

Annual Governance Report

Ashfield 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.
-

Ladies and Gentlemen

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 Deputy Chief Executive on 10 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 6 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);
- 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

Tony Crawley
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
Unqualified audit opinion	Yes	6
Financial statements free from material error	Yes	6-7
Adequate internal control environment	Yes	6-10
Value for money	Results	Page
Adequate arrangements to secure value for money	No	13

Audit opinion

- 1 My work on the financial statements is well progressed but at the time of drafting this report, work is still to be completed in respect of tangible fixed assets, deferred liabilities, funds, balances and reserves and the statement of total recognised gains and losses. This work is expected to be completed by mid September. I will update Members on the outcome of this work at the Audit Committee on 27 September. At this stage, 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.

Financial statements

- 2 There was considerable improvement this year in both the quality of the accounts adopted in June and the supporting working papers which were generally of a good standard. Officers responded promptly to any queries we raised during the audit.
- 3 The accounts contained no material errors but there were several non-trivial errors, all of which have been amended.

Value for money

- 4 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 in planning, organising and developing the workforce effectively to support the achievement of strategic objectives.

Key messages

Audit fees

- 5 I reported in my audit opinion plan to Audit Committee on 28 June 2010 that given the issues and risks arising during 2008/09, I needed to carry out follow up work to review the implementation of key recommendations to secure compliance with statutory requirements and other additional work. This meant that the original fee which relates to the accounts audit was insufficient. I estimated that the additional fee would be £10,000. If I need to amend the fee subsequently when all work is completed, I will discuss it with you again.

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 Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 6 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);
- 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 My work on the financial statements is well progressed but at the time of drafting this report, work is still to be completed in respect of tangible fixed assets, deferred liabilities, funds, balances and reserves and the statement of total recognised gains and losses. This work is expected to be completed by mid September. I will update Members on the outcome of this work at the Audit Committee on 27 September. At this stage, 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 some errors in the financial statements (other than those of a trivial nature) and reported these to management. Officers will explain these issues and the related amendments in their covering report.

10 Management agreed to adjust the financial statements for these errors. Correction of these errors is important as it ensures your accounts are compliant with the requirements of the Statement of Recommended Practice (SoRP).

11 The corrected errors are summarised below.

- Cash in transit has been incorrectly treated in the year end bank reconciliation resulting in the bank overdraft being understated by £224,000 and debtors being understated by £224,000. This error does not affect reserves and balances.
- There had been no charge to the Housing Revenue Account in 2009/10 for its share of the costs of the Council's corporate and democratic core. Officers have now calculated the charge to be £52,000 and made the necessary change to the accounts. This change does not alter reserves and balances overall but does increase general fund balance by £52,000 and reduce the HRA balance by the same amount.

12 Management has chosen not to adjust the financial statements for the following.

- LAA reward grant income included in the Income and Expenditure Account is understated by £26,000 as this amount has been used to support capital expenditure when the conditions of the grant indicate this should have been used for revenue purposes.

- 13** At the time of writing, in addition to the work still to be completed as set out in paragraph 8, the following issue is still to be resolved.
- I am awaiting confirmation that the audit work has been completed on the 2009/10 Ashfield Homes accounts and that the final figures are properly reflected in your group accounts. Ideally, the audit opinion should be given prior to 30 December 2010.
- 14** Officers have made considerable improvements to the closedown process this year following the difficulties and resulting late opinion last year. The introduction of International Financial Reporting Standards and the expected budgetary constraints will provide further demands on officer time, and we will continue to work closely with them.

Letter of representation

- 15** 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 4 contains the draft letter of representation.
- 16** I also need representations from you about the post balance sheet event discussed in table 2.

Key areas of judgement and audit risk

- 17** In planning my audit, I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Preparations for the planned introduction of International Financial Reporting Standards (IFRS) in 2010/11 are likely to continue to stretch the Council's resources.	The Audit Commission has provided updates to assist officers in these preparations, and we are monitoring progress. At this stage, we consider the Council's arrangements to be on track to meet the required deadlines.
Good progress was made in SoRP compliance during 2008/09, but further or revised disclosures need to be considered in particular in relation to collection fund accounting.	Officers attended our Chief Accountants' Workshops which highlighted the key changes for 2009/10, and the challenges to be faced and have taken appropriate action during preparation of the accounts.

Financial statements

Issue or risk	Finding
<p>We were unable to issue our opinion on your 2008/09 financial statements by the deadline of 30 September 2009 because of the extent of unresolved issues at that time, particularly in relation to capital accounting transactions. We issued a Section 11 recommendation in the Annual Audit Letter which stated:</p> <p>The Council must improve the quality of the draft financial statements to enable statutory preparation and audit deadlines to be met by ensuring that:</p> <ul style="list-style-type: none"> • the financial management division is sufficiently resourced; • arrangements are put in place to ensure that the fixed asset register is fit for purposes in terms of current and emerging financial reporting requirements and is up to date; and • action is taken to ensure that all capital accounting entries are fully supported and reconcile back to the fixed asset register. 	<p>Considerable work has been undertaken by officers to ensure the completeness and accuracy of the fixed asset register and fully reconcile it to the general ledger.</p> <p>We have gained assurance from our work that capital transactions are materially correct.</p> <p>A restructuring of the Financial Management Division is underway and the Council needs to ensure the Division is sufficiently resourced to meet the relevant statutory requirements.</p>
<p>Trust fund disclosures have not met the reporting requirements of the SoRP in the past.</p>	<p>The disclosures included in the accounts were much improved this year, but the Council should continue its ongoing review of its stewardship responsibilities for all of its current trust funds. This should assist in identifying the purpose, ongoing requirement and audit arrangements for each of the Council's trust accounts when the review is finalised.</p>
<p>The lack of independent authorisation of journals increases the risk of error in the accounts.</p>	<p>Journals from other divisions are subject to scrutiny and authorisation within the Financial Management Division. Only senior staff within Financial Management can post journals without independent review. Management should review procedures to enhance control over and authorisation of journals.</p>
<p>Financial instrument disclosures should be reported in accordance with the requirements of the SoRP.</p>	<p>Our audit work has concluded that financial instrument disclosures have been correctly reported in accordance with the SoRP.</p>

Issue or risk	Finding
<p>Completion of the job evaluation process and reporting of financial position. There is a risk that the position may not be reported in accordance with financial reporting standards.</p>	<p>The process is still to be completed and implemented. I considered the Council's up to date position on job evaluation and concluded this is correctly reported in the statement of accounts.</p>
<p>Major challenges lie ahead in the light of the uncertain economic prospects and possible cuts in funding and budgets. The impact of single status (pay equality) and the value of payments likely to be made may be material. The process may well be unsettling for some staff. As a result, there is an increased risk of fraud or error in the accounts.</p>	<p>As part of my review of Internal Audit's ongoing anti-fraud work, the overall and IT control environment and our detailed controls and substantive testing, we considered the risk of material fraud and error to be low. This was borne out by the results of our audit testing.</p>
<p>The completion of our IT risk assessment has identified issues for us to consider as part of the 2009/10 accounts audit.</p> <ul style="list-style-type: none"> • Written Disaster Recovery Plans now in draft but to be formally approved and implemented; and • No periodic testing or recovery exercises of full system restores are undertaken - risk that backup procedures may lack full integrity and potential loss of data on restore. There is the occasional recovery of individual files, without incident. 	<p>Our risk assessment mainly highlights the risk to the Council of loss of data, and the potential risks of failure to recover it. Whilst these issues may not be considered to impact directly on the opinion audit this year, in the event of an incident occurring, the impact could be considerable. The Council's Annual Governance Statement identifies business continuity as a risk that requires action as part of the organisational restructure.</p>

Accounting practice and financial reporting

18 I consider the non-numeric content of your financial reporting. Table 2 contains the issues I want to raise with you.

Table 2

Issue or risk	Finding
<p>Estimation technique used for local government pension scheme assets.</p>	<p>We have satisfied ourselves about the reasonableness of the accounting estimate used for pension scheme assets.</p>

Financial statements

Issue or risk	Finding
<p>On 22 June 2010, the Chancellor of the Exchequer announced that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases.</p>	<p>This change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8 per cent. A non-adjusting post balance sheet event has been added to the accounts to explain this.</p>
<p>Notes to the accounts disclose information in accordance with SoRP requirements.</p>	<ul style="list-style-type: none"> • In the retirement benefits Note 29 ©, the loss in curtailment of £263,000 had been incorrectly combined with the actuarial loss rather than being disclosed separately. • In the analysis of net assets employed in note 21, the General Fund had been overstated by £757,000 and the trading undertakings had been understated by £757,000. • There were errors in the audit costs note 5, in that the figure had been derived from fees paid in 2009/10 rather than fees due for the 2009/10 audit year. • The prior year comparatives for business rate debtor and creditor balances had not been restated to disclose one overall balance with the NNDR pool. • No related party disclosure has been made in respect of Members who are also Members of the Ashfield Homes Board. • There was inconsistency between stock valuations included in Note 2 to the Housing Revenue Account and Note 13 to the main financial statements in respect tangible fixed asset disclosures due to the way garages had been accounted for. The notes have now been amended to ensure consistency. <p>All these issues were amended during the audit.</p>

Issue or risk	Finding
The Statement of Movement in the General Fund Balance discloses information in accordance with SoRP requirements.	A balance of £83,000 relating to 'financial instruments - reconciliation to amortised costs' was disclosed in the wrong section of the statement. This was amended and moved to the correct part of the statement.
The Income and Expenditure Account discloses information in accordance with SoRP requirements.	On the face of the I and E Account, demands on the Collection Fund were incorrectly split between two lines 'demands on the collection fund' and 'adjustment to demands on the collection fund'. These have now been combined into a single line in the Account.
Disclosures on the face of the Balance Sheet are in accordance with SoRP requirements.	Suspense account balances were disclosed on the face of the Balance Sheet. These have been combined with debtor balances and removed from the face of the Balance Sheet.
The capital financing requirement (CFR) should be calculated in accordance with the guidance.	There is a reconciling difference of £499,000 as at 31 March 2010 between the CFR calculation and the balance sheet entries. £506,000 of this difference relates to a reconciling difference brought forward from 2008/09. This issue does not impact significantly on the transactions in the financial statements or levels of balances and reserves but the difference does need to be investigated and resolved during 2010/11.

Recommendations

R1 Review the issues arising from the audit of the financial statements in order to identify further improvements to the closedown process.

R2 Management should review procedures to enhance control over and authorisation of journals.

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.

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. I have shown my conclusions on each of the areas in Appendix 5.
- 20** Overall, there has been a strengthening of arrangements for securing economy, efficiency and effectiveness in your use of resources across all criteria specified by the Audit Commission. There has, in particular, been significant improvement in your arrangements for producing timely, reliable financial reporting which is a considerable achievement given the issues arising last year. At the time of writing this report, I am expecting you to satisfy the requirements of this particular criterion.
- 21** I have however continued to identify weaknesses in your arrangements for planning, organising and developing the workforce effectively to support the achievement of strategic objectives.
- 22** 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 in the area highlighted in the paragraph above. Appendix 1 contains my draft report.

Glossary

Annual governance statement

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

Audit closure certificate

24 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

25 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

26 The auditor has some reservations or concerns.

Unqualified

27 The auditor does not have any reservations.

Value for money conclusion

28 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 Ashfield District Council

Independent auditor’s report to the Members of Ashfield District Council

Opinion on the accounting statements

I have audited the Authority and Group accounting statements and related notes of Ashfield District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group 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 Ashfield 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 Deputy Chief Executive and auditor

The Deputy Chief Executive’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).

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

I report to you my opinion as to whether the Authority and Group 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; and
- the financial position of the Group 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 Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group 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 Authority and Group 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 Authority and Group 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 Authority and Group 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 Authority and Group 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 Authority and Group 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; and
- the Group 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 Group 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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing I identified that the Authority did not have satisfactory arrangements for long term workforce planning.

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

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, Ashfield 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 planning, organising and developing the workforce effectively to support the achievement of strategic objectives.

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.

Tony Crawley
District Auditor

Audit Commission

Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

September 2010

Appendix 2 – Amendments to the draft accounts

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
Balance sheet. Bank overdraft and debtors overstated.	Incorrect treatment of cash in transit.			224	224
Housing revenue account.	No charge made to the HRA for its share of the Council's corporate and democratic core.	52	52	52	52

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 issue	Accounts affected	Value £ '000
LAA reward grant. Incorrect allocation of part of the grant to capital rather than revenue.	Income and expenditure account and statement of movement on general fund balance.	26

Appendix 4 – Draft letter of representation

ASHFIELD DISTRICT COUNCIL
Urban Road,
Kirkby-in-Ashfield,
Nottingham,
East Midlands.
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01623 457585

Contact:	Dave Greenwood	Our Ref:
Direct Line:	01623 457200	Your Ref:
E-Mail	d.greenwood@ashfield-dc.gov.uk	Date: 27th September 2010

The Audit Commission
Mr Tony Crawley
Littlemoor House
Littlemoor
Eckington
Sheffield S21 4EF

Dear Mr. Crawley

Ashfield 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 Members and officers of Ashfield 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 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.

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.

Uncorrected misstatements

There are no material uncorrected misstatements in the accounts, although £25,500 of grant income has been incorrectly used for capital purposes. This has no impact on the Income and Expenditure account however the Capital Adjustment account is understated and the Government Grants deferred account overstated by £25,500. The misstatement has not been corrected as it is not material and does not affect the general understanding of the accounts.

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.

Group entities

The accounts of Ashfield Holmes Limited have been included within the Group Accounts. Their audited accounts have been used to support this exercise and their management consulted for items that may need to be disclosed within this letter. I have no specific representations to make in respect of the Group Accounts.

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. The Council has no credit arrangements to disclose.

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 provided 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 there have been two significant post balance sheet events which would require additional adjustment or disclosure in the financial statements in respect of the pension scheme.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

The total value of the Nottinghamshire CC pension scheme assets at 31 March 2010 is 0.43% higher than the estimated values used by the actuary in their calculation as at 31 December 2009. The estimated values of the Admitted Bodies share of the assets, and the balance sheet liability/pension reserve are understated by the same %. In the case of Ashfield DC the Council's share of the increase in the fund's assets is £239,000. The potential adjustment required is as follows:

Reduce the net liability related to defined benefit schemes by DR £239,000.

Reduce the Pension Reserve by CR £-239,000.

As the year end value will still represent an accounting estimate and it is not material, I have decided not to make the amendment.

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.

Service concessions IFRIC 12

I have reviewed all contracts to identify any that involve both service provision and the use of assets. These have then been examined to determine whether any may fall within the scope of IFRIC 12 as service concessions. There are no contracts that fall within this scope other than those which have been properly recorded and disclosed within the financial statements.

Specific Representations

There are no specific representations I wish to make.

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

Dave Greenwood
Deputy Chief Executive (Resources)

27th September 2010

Appendix 5 – Value for money criteria

KLOE	Met
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes
Strategic asset management	Not assessed
Workforce	No

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2009/10 - Recommendations						
12	Review the issues arising from the audit of the financial statements in order to identify further improvements to the closedown process.	2	Deputy Chief Executive	Y		2010/11
12	Management should review procedures to enhance control over and authorisation of journals.	2	Corporate Finance Manager	Y		2010/11

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

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