

Annual Governance Report

Uttlesford District Council

Audit 2009/10

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.
-

Members of the Performance Select 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 Chief Executive – Finance on 9 September 2010 and updated it as issues have been resolved.

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 10);
- 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);
- take note of the qualified value for money conclusion (Appendix 1);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Yours faithfully

Debbie Hanson
District Auditor

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
Unqualified audit opinion	Yes	7
Financial statements presented for audit free from material error	No	7
Adequate internal control environment	Yes	7
Value for money	Results	Page
Adequate arrangements to secure value for money	No	10

Audit opinion

- 1 I propose issuing an unqualified audit opinion prior to the statutory deadline of 30 September 2010.

Financial statements

- 2 My work on the financial statements is now substantially complete, although there are still some outstanding issues to be resolved. Should any further matters arise in concluding the outstanding work that need to be reported, I will raise them with the Chair of the Performance Select Committee.
- 3 A number of material adjustments have been identified in the course of our work. These have been amended in the revised accounts, along with a number of non-trivial adjustments. The overall impact of these adjustments has increased the net assets value on the balance sheet by £1,151, however there is no impact on revenue reserves. Material errors have also been adjusted for on the Cash Flow Statement and Statement of Total Recognised Gains and Losses (STRGL). Appendix 2 includes further detail of these amendments.

Key messages

Value for money

- 4 The Council has made significant improvement in its arrangements to secure value for money compared to the previous year. I concluded that, during 2009/10, the Council met the minimum standards for eight of the nine criteria assessed, but that weaknesses remained in asset management arrangements. I do however recognise the improvements made when compared to previous years and the fact that the Council continues to respond to the weaknesses identified. Appendix 5 includes further information in relation to the value for money conclusion.
- 5 I propose issuing a qualified value for money conclusion, stating that the Council did not have adequate arrangements in place for one out of nine criteria.

Independence

- 6 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.

7 I ask the Performance Select 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 that management has declined to amend or set out the reasons for not amending the errors (Appendix 3);
- take note of the qualified value for money conclusion (Appendix 1);
- 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

- 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.
-

Errors in the financial statements

- 9** I identified errors in the financial statements (other than those of a trivial nature) and reported these to management. Other than the unadjusted misstatements noted in Appendix 3, management have corrected for all non-trivial errors identified, details of which are noted in Appendix 2.
-

Important weaknesses in internal control

- 10** I 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.
- 11** I have not provided a comprehensive statement of all weakness which may exist in internal control, nor of all improvements which may be made, but have addressed only those matters which have come to my attention because of audit procedures I have performed.
- 12** My audit work has identified some weaknesses in internal control. Details of these are noted below for the specific attention of those charged with governance.
-

Cash reconciliations

- 13** Cash reconciliations contained a number of unexplained reconciling items.
- The credit card account reconciliation contained an un-reconciled amount of £936 which was written off to revenue.
 - The disbursements account reconciliation contained an un-reconciled amount of £909 which was written off to revenue.
 - The AllPay account reconciliation contained an un-reconciled amount of £1,909.
 - The cash receipts accounts contained un-reconciled amounts to the value of £5,000.
-

- 14** For 2009/10, the resulting net un-reconciled amounts were deemed trivial, however in future all cash accounts should be reconciled completely and any items that can not be agreed should be followed up promptly.

Recommendation

- R1** Ensure cash accounts are reconciled completely and any un-reconciled amounts are reviewed and resolved promptly.

Building control account

- 15** The Building Control Account has been in deficit for the last three years. This is in breach of the regulations governing the operation of this account. The Council should therefore undertake to return it to surplus.

Recommendation

- R2** Ensure appropriate action is taken to return the Building Control Account to a surplus position.

Fixed assets register

- 16** My work on fixed assets has identified a number of errors in the Council's fixed asset records, details of which are included in Appendix 2. In particular, audit work identified assets that had either been omitted from or incorrectly included in the asset register (ie land in respect Lord Butler Leisure Centre was omitted and Angel lane car park was included twice). My audit work also identified that the Council had disposed of four pieces of land in 2009/10 that had not been previously included in the asset register.
- 17** These issues raise concerns over the completeness and accuracy of the Council's fixed asset register. The fixed asset register is a key control document, which should contain details of all the Council's assets. The completeness of this register is critical to ensuring control and preventing misappropriation of assets. It should also record the correct value of assets to enable the Council to correctly account for fixed assets, depreciation and impairment.
- 18** The fixed asset register can also be used to help capital budgeting and to inform the asset management plan. The completeness of the register directly impacts on the Council's ability to accurately perform these tasks.
- 19** The Council should undertake a review of the fixed asset register to ensure it is complete and contains all required information. In particular, the Council should ensure that the register is able to comply with the new IFRS requirements in relation to capital accounting which apply for the first time from 2010/11.

Financial statements

Recommendation

R3 Review the fixed asset register to ensure it is complete and accurate and can provide the necessary information to enable IFRS compliant accounts to be produced from 2010/11.

Letter of representation

20 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.

Key areas of judgement and audit risk

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

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
As the economic downturn continues, local authorities anticipate a reduction in overall income received, including grant support from central government. The Council has included this assumption within its financial planning, however a risk still exists on the impact the recession will continue to have on the financial position of the Council and may increase the risk of financial misreporting.	No issues have been identified during the 2009/10 audit.
Current fluctuations in financial markets may impact on the value of the Council's land and buildings, investments, cash balances and pension liabilities.	No issues have been identified during the 2009/10 audit
With adoption of IFRS in 2010/11, the transition date for local government is 1 April 2009. Local government bodies will therefore need to restate the closing balance sheet for 2008/09 using IFRS as the starting point for their restatement.	The Council has slipped against the proposed IFRS implementation timetable, although progress is now being made. I will continue to work closely with finance staff to ensure the 2010/11 accounts and restated 2008/09 closing balance sheet are produced in accordance with the new requirements.

Issue or risk	Finding
<p>There have been a number of changes made to the CIPFA's Code of Practice on Local Authority Accounting for the United Kingdom 2009, the Statement of Recommended Practice (SORP). In particular, the new accounting requirements for PFI and similar contracts will impact significantly on our audit work as the Council has a PFI scheme in place.</p>	<p>Review of the Council's PFI scheme identified that the land leased to the PFI provider had been incorrectly accounted for. This has been amended for in the revised accounts. Appendix 2 includes further detail.</p> <p>The 2009/10 financial statements were SORP compliant in all other respects.</p>
<p>In the 2009 Use of Resources (UoR) assessment, a number of key lines of enquiry (KLoE) were scored as level one. This resulted in a qualified value for money conclusion. The affected KLoEs were:</p> <ul style="list-style-type: none"> • KLoE 1.2 – Understanding costs; • KLoE 2.1 – Procurement; • KLoE 2.4 – Risk management and internal control; and • KLoE 3.2 – Asset management. 	<p>The Council's arrangements have improved in relation to three of the four areas assessed as inadequate last year. Arrangements for asset management remained inadequate during 2009/10. My value for money conclusion will therefore be qualified on an 'except for' basis in this regard.</p>

Accounting practice and financial reporting

22 I consider the non-numeric content of your financial reporting and have noted a number of disclosure and consistency errors within the accounts. All of these have been amended by management.

Recommendation

R4 Ensure a full quality review of the accounts is undertaken prior to approval.

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 scored use of resources judgement.

Value for money conclusion

- 23** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.
- 24** I have identified weaknesses in your arrangements for the management of your asset base, as set out in Table 2.
- 25** I intend to issue a qualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources, except for the criteria highlighted in Table 2. Appendix 1 contains my draft report.

Table 2 Value for money conclusion: criteria assessed as not adequate

Criterion	Finding
The body has put in place arrangements for the management of its asset base.	<p>The weaknesses that existed in 2008/09 still exist in 2009/10.</p> <ul style="list-style-type: none"> • There was no current corporate asset strategy linked to priorities. • The asset register was maintained on a spreadsheet that was only updated at year-end and does not contain sufficient detail. • There was no up-to-date asset management plan in place for the whole of the financial year.

Recommendation

R5 Ensure weaknesses in arrangements to secure economy, efficiency and effectiveness in asset management are addressed.

Glossary

Annual governance statement

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

Audit closure certificate

27 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

28 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

29 The auditor has some reservations or concerns.

Unqualified

30 The auditor does not have any reservations.

Value for money conclusion

31 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 Uttlesford District Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Uttlesford District 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 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Assistant Chief Executive – Finance and the Auditor

The Assistant Chief Executive – Finance's 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.

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 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 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.

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

Authority’s responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria 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.

Qualified conclusion

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

- there was no current corporate asset strategy linked to priorities;
- the asset register was maintained on a spreadsheet that was only updated at year-end and does not contain sufficient detail; and
- there was no up-to-date asset management plan in place for the whole of the financial year.

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 am 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 2010, except for managing its assets effectively to help deliver its strategic priorities and service needs.

Certificate

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

Debbie Hanson
Officer of the Audit Commission

Audit Commission
Regus House
1010 Cambourne Business Park
Cambourne
Cambridge,
CB23 6DP

September 2010

Appendix 2 – Amendments to the draft accounts

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

Table 3 Amendments to the draft accounts

Description of error		Income and Expenditure Account		Balance sheet	
Item of account	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Fixed assets – other land and buildings	Land at Lord Butler Leisure Centre is leased by the Council to the PFI provider, but was originally omitted from the fixed asset register and therefore had not been included in the accounts. This is a material misstatement.			1,293	1,293
Fixed assets – other land and buildings	Depreciation relating to 2009/10 was written off in the year prior to the revaluation being applied as at 1/4/2009. This resulted in the year-end net book value equalling the valuation figure as at 1/4/2009. SORP guidance indicates that depreciation should be charged after valuation. The required adjustment has no net impact on I&E as it is reversed out via the Statement of Movement on the General Fund Balance (SMGFB) and charged to the Capital Adjustment Account.	161	161	161	161

Appendix 2 – Amendments to the draft accounts

Description of error		Income and Expenditure Account		Balance sheet	
Fixed assets – other land and buildings	Angel lane car park was included in the fixed asset register twice. Fixed assets were therefore overstated.			52	52
Cash and investments	There was a misclassification between short term investments and cash of approximately £4.1m. This relates to investments that meet the FRS 1 criteria of cash and have therefore been reclassified as cash. This is a material adjustment.			4,108	4,108
Cash flow statement	The cash flow statement contained a number of material presentational errors as a result of non compliance with the SORP. The Council had incorrectly included all council tax and NNDR receipts (approximately £78,221k) and payments (approximately £77,564k) in the cash flow statement, instead of only disclosing the Council's own share. In addition, the Council had incorrectly included NNDR receipts from the pool of £3,320k. These have now been amended.	-	-	-	-
Statement of total recognised gains and losses (STRGL)	<p>The draft STRGL presented for audit did not reconcile to the movement in reserves. It contained two material errors which when corrected, enabled the STRGL to balance. These errors are detailed below.</p> <ul style="list-style-type: none"> • £5,894k pension fund movement was shown as an actuarial gain rather than an actuarial loss. • An arbitrary adjustment to the capital adjustment account (CAA) of £4,671k was incorrectly included. <p>This is a material misstatement.</p>	-	-	-	-

Appendix 2 – Amendments to the draft accounts

Description of error		Income and Expenditure Account		Balance sheet	
Pensions interest cost (2008/09 comparative)	As a result of last year's audit, an adjustment was made to the 2008/09 accounts in respect of pensions interests costs. The Council reclassified this within the I&E in 2009/10. As a result, the 2008/09 comparatives on the I&E did not agree to the 2008/09 accounts and required amendment.	671	671		
Creditors	A creditor's control account balance of £42k was included within accruals when it should have been included within sundry creditors.			42	42
Debtors – NNDR bad debt provision	A bad debt provision journal adjustment was incorrectly posted. As a result the doubtful debt provision was reduced rather than increased by £60k. An adjustment was therefore required to reverse this and correctly increase the NNDR bad debt provision. In addition, the NNDR bad debt provision had been incorrectly calculated due to a spreadsheet formula error. This resulted in a further understatement of £87k. (Note: The debit impact is via the Collection Fund rather than the Income and Expenditure account).	120 87			120 87
Deferred Liabilities – Current (2008/09 comparative)	Deferred liabilities due within one year were not disclosed separately within current liabilities on the face of the 2008/09 balance sheet. An adjustment was required to reclassify these as current liabilities in line with SORP requirements.			471	471
Deferred liabilities – PFI costs (2008/09 comparative)	The prior period adjustment made to bring the deferred liabilities in relation to the PFI scheme on balance sheet did not agree to the PFI model calculations. The difference was £45k.			45	45

Appendix 2 – Amendments to the draft accounts

Description of error		Income and Expenditure Account		Balance sheet	
Description of error		Income and Expenditure Account		Balance sheet	
Collection fund	The collection fund surplus had not been disclosed on the face of the collection fund but instead had been accounted for as an adjustment to reserves.	30	30		
Analysis of government grants – Note 48	Revenue support grant had been disclosed as £831k, but should have been £766k with the balance of £65k being reclassified to 'other government grants and contributions'.	-	-	-	-
Operating lease income – Note 13	Our audit work identified that the Council leases two properties (Angel Lane Market and Turpin's Bowls Hall) to third parties. Rental payments had been received from lessees amounting to £26k in 2009/10, but these had not been separately disclosed within the accounts. The Council has now added a new note disclosing this information.	-	-	-	-

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 Unadjusted misstatements in the accounts

Description of error	Area of accounts affected	Value £'000
Our audit of prepayments identified an understatement of £3,353 on one of the samples selected for testing. Extrapolated over the entire prepayment population, the resulting estimated error amounted to an understatement of approximately £20k.	Debtors I&E	£20k (Estimate)
Our work on debtors concluded that the Council's doubtful debt provisions for council tax debtors, NNDR debtors, and sundry debtors were potentially understated by up to £270k, £400k and £78k respectively. These amounts are audit estimates and reflect the worst case scenario and therefore the maximum potential impact. Our conclusion is based on a review of subsequent receipts, matched to outstanding debt as at year-end. The bulk of debt to which these estimates of under-provision apply, relate to previous years (ie debt raised before 2009/10). The total under-provision is not material, however it is non-trivial and has therefore been included in this table. As a matter of good practice we recommend that the Council keeps the level of bad debt provision under review.	Debtors I&E/Collection Fund	£270k £400k £78k (Estimates)
Our work on the housing benefit overpayment debtors noted that this has been fully provided for. However, our testing identified receipts of £10k which related to previous year debt. This indicates that the provision is overstated.	Debtors I&E	£10k

Appendix 3 – Unadjusted misstatements in the accounts

Description of error	Area of accounts affected	Value £'000
The Council has provided £30K for concessionary travel fares in 2009/10. It is our understanding that this provision is no longer required as the County Council is refunding the relevant costs to the respective district and borough councils.	I&E Provisions	£30k
Our review of the creditors identified a £111k balance which was mostly made up of receipts in relation to housing benefit overpayments. These appear to relate to receipts which have been incorrectly classified as creditors rather than offsetting the housing benefit overpayments debtor. However, our work on debtors has confirmed that the housing benefit overpayments debtor agrees to the housing benefit system and is therefore correct. As a result we are unable to confirm the other side of the error. The Council is investigating how this has arisen with a view to adjusting in 2010/11.	Creditors Debtors and/or Revenue (Unconfirmed)	£111k
The council tax debtor is potentially overstated by £10k due to the inclusion of an incorrect bad debt provision figure. The Council is investigating how this has arisen with a view to adjusting in 2010/11.	Debtors Collection Fund	£10k

Appendix 4 – Draft letter of representation

To: Debbie Hanson
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 2010

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 2010. 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 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 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.

Appendix 4 – Draft letter of representation

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For financial liabilities and asset assumption, 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 and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note XX 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/events after the reporting period 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.

Signed on behalf of Uttlesford District Council

I confirm that this letter has been discussed and agreed by the Council on
*** September 2010.

Signed

Name

Position

Date

Appendix 5 – Value for money criteria

Key line of enquiry (KLOE)	Met	Theme assessment
Managing finances		
Planning for financial health	Yes	<p>As in 2008/09, the Council has continued to improve and overall performs well in managing its finances to deliver value for money.</p> <p>The MTFs has been updated and financial standing in the medium term is sound. The Council set a balanced budget for 2009/10 and 2010/11 and achieved a small under spend for 2009/10.</p> <p>The savings targets for the next five years are challenging. The Council has however identified plans to achieve these savings, including the transfer of non statutory services and entering into strategic partnerships. Savings targets for 2009/10 outlined in the previous MTFs have been met, evidencing that, despite concerns over achievability, targets for 2009/10, were achievable.</p> <p>The Council has developed a basic understanding of costs, but acknowledges that there is more work to be done in this area. A consultant has been appointed to analyse costs in homelessness, housing options and revenues and benefits. Shared services projects and specific schemes to devolve assets to community groups are planned as well as a new approach to charging which aim to deliver efficiencies.</p> <p>The budget monitoring process has been strengthened in the year and is seen by both members and officers as being sufficient to allow for robust challenge and monitoring as well as positively aiding the decision making process. Performance information is clearly monitored and reviewed, and the Council makes use of benchmarking in the process.</p>
Understanding costs and achieving efficiencies	Yes	
Financial reporting	Yes	

Key line of enquiry (KLOE)	Met	Theme assessment
Governing the business		
Commissioning and procurement	Yes	As in 2008/09, the Council has continued to improve its governance arrangements.
Use of information	Yes	The Council's vision for services is clear through its corporate planning and service planning. The approach to procuring and commissioning services in support of this direction is improving through the introduction of a new procurement strategy in the year and active use of the Essex Procurement Hub. Service redesign activities are evident and are leading to improved performance.
Good governance	Yes	
Risk management and internal control	Yes	<p>Data quality arrangements are sound, with performance clearly monitored against priority indicators. Data security issues continue to be addressed and the Council has had an external IT penetration review performed, in preparation for applying for the next level of Code of Connection (CoCO) compliance.</p> <p>The Council's governance arrangements remain sound. Ethical governance is considered to be an area of strength for the Council.</p> <p>Through its corporate strategy and MTFs the Council's focus on its vision and purpose is stronger than in previous years. Future revenue implications of present levels of service delivery are clearly understood, resulting in the identification of the need to make savings. In order to achieve the necessary level of savings the Council has set a clear direction of partnering and shared services.</p> <p>The system of internal control in place is largely effective and is supported by Internal Audit and scrutinized by the Performance Select Committee. Arrangements are in place to manage the risks of fraud and corruption.</p> <p>Risk management has been revised this year with a new risk management strategy being developed together with revised risk registers at a corporate and divisional level. Risk management awareness is good.</p>

Appendix 5 – Value for money criteria

KLOE	Met	Theme assessment
Managing resources		
Natural resources	Yes	<p>The Council has identified baselines and quantified its approach to its use of natural resources. It produced its first Climate Change Strategy in 2007 and has adopted a target to reduce its CO2 emissions by 25% in 2011 compared with a 2006/07 baseline.</p> <p>Data quality on natural resources is good. The Council is leading by example on energy efficiency and has received good press coverage to promote this. It is effectively managing performance to reduce its impact on the environment and has reduced its CO2 emissions by 8% in 2008/09.</p> <p>The Council's corporate procurement strategy includes actions to reduce its own carbon footprint and that of its supply chain (contractors and partners). There is also a Local Strategic Partnership sub-group on climate change and education about sustainability within the community.</p> <p>The Council is working with partners to reduce consumption of natural resources. The Council runs a Nature Conservation Working Group which brings together key stakeholders (Essex Biodiversity Project; Essex Wildlife Trust; Essex County Council and local wildlife consultants) to discuss biodiversity issues in the District.</p> <p>The Council takes a leading role influencing the wider community on environmental issues such as carbon reduction, waste and recycling, air quality and biodiversity.</p> <p>The Council recognises that it has not yet improved its strategic asset management. Significant weaknesses still exist in this area, in particular:</p> <ul style="list-style-type: none"> • there is no current corporate asset strategy linked to priorities; • the asset register is maintained on a spreadsheet that is only updated at year-end and does not contain sufficient detail; and • there is no Member group specifically responsible for asset management.
Strategic asset management	No	
Workforce	N/A	

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R1 Ensure cash accounts are reconciled completely and any un-reconciled amounts are reviewed and resolved promptly.	3	Assistant Chief Executive – Finance	Partly	Reconciliations are done monthly. Due to higher priorities immaterial reconciling items may not always be resolved promptly.	Monthly
8	R2 Ensure appropriate action is taken to return the Building Control Account to a surplus position.	3	Director of Development	Yes	A new scale of fees and charges is being implemented in October 2010 which should ensure that enough income is received to cover costs. Costs are under review.	From April 2011
9	R3 Review the fixed asset register to ensure it is complete and accurate and can provide the necessary information to enable IFRS compliant accounts to be produced from 2010/11.	2	Assistant Chief Executive – Finance	Yes	The Council has struggled with this area due to having no asset management capability and capacity. Options for addressing this are under investigation and SMB will determine the way forward in September 2010. An audit of the fixed asset register will be completed before the 2010/11 accounts are produced.	March 2011

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R4 Ensure a full quality review of the accounts is undertaken prior to approval.	2	Assistant Chief Executive – Finance	Yes	This was done although inevitably a few minor errors slipped through. This is mainly due to the high volume of changes in accounting rules this year and the shortened accounts preparation period.	June 2011
11	R5 Ensure weaknesses in arrangements to secure economy, efficiency and effectiveness in asset management are addressed.	3	Assistant Chief Executive – Finance	Yes	Please see comment to R3 above.	March 2011

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