be strengthened in 2010/11. The quarterly reports to Executive will include corporate health indicators which were largely missing in 2009/10 and will be more focussed in that they will focus on targets that collated quarterly, excluding annual indicators that do not change during the year.

Shared services

- 46** Central Bedfordshire Council and Bedford Borough Council have been sharing service provision for many of the services previously supplied by Bedfordshire County Council. Decisions on which services were to be shared were taken in October 2008 and the host authority for each service was identified at the same time. A small number of services are also hosted by NHS Bedfordshire, the local Primary Care Trust. The Association of Public Sector Excellence was commissioned to provide independent advice on shared services and to deliver service level agreements. All of this work was undertaken within a very compressed timescale which posed risks in itself.
- 47** These are not conventional shared services arrangements where partners merge two, or more existing services into one over an agreed period of time. Rather, to meet the timetable for Local Government Reorganisation, existing Bedfordshire County Council service were taken on by one council and delivered on behalf of both councils.
- 48** Work carried out by on Local Government Reorganisation in Bedfordshire, by my predecessor, identified that the criteria for agreeing which services were to be provided on a shared basis, and which were to be disaggregated to the two unitary councils, did not appear to be systematic. I have sought to establish whether the councils over time have developed more robust criteria which take into account issues such as value for money and customer/user/resident expectations
- 49** This review aimed to provide a high level overview of key risks in relation to the partnership arrangements for the delivery of shared services. I reviewed two shared services selected by the Councils, one service hosted by Bedford Borough Council and one service hosted by Central Bedfordshire.
- 50** The overall conclusion from my work is that while Central Bedfordshire has not progressed as quickly with the development and review of service level agreements (SLAs) for shared services as was originally envisaged, the review of the two Service Level Agreements (SLAs) demonstrates that in these instances robust arrangements have been put in place which are meeting the desired objectives for each Council. My findings are set out in the following paragraphs.
- 51** The SLA that I reviewed hosted by Central Bedfordshire is the Emergency Duty Team. This service, which provides out of hours social worker support, is also provided for Bedford Borough Council and Luton Borough Council.
- 52** Governance arrangements for the Emergency Duty Team SLA are robust. Central Bedfordshire hosts one Governance Board meeting with Bedford Borough Council each year, the purpose of which is to make sure that the service is still meeting the needs of the latter. In addition, Central Bedfordshire can provide audit reports,

benchmarking information and management accounts for Bedford Borough Council. There have been no governance issues raised in relation to this service since it was revised on 1 April 2009.

- 53** Procedures are in place to resolve any issues that may arise between the partners; these include an Issue Record Log. If a dispute cannot be resolved through the process set out (which include timescales) there is provision for mediation. At the time of my review no issues had arisen which have required these formal procedures for resolution.
- 54** Partners receive good quality management information. Quarterly performance reports are provided to the partner councils. The original SLA required monthly reporting but partners agreed that this was unnecessary because there is little change month by month. Monthly statistics are maintained by the Team Leader and can be made available if required by any of the partners. The Management Board meets at least twice a year and reviews benchmarking information, Key Performance Indicator (KPI) results and targets.
- 55** Partners have a clear understanding of the costs the Emergency Duty Team. The service for 2009/10 has been delivered within budget. Costs are calculated based on activity in the previous year. Charging is based on workload and is currently split 31.2 per cent Bedford Borough Council, 31.8 per cent Central Bedfordshire and 37 per cent Luton Borough Council. During 2009/10 the workload has shifted away from Luton Borough Council to Bedford Borough Council with activity at Central Bedfordshire remaining constant. Charging is to be amended based on these changed activity levels.
- 56** It is not clear how service recipient expectations or views have been taken into account in shaping the SLA. As the Emergency Duty Team has effectively continued as a single seamless service there has been no apparent need to seek user views on service delivery. However, partners are now developing the annual stakeholder survey. They have compiled a list of agencies from which they can seek views on the service provision. This was due to be sent out to stakeholders at the end of the May 2010.
- 57** Partners consider the shared service arrangements for the Emergency Duty Team to be effective and operationally there is a good relationship between the three councils. All of the partners expect this to remain a shared service.

Performance indicators

- 58** I carried out spot checks on four indicators to help to confirm that the Council is producing relevant and reliable data to support decision-making.
- 59** Spot checks of performance indicators consist of:
- applying a set of service-specific management arrangements questions;
 - understanding the system used to collect and process the data in accordance with the performance indicator definition; and
 - testing the underlying data against the Audit Commission's six data quality criteria, accuracy, validity, reliability, timeliness, relevance and completeness.

Value for money

60 The indicators selected for testing were:

- National Indicator 59: % of initial assessments within 7 working days of referral - Children Families and Learning
- National Indicator 132: timeliness of social care assessment
- % of Council Tax that has been collected
- National Indicator 155: number of affordable homes delivered

61 My work on these four indicators did not identify any specific data quality issues and has validated my assessment in Table 2 above that the Council produces relevant and reliable data and information to support decision making and manage performance.

Conclusion

62 The problems experienced with the preparation and audit of the Council's 2009/10 Statement of Accounts are relevant to the Financial Reporting criteria of the Value for Money Conclusion. I am considering whether these problems, considered alongside the other elements of the criteria, mean that the criteria has not been met. If I conclude that the criteria has been met then I would issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. If I conclude that the criteria has not been met then I would issue a qualified conclusion stating that the Council had adequate arrangements in place except for its arrangements for financial reporting. Appendix 1 contains my draft report.

Glossary

Annual governance statement

63 A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

64 A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

65 On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.
-

Qualified

66 The auditor has some reservations or concerns.

Unqualified

67 The auditor does not have any reservations.

Value for money conclusion

68 The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Independent auditor’s report to Members of Central Bedfordshire Council

Independent auditor’s report to the Members of Central Bedfordshire Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Central Bedfordshire Council for the year ended 31 March 2010 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 Fund¹ 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 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Assistant Director Financial Services and auditor

The Assistant Director Financial Services' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

¹ The description of the accounting statements should only include those relevant to the authority's circumstances.

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 accounting 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 Foreword¹. 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.

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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

¹.

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 the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Bedford Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

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.

Paul King
District Auditor

Regus House
1010 Cambourne Business Park
Cambourne

Cambs

CB23 6DP

Date

Appendix 2 – Amendments to the draft accounts

This will be completed once the amendments which are to be made to the statements of account have been agreed.

I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Table 3

		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s

Appendix 3 – Unadjusted misstatements in the accounts

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities. If you decide not to amend, please tell us why in the representation letter. If you believe the affect 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 £ million
Contributions deferred Whilst preparing supporting papers to evidence the balance on the Balance Sheet an error was identified. Contributions deferred of £15.383m included in the Balance Sheet are understated by £0.456m.	Balance Sheet Contributions deferred	Other grants and contributions deferred of £15.383m included in the Balance Sheet are understated by £0.456m.
The Income and Expenditure Account includes Exceptional Items as follows: Income of £0.692m Expenditure of £1.618m being: £0.600m in respect of NIRAH , £0.519m planned personnel costs £0.499m contract dispute I have queried if these items meet the SORP definition of exceptional items.	Income and Expenditure Account	Exceptional Items in the Income and Expenditure Account are overstated by a net £0.926m. Other service headings understated by £0.926m.
Note 13 Borrowing This note provides analyses of borrowing by; less than one year and more than one year.	Balance Sheet Note 13	Disclosure

Appendix 3 – Unadjusted misstatements in the accounts

Description of error	Accounts affected	Value of error £ million
<p>The SORP requires borrowing to be broken down by year:</p> <p>Less than one year</p> <p>Between one and two years</p> <p>Between two and five years</p> <p>More than five years</p>		
<p>Note 14 Financial instruments - Trade debtors disclosed in Note 14 under financial assets do not agree to the working paper providing the breakdown of debtors.</p>	<p>Balance Sheet Note 14</p>	<p>There is a difference of £0.241m between trade debtors as disclosed in Note 14 and the working paper provided.</p>
<p>Note 18 Dedicated schools grant - the original grant notification as reported in Note 18 of £142.649m differs from the final notification and SAP by £0.286m. Note 18 overstated by £0.286</p>	<p>Balance Sheet Note 18</p>	<p>Dedicated schools grant as disclosed in Note 18 is overstated by £0.286m.</p>
<p>Revenue Funded by Capital Under Statute (REFCUS) reported in Capital Adjustment Account as £10.107m and in Note 6 "Capital Expenditure and Financing" as £10.619m. An explanation for this difference has not been provided.</p>	<p>Capital Adjustment Account Balance Sheet Note 6</p>	<p>There is a difference of £0,512m between REFCUS as disclosed in the Capital Adjustment Account and Note 6.</p>
<p>There are a number of assets, with a total value of £0.274m, on the Fixed Asset Register that have a negative net book value carried forward at 31 March 2010.</p>		<p>The fixed asset values in the Balance Sheet are overstated by £0.274m</p>
<p>Additional disclosure is required to explain why the additions as reported in Note 6 Capital Expenditure and Financing and Note 2 do not agree. The additions in note 2 total £41.214m, however in note 6 this is £46.766m.</p> <p>The reason for this is that Note 6 does not include the HRA capital</p>	<p>Balance Sheet Note 2 Balance Sheet Note 6</p>	

Appendix 3 – Unadjusted misstatements in the accounts

Description of error	Accounts affected	Value of error £ million
<p>expenditure of £5.483m = £52,249k Less the REFCUS - £10,619 = £41,630.</p> <p>A sentence to explain the reason for the difference is required.</p>		
<p>HRA - Rents of council houses included in the HRA of £20.633m include £0.078m of non-dwelling income.</p>	<p>HRA Rents of council houses Rents of non - dwellings</p>	<p>Rents of council houses included in the HRA are overstated by £0.078m . Rents of non-dwelling income. is understated by £0.078m.</p>
<p>Collection Fund - NNDR payable to the Government of £73.642m differs from the NNDR 3 return figure of £73.149m. The accounts were based on an earlier version of the NNDR return. Difference of £0.493m.</p>	<p>Collection Fund NNDR payable to the government</p>	<p>NNDR payable to the Government is overstated by £0.493m.</p>
<p>Collection Fund - the accounts disclose an increase in the bad debt provision for Council Tax arrears of £0.568m, The working papers prepared in Revenues show that an increase of £0.401m. The bad debt provision is overstated by £ 0.167m</p>	<p>Collection Fund Bad debt provision for Council Tax</p>	<p>The bad debt provision for Council Tax is overstated by £0.167m</p>
<p>Collection Fund - Income collectable from NNDR ratepayers is disclosed in the Collection Fund as £73.972m. The working papers reconciling the Collection Fund to the IBS system give a figure of £73.513m. There is an unreconciled difference of £0.458m.</p>	<p>Collection Fund Income collectable from NNDR ratepayers</p>	<p>There is an unreconciled difference of £0.458m between Income collectable from NNDR ratepayers as disclosed in the Collection Fund and the working papers reconciling the Collection Fund to the IBS system.</p>
<p>Note 20 Teachers Pension Scheme - discloses that the Council paid £8.3m to the</p>	<p>BS Note 20</p>	<p>Note 20 Teachers Pension Scheme is understated by £0.6m.</p>

Appendix 3 – Unadjusted misstatements in the accounts

Description of error	Accounts affected	Value of error £ million
Teachers Pensions Agency in 2009/10. The figure should be £8.9m as per payroll reports, and the Teachers Pensions return (TR17) which I have audited separately. The payments made as disclosed in this Note are understated by £0.6m.		
Collection Fund - Note 5 Allocation of the Collection Fund suggests that there was no provision for bad debts b/f as at 1 April 2009. Working papers for 2008/09 (South Beds DC) shows last years provision as £1.535m.	Collection Fund Note 5	Note 5 to the Collection Fund is incomplete.
Collection Fund - Transfer to Income and Expenditure Account is £129.160 per the Collection Fund and £129.901 in the Income and Expenditure Account. No working papers have been provided to support the difference of £0.741m.	Collection Fund Transfer to Income and Expenditure Account	There is an unreconciled difference of £0.741m between the Collection Fund and the Income and Expenditure Account in respect of the "Transfer to Income and Expenditure Account".
Investments - disclosed in the Balance Sheet as £55.769m however working papers and SAP balance record £55.445m. There is an unreconciled difference of £0.324m.	Balance Sheet Investments	Investments as disclosed in the Balance Sheet are overstated by £0.324m.
Testing of 70 payroll payments found no errors in relation to gross pay and pension contributions. There was one error in relation to Employers National Insurance Contributions (in one case tested the general ledger recorded an amount of £49.73, however as per the HMRC NI tables, only £42.35 was payable, a difference of £7.36.	Income and Expenditure Account	Employers National Insurance Contributions potentially overstated by £0.263m.

Appendix 3 – Unadjusted misstatements in the accounts

Description of error	Accounts affected	Value of error £ million
The error has been extrapolated across the whole balance, to give an extrapolated error of £262,697.		
Note 21 to the Balance Sheet, Contingent Assets and Liabilities remains incomplete. Officers have informed me that there are no contingent assets or liabilities to be disclosed.	Balance Sheet Note 21	Incomplete Note to the accounts.

Appendix 4 – Draft letter of representation

Mr P King
Audit Commission
Regus House
1010 Cambourne Business Park
Cambourne
Cambridge
CB23 6DP

Dear Paul

Central Bedfordshire Council - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Bedford Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010. All representations cover the Council's accounts and Group 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 give a true and fair view of 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 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.

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.

Appendix 4 – Draft letter of representation

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the valuation assumption for tangible assets, financial assets and liabilities, and pension fund liabilities 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
- subsequent events do not require adjustment to the fair value measurement.

Assets

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

- losses arising from sale & purchase commitments;
- agreements & 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 19 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 Council, no additional significant post balance sheet events 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 - Pension Fund move from Retail Price Index to Consumer Price Index for future public sector pension increases.

Confirmation that the profile for Central Bedfordshire Council's membership of the Bedfordshire Pension Fund is not inconsistent with the overall pension fund member profile giving rise to the estimated reduction of Employer FRS 17 liabilities (6-8%).

Specific representations

There are no material onerous contracts that should be provided for under FRS12 other than those which have been properly recorded and disclosed in the financial statements.

I confirm that the Council did not enter in to any financial guarantees during the year.

Signed on behalf of Central Bedfordshire Council

I confirm that the this letter has been discussed and agreed by the Audit Committee on 27 September 2010

Signed

Name Matt Bowmer

Position Assistant Director of Financial Services

Date

Appendix 5 – Value for money criteria

KLOE	Met
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	TBC
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	N/A
Strategic asset management	Yes
Workforce	Yes

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2009/10 - Recommendations						
10	R1: Amend the accounts to correct the material errors noted above in respect of: <ul style="list-style-type: none"> • Government Grants Deferred • Grants and Contributions Unapplied • Disclosure of Area Based Grant (ABG) and the revenue element of the £1.389m of Housing and Planning Delivery Grant (HPDG) in the Income and Expenditure Account. • The pension liability as at 1 April 2009 	3				
10	R2: Consider amending the accounts for the non material and non trifling errors set out in Appendix 3.	3				

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	R3: Ensure that journals are authorised in accordance with the Council's financial procedures.	2				
11	R4: Ensure that Councillors declarations are retained for a suitable period following the receipt of any new declarations.	2				
15	R5: The Council should consider the out of hour use of both schools included in the PFI scheme against IFRIC 4 and IAS 17 for the 2010/11 accounts	3				
16	R6: Carry out a review of the procedures in place for the closure and preparation of the 2009/10 accounts .to ensure that adequate arrangements and sufficient resources are in place for the 2010/11 accounts preparation.	3				
16	R7:Amend the 2009/10 accounts for the consistency and presentational issues identified as part of the technical review of the accounts.	3				
16	R8: Ensure that adequate resources are allocated to ensuring that the Council is able to produce IFRS compliant accounts by 30	3				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	June 2011					

The Audit Commission

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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

www.audit-commission.gov.uk
