

# Annual Governance Report

Uttlesford District Council

Audit 2008/09

Date September 2009

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## Status of our reports

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

- any director/member or officer in their individual capacity; or
  - any third party.
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Members of the Performance Select Committee

**2008/09 Annual Governance Report**

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

A draft of the report was discussed and agreed with the Chief Finance Officer on 11 September 2009 and has been updated since as issues have been 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 the report before approving the financial statements (pages 6 to 12);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the errors (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Yours sincerely

Paul King  
District Auditor  
29 September 2009

# Key messages

This report summarises the findings from the 2008/09 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 how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

<b>Financial Statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	7
Financial statements free from error	Yes	7
Adequate internal control environment	Yes	7
<b>Use of resources</b>	<b>Results</b>	<b>Page</b>
Arrangements to secure value for money	No	11

## Audit opinion

- 1 We propose issuing an unqualified audit opinion prior to the statutory deadline of 30 September 2009.

## Financial statements

- 2 Our work on the financial statements is substantially complete although there are still outstanding issues to be resolved. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Chair of the Performance Select Committee.
- 3 The final accounts audit in 2008/09 has been less problematic when compared to prior years. This is a direct result of the significant improvements made within the final accounts closedown processes in 2008/09 as well as the commitment of the Council's Finance Team. In addition, there has been a significant improvement in the quality of the accounts when compared to those presented for audit in 2007/08.
- 4 One material adjustment has taken place which has resulted in increasing the Council's surplus position for 2008/09 on the face of the Income and Expenditure account by £671k. Please refer to Appendix 2 for more detail.

## Key messages

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### Value for money

- 5 The use of resources scores will be reported separately to the Council, once the national quality assurance process has been completed. However, in terms of the impact on the value for money conclusion I concluded that the Council met the minimum standards during 2008/09 for five of the nine criteria assessed. For the remaining criteria, weaknesses in the Council's arrangements for securing value for money were identified. For more information please refer to Appendix 5. Hence we propose issuing a qualified value for money conclusion stating that the Council did not have adequate arrangements in place. This is currently subject to confirmation by an independent peer review.
- 6 Although weaknesses in the Council's arrangements are still present, we recognise the improvements made when compared to prior years and that the Council is responding to their known weaknesses.

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

- consider the matters raised in the report before approving the financial statements (pages 7 to 10);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified which management has declined to amend or set out the reasons for not amending the errors (Appendix 3);
- take note of the VFM Conclusion;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 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.**

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## Opinion on the financial statements

- 8** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
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## Errors in the financial statements

- 9** We identified errors in the financial statements (other than those of a trivial nature) and reported these to management. Management have agreed to adjust the financial statements for the errors identified, details of which are noted in Appendix 2 to this report. The overall impact on the revenue account as a result of the adjustments has been an increase to the surplus position for the year of £671k. This has resulted in a corresponding increase to the earmarked reserves of £671k.
- 10** There are further errors (other than those of a trivial nature) that management has declined to correct, details of which are noted in Appendix 3 to this report. We would therefore ask you to consider whether to adjust these errors. 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.
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## Material weaknesses in internal control

- 11** We have not identified any 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.
- 12** We have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made, but have addressed only those matters which have come to our attention because of the audit procedures we have performed.
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**Letter of representation**

**13** 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 4 contains the draft letter of representation I seek to obtain from you.

**Key areas of judgement and audit risk**

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

**Table 1 Key areas of judgement and audit risk**

Issue or risk	Finding
Compliance with new SORP requirements – there is a risk that the financial statements of the Council will not be compliant with the 2008 SORP.	The 2008/09 financial statements are SORP compliant.
Our review of the Council’s budgetary control process undertaken as part of the 2006/07 audit showed that the Council’s budgetary control procedures were not effective. The Council has put in place revised arrangements that will take effect for 2008/09 onwards, but the effectiveness of these arrangements will not become fully apparent until they have been operational for a sufficient length of time.	Budgetary control weaknesses continued to be a concern throughout 2008/09; however our VFM conclusion work has noted improvements have been made in the Council’s budgetary control process.
The 2006/07 accounts were qualified due to the incorrect treatment of a waste vehicles lease as an operating lease rather than as a finance lease. The Council decided not to adjust the 2006/07 accounts to account for the lease as a finance lease (and accept the consequent qualified audit opinion) but instead decided that the adjustments would be made in the 2007/08 accounts (including the restatement of the 2006/07 accounts to reflect the change in accounting policy). The revised treatment will need to be continued for 2008/09.	There have been no identified issues in this regard in 2008/09.
The capacity of the Council’s Finance Team is fragile, and whilst some new staff have been recruited, many of them are	There have been no identified issues in this regard in 2008/09. A new permanent CFO was appointed last year and the

## Financial statements

Issue or risk	Finding
<p>new to the final accounts process for a district council and new to Uttlesford District Council. This risk is more directly applicable to 2007/08, but capacity will remain a risk to the Council during 2008/09.</p>	<p>same finance team have now been in place for over two years.</p>
<p>Our 2007/08 accounts work identified a number of issues:</p> <ul style="list-style-type: none"> <li>• the accounts submitted for audit contained a significant number of typing casting and other inconsistency errors;</li> <li>• the prior period adjustment had not been included in the accounts;</li> <li>• casting errors and inconsistencies between main accounts, notes and other key financial statements;</li> <li>• not all working papers initially provided clearly supported the figures in the accounts; and</li> <li>• there were instances of non compliance with the Statement of Recommended Practice (SoRP) and accounting policies.</li> </ul>	<p>Significantly fewer issues have been identified as part of the 2008/09 account process, than previously. However, some errors have been noted, details of which are contained within Appendix 2 and 3 of this report.</p> <p>The final accounts audit in 2008/09 has been less problematic when compared to prior years. This is a direct result of the significant improvements made within the final accounts closedown processes in 2008/09 as well as the commitment of the Council's Finance Team and the improved and more proactive liaison between auditors and finance.</p>
<p>Our audit identified the following uncertainties in the financial statements that management decided not to adjust:</p> <ul style="list-style-type: none"> <li>• VAT account income of £144k; and</li> <li>• NNDR income of £231k.</li> </ul> <p>These sums have historically been carried forward as part of the year end reconciliations.</p>	<p>There have been no identified issues in this regard in 2008/09. The Council have written off both the VAT account income of £144k and NNDR income of £231k in 2008/09.</p>
<p>Journals processed through the ledger are not always subject to independent review or authorisation.</p>	<p>Similar weaknesses exist in 2008/09 and one material adjustment was required (adjustment to pension costs – see Appendix 2 for more information) as a result of the journal weaknesses identified.</p>

### Recommendation

- R1** Strengthen controls over the authorisation of journals and consider senior officer review of journals over a specified amount.

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**Accounting practice and financial reporting**

**15** I consider the qualitative aspects of your financial reporting and have noted that a small number of casting, cross casting, internal referencing and opening balance errors were noted in the accounts, all of which have been amended by the Council. These were minor in nature and despite the errors noted, there has been a significant improvement in the quality of the accounts when compared to those presented for audit in 2007/08.

<b>Recommendation</b>
<b>R2</b> Ensure that continued improvement is made in the quality of the accounts provided for audit, and that for future years, casting, cross casting, internal referencing and opening balance errors are not present in the draft accounts.

# Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also 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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## Use of resources judgements

- 16 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
  - 17 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
  - 18 The scored use of resources judgements are currently subject to the Audit Commission's national quality assurance process, which will be concluded by 11 September 2009. After this date I will report the judgements to the Council along with the key findings and conclusions that support those judgements, together with any recommendations to the Council. I will prepare a separate Use of Resources Report to set out my findings, conclusions and recommendations.
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## Value for money conclusion

- 19 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. The Audit Commission also specifies that a score of level 1 on any KLOE will result in an automatic reassessment of that KLOE in the following year, regardless of whether it is specified for assessment. The Council achieved a level 1 score for asset management in the 2007/08 assessment, and therefore was reassessed in 2008/09 in addition to the eight other KLOEs specified by the Audit Commission.
  - 20 My conclusions on each of the areas are set out in Appendix 5 and the identified weaknesses in arrangements for securing value for money are detailed in table 2 below. Although weaknesses in the Council's arrangements are still present, we recognise the improvements made when compared to prior years and that the Council is responding to their known weaknesses.
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**Table 2 Value for money conclusion: criteria where assessed as not adequate**

Criteria	Finding
The body has put in place arrangements to understand costs and achieve efficiencies.	<ul style="list-style-type: none"> <li>the Council has only just begun to develop its understanding of costs and performance; and</li> <li>cost and performance information are not reported together.</li> </ul>
The body has put in place arrangements to commission and procure quality services and supplies	<ul style="list-style-type: none"> <li>no strategic approach to procurement is in place and no real direction on procurement activity to services; and</li> <li>the Council is embarking on an ambitious programme of partnership working and shared service provision to realise future savings, without procurement expertise in place there are significant risks associated with this.</li> </ul>
The body has put in place arrangements to maintain good risk management and internal control	<ul style="list-style-type: none"> <li>risk management arrangements are weak. The Council recognises this and are currently reviewing their procedures to address this.</li> </ul>
The body has put in place arrangements for the management of its asset base.	<ul style="list-style-type: none"> <li>the weaknesses that existed in 2007/08 still exist in 2008/09;</li> <li>there is no current corporate capital strategy linked to priorities, the MTFs and a detailed asset management plan;</li> <li>the Council maintains its asset register on a spreadsheet that is only updated at year end and does not contain sufficient detail; and</li> <li>there is no member group specifically responsible for asset management.</li> </ul>

**Recommendation**

**R3** Ensure that weaknesses in arrangements to secure economy, efficiency and effectiveness in its use of resources are put in place.

**21** I intend to issue a qualified conclusion stating that the Council did not have adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. This is currently subject to confirmation by an independent peer review. My conclusions on each of the areas are set out in Appendix 5.

**22** Appendix 1 contains the wording of my draft report.

# Appendix 1 – Independent auditor’s report to Members of Uttlesford District Council

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## Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Uttlesford 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 Uttlesford 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.

## Respective responsibilities of the Chief Financial Officer and the auditor

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

My responsibility is to audit the financial 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 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.

### **Basis of audit opinion**

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

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

### **Opinion**

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the 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.

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## **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

## Appendix 1 – Independent auditor’s report to Members of Uttlesford District Council

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.

### Adverse conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I identified the following:

- the Council has not yet developed its understanding of costs and performance;
- there is no strategic approach to procurement or direction for procurement activity to services;
- risk management arrangements are weak; and
- there is no detailed asset management plan.

For the reasons set out above, and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am not satisfied that, in all significant respects, Uttlesford District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009, in that it did not put in place:

- adequate arrangements to understand costs and achieve efficiencies;
- adequate arrangements to commission and procure quality services and supplies;
- adequate arrangements to maintain good risk management and internal control; and
- adequate arrangements for the management of its asset base.

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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.

Paul King

(Officer of the Audit Commission)

**Appendix 1 – Independent auditor’s report to Members of Uttlesford District Council**

Audit Commission, Atlantic Business Centre, Lyttleton House, 64 Broomfield Road,  
Chelmsford, Essex, CM1 1SW

29 September 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. The overall impact of the adjustments on the Income and Expenditure account has been an increase in the surplus position of £671k. This has resulted in an increase in earmarked reserves of the same amount.

**Table 3**

Adjusted misstatements	Nature of Adjustment	Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Reclassification of provision	A provision in respect of payments due to Essex County Council as a result of early retirements was mis-classified and should have been disclosed under deferred liabilities.			540	540
Adjustment to Collection Fund creditors	The accrual relating to Collection Fund surplus/deficit was incorrect and required reversal of the original accrual and adjustment for the correct entries which resulted in a nil effect in both Creditors and Collection Fund reserve.			211 82 (293)	211 82 (293)

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjustment of creditor relating to pension costs.	An adjustment was required to pension costs.		671	671	
Collection Fund income adjustment	An adjustment was required to ensure the Collection Fund NNDR income agreed to entries held within the NNDR claim. This had a nil effect on the Collection Fund bottom line.	84	84		
Reclassification of investment interest accrued.	Accrued interest relating to Money Market lending was included within Bank of Scotland balance and needed reclassification.			6	6
Reclassification of debtors included within creditors	Unallocated sundry debtors were included in the creditors balance at year end and required reclassification.  A similar reclassification was required for the Allpay debtor incorrectly included in creditors.			191 115	191 115
Reclassification between long term and short term debtors	An adjustment was required to reclassify the long term car loans debtor to current debtors to reflect the nature of the debt.			13	13
Reclassification between tangible and intangible assets	IT software additions in year were accounted for as tangible assets instead of intangible and required re-classification.			29	29

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Additional impairment on Landsbanki financial asset	Landsbanki investments were impaired using a standard calculation model as noted in LAAP Bulletin 82. This has been subsequently updated, requiring a further impairment on Landsbanki investments to reflect the current position and potential recoverability of the balance.	244	244	244	244

### Recommendation

**R4** For all adjustments made to the accounts in 2008/09, ensure processes are put in place to ensure that similar errors do not occur in future.

# 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 effected	Value of error £000
The cash flow statement includes a balancing figure of £250k which the Council is unable to trace to supporting documentation.	Cash flow statement	250
Included within the NNDR arrears is a historic amount of £7.2k which can not be agreed back to supporting documentation.	NNDR debtors and collection fund income	7
NNDR creditors included £5.8k which related to 2007/08 unrepresented cheque write offs which should have been written out of creditors.	NNDR creditors and NNDR write offs	6
Housing expenditure on supported housing relating to 2009/10 was accounted for in 2008/09.	HRA charges for services and prepayments	19
Part of the Allpay income balance could not be supported back to statements.	Income and Allpay accruals	57
The balance for cash in transit on the ledger is £4k higher than the amount per the cashiers records.	Cash and bank	4
The Council is unable to provide a reconciliation to support the credit card receipts in transit of £98k.	Cash and bank	98
Total rent arrears at year end amounted to £356k of which £265k had been provided for as	HRA debtors and income &	197 (estimated)

## Appendix 3 – Unadjusted misstatements in the accounts

Description of error	Accounts effected	Value of error £000
<p>doubtful. After reviewing subsequent receipts of this debt we noted that after year end £288k of 2008/09 debt had been recovered and £35k written off. As a result, the Council have potentially over-provided for rent arrears.</p>	expenditure	
<p>Our detailed testing on fixed asset additions for 2008/09 has identified that IT spend relating to software licences has been classified as Tangible Assets instead of Intangible Assets. This was noted as part of our 2005/06 audit where the Council capitalised £543k worth of software IT additions as tangible assets. Of this, £243k was subsequently reclassified as intangibles in the following year. No further reclassifications have taken place and the risk therefore is that cumulatively, over the interim years, tangible and intangible assets are over and understated respectively. The amount involved is currently unknown.</p> <p>The Council should review the items capitalised within IT tangible assets to establish whether they should be reclassified to intangibles</p>	Tangible and intangible assets	Unknown

<b>Recommendation</b>
<p><b>R5</b> Follow up on the errors not adjusted for with a view to correcting these in readiness for the 2009/10 audit.</p>
<p><b>R6</b> Perform a review of the items capitalised within IT tangible assets to establish whether they should be reclassified to intangibles.</p>

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# Appendix 4 – Draft letter of representation

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To: Paul King  
Appointed Auditor  
Audit Commission  
Atlantic Business Centre  
Lyttleton House  
64 Broomfield Road  
Chelmsford  
Essex  
CM1 1SW

## **Uttlesford 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 Uttlesford 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.

### **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:

- the financial statements are not materially misstated as a consequence of not amending for issues identified in appendix 3.

## Appendix 4 – Draft letter of representation

### 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.

### 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 financial liabilities and asset assumptions, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;

- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events [require/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 31 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 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.

## Appendix 4 – Draft letter of representation

### Specific representations:

Provisions – I confirm that sufficient amounts have been provided in respect of the Concessionary fares scheme and that the provision is not understated.

IT additions – I confirm that the cumulative impact of misclassification of IT software as tangible fixed assets is not material to the accounts.

Signed on behalf of Uttlesford District Council

I confirm that the this letter has been discussed and agreed by the Council on 29 September 2009

Signed

Name Stephen Joyce

Position Chief Finance Officer

Date 29 September 2009

# Appendix 5 – Value for money criteria

The following table summarises all the VFM conclusion criteria applicable to the Authority and whether they have been met for 2008/09.

<b>KLOE</b>	<b>Met</b>
<b><i>Managing finances</i></b>	
Financial planning and financial health	Yes
Understanding costs and achieving efficiencies	No
Financial reporting	Yes
<b><i>Governing the business</i></b>	
Commissioning and procurement	No
Use of information	Yes
Good governance	Yes
Risk management and internal control	No
<b><i>Managing resources</i></b>	
Workforce planning	Yes
Asset management	No

# Appendix 6 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2008/09 - Recommendations</b>						
9	Strengthen controls over the authorisation of journals and consider senior officer review of journals over a specified amount.	3	Chief finance officer	Yes	Journals for complex items will receive senior officer review	September 2009
10	Ensure that continued improvement is made in the quality of the accounts provided for audit, and that for future years, casting, cross casting, internal referencing and opening balance errors are not present in the draft accounts.	1	Chief finance officer	Yes	Only a handful of minor errors this year. Will aim for no errors next year	June 2010
12	Ensure that weaknesses in arrangements to secure economy, efficiency and effectiveness in its use of resources are put in place.	3	Strategic Management Board	Yes	Corporate arrangements being strengthened	From October 2009
18	For all adjustments made to the accounts in 2008/09, ensure processes are put in place to ensure that similar errors do not occur in	3	Chief finance officer	Yes	Agreed	April 2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	future.					
20	Follow up on the errors not adjusted for with a view to correcting these in readiness for the 2009/10 audit.	3	Chief Finance Officer	Partly	Where genuine error has occurred, corrective action will be taken	October 2009
20	Perform a review of the items capitalised within IT tangible assets to establish whether they should be reclassified to intangibles.	3	Chief finance officer	Yes	Agreed	October 2009

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# The Audit Commission

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