

Annual Governance Report

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# Annual Governance Report

**South Oxfordshire District Council**

**Audit 2006/07**

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## Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in this case the Audit and Governance Committee) at the time they are considering the financial statements.
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
  - where we suspect or detect fraud;
  - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
  - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 2.
- 4 This report has been prepared for presentation to the Audit and Governance Committee on 26 September 2007. Members are invited to:
  - consider the matters raised in the report before the financial statements are approved;
  - approve the representation letter on behalf of the Authority and those charged with governance before we issue our opinion; and
  - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan.
- 5 Our work during the year was performed in line with the plan that we presented to you on 31 May 2006. We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 3.

## Key messages

- 6 At the time of writing, our work on the financial statements is substantially complete although there are still outstanding issues to be resolved. In particular, we are awaiting a final set of statements including restated opening figures for the balance sheet and a restated Statement of Total Recognised Gains and Losses (STRGL). Our work on Whole of Government Accounts (WGA) has also to be concluded. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Chair of the Audit and Governance Committee. We hope to be able to issue an unqualified audit opinion by the due date of 30 September 2007, but this is dependant on a satisfactory review of the revised statements (a draft report is attached at Appendix 4).
- 7 There have been particular difficulties in completing our audit of the financial statements this year. This has been partly due to the change in format of the statements and the need to restate prior year balances, but also due to the processes operated within the Finance Department to prepare and review the statements. As a result, there are a significant number of adjustments within the statements, and we have highlighted a number of areas of concern for Members to consider regarding accounting practices.
- 8 In our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 9 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We propose issuing an unqualified value for money conclusion by the due date of 30 September 2007 (a draft report is attached at Appendix 4).

## Audit status

- 10 At the date of issue of this report our detailed audit is nearing completion although there are still a number of issues to be resolved before we can give our opinion. However our audit of the whole of government accounts (WGA) return is still ongoing. Should there be any additional issues arising we will discuss them either with the Audit and Governance Committee on 26 September 2007 or with the Chair of the Audit and Governance Committee.
- 11 This has been a difficult year for the Finance team as there have been a number of issues requiring further work. Against this background we would like to take this opportunity to express our appreciation for the team's and the Authority's assistance and co-operation.

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## Accounts and Statement on Internal Control

- 12 Our work on the financial statements is nearing completion although there are still outstanding issues to be resolved. At the time of writing, we are awaiting revised statements incorporating changes to the figures for 2005/06 balance sheet, the statement of movement of general fund balance (SMGFB) for 2005/06, and the statement of total recognised gains and losses (STRGL) for both 2005/06 and 2006/07.
- 13 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal control to prevent and detect error.
- 14 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 15 The final draft of the letter of representation has been attached as Appendix 5.

### Unadjusted misstatements

- 16 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial.
- 17 As we have yet to complete our audit of the revised statements, we are not in a position to confirm whether there are any unadjusted misstatements. Should we identify any figures within these statements we will bring them to the attention of either the Chair (post 26 September) or the Audit and Governance Committee.
- 18 We invite you to consider whether the financial statements should be amended for any unadjusted misstatements. Once we have notified you of these, should you choose not to amend the financial statements, in accordance with ISA (UK&I) 260 we request that you extend the representation letter to explain why. We ask that the letter specifically details the misstatements and/or qualitative aspects of reporting to which it relates.

### Adjustments to the financial statements

- 19 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. Those identified at the time of writing are recorded in full at Appendix 6 but we provide an analysis of the most significant items below for your attention:

- The accounts as initially presented to the Audit Committee and for audit contained material errors arising from misunderstanding of the revised accounting requirements within the Statement of Recognised Practice (SORP). In particular:
    - £3001k which should have been shown as an adjustment to the statement of movement on the general fund balance (SMGFB) was shown on the face of the I&E in error, which resulted in a misstatement of the deficit figure;
    - Adjustments to the SMGFB incorrectly included deferred debtors of £2,477k and showed several figures as positive when they should be negative;
    - The statement of recognised gains and losses (STRGL) did not reconcile to the actual gain in net worth as shown on the balance sheet, and the 2005/06 figures showed the loss on revaluation of assets as a gain.
  - Other significant adjustments to the statements as a result of the audit are as follows:
    - Investments were initially shown net of the provision of £538k;
    - Debtor balances for the collection fund were initially shown net of £1,886k prepayments;
    - The cash flow has been adjusted to reflect inconsistencies noted between this statement and the prime statements; and
    - Payment of £3m to Somerfield has been shown as an adjustment to the I&E and balance sheet, as it was considered to be an adjusting post balance sheet event.
  - Officers have made a number of adjustments to adjust capital finance entries for 2005/06 that they now consider were incorrectly posted to the ledger. These were originally adjusted within the 2006/07 statement figures, but following discussions, are now being incorporated into the restated 2006/07 figures. We are not in a position to confirm the amounts of these at present, but working papers seen indicate that there will be material adjustments to the following figures:
    - The capital financing account;
    - The useable capital receipts reserve; and
    - Provisions.
- 20** We will update Members with details of the final adjustments when we are in a position to do so.



- Following on from discussion of the above issues and further guidance on how to treat capital transactions within the accounting statements, further adjustments to the statements have been made as follows:
    - Income from sales of housing to SOHA of £683k have been moved to the I&E;
    - The deficit on the I&E has been changed to £5,513k;
    - Adjustments to the SMGFB have been changed to £5513k, which is expanded on within note 18. Further changes to this note may result as a consequence of the restatement of 2005/06 figures; and
    - The deficit / surplus on the collection fund on the STRGL has changed to £50k.
- 21** The extent of the adjustments to the statements will have a significant impact on the scored assessment for Use of Resources which is currently ongoing.
- R1 In the light of the extent of the adjustments to the statements, we recommend that Members review the processes proposed for preparation and review of the statements for 2007/08.*

## Accounting practices

- 22** We are also required to report to you our view on the qualitative aspects of the Authority's accounting practices and financial reporting and have set out below our observations on key issues affecting the Authority:
- There were significant changes to the format of the financial statements required by the SORP. These were complicated and included restating opening balances. Guidance to support the process was not issued until February 2007. Staffing pressures within the Finance Department resulted in the financial statements being prepared by an officer who had not done this in any format before, with only minimal support. Review processes by senior accountancy staff were also less robust than planned. As a result, significant errors were contained within the initial statements which have proved time consuming both to audit and correct.
- R2 Staffing resources to manage and review the financial statements should be reassessed to ensure that they are adequate, and that the staff involved in accounts preparation have the necessary skills to produce accurate statements.*

## Systems of internal control

- 23 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified.
- 24 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.
- 25 We have also reviewed whether the SIC has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no matters arising.

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## Value for money conclusion

### Work performed

- 26 The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources – the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission. Our work to support our conclusion comprised the following elements:
- use of resources assessment;
  - data quality work; and
  - the best value performance plan.
- 27 Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 7.
- 28 We are planning to issue an unqualified value for money conclusion by the deadline of 30 September 2007.

### Use of resources assessment

- 29 We are currently undertaking our 2006/07 scored use of resources assessment. When finalised, we will discuss this with the relevant officers before submitting the finalised report to Members.

### Data quality work

- 30 We are currently finalising our data quality review and will report our findings to the relevant officers.

### Best value performance plan

- 31 Our work in respect of the Authority's 2006/07 Best Value Performance Plan (BVPP) was reported in the 2006 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

## Audit fee update

- 32 We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan:

	Plan 2006/07	Actual 2006/07
planning, managing and reporting the audit	9,099	9,100
Financial statements and Statement on Internal Control	46,240	61,240
Use of Resources	28,961	28,960
WGA	1,430*	1,430
Total Audit Fees	85,730	100,730
Grants certification work	26,000	ongoing
Other work		

\* covered by supplementary fees letter

- 33 Due to the problems encountered in auditing the financial statements, we estimate we will be levying an additional audit fee of £15,000. However, our audit is still ongoing and we will discuss the final amount of the additional fee with officers should it vary from this estimate.
- 34 The outturn on inspection fees will be reported in the annual audit and inspection letter.

## Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
8-9	In light of the extent of the adjustments to the statements, we recommend Members review the adequacy of the processes proposed for preparation of the 2007/08 financial statements	3				
9	Staffing resources to prepare, manage and review the financial statements should be reassessed to ensure they are adequate, and the staff involved have the necessary skills to produce accurate financial statements.	3				

## Appendix 2 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required to communicate the following matters to those charged with governance:
  - the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
  - any safeguards adopted and the reasons why they are considered to be effective;
  - any independent partner review;
  - the overall assessment of threats and safeguards; and
  - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the audit team and which are required to be disclosed under auditing and ethical standards.

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## Appendix 3 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	April 2006	April 2006 31 May 2006	Chief Executive Audit Committee
Annual governance report	September 2007	26 September 2007	Audit Committee
Opinion on financial statements	30 September 2007		Audit Committee
Use of resources conclusion	30 September 2007		Audit Committee
Opinion memorandum	October 2007		Officers
BVPP report	December 2006	December 2006	Officers
Annual audit letter	November 2007		Chief Executive Members

## Appendix 4 – Proposed auditor's report

### Independent auditor's report to the Members of South Oxfordshire District Council

#### Opinion on the financial statements

I have audited the financial statements of South Oxfordshire District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to South Oxfordshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

#### Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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 financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA 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 statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures



## **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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, 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 financial statements 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 financial statements.

## **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

Maria Grindley,  
District Auditor  
Unit 5 Isis Business Centre,  
Horspath Road  
Cowley,  
Oxford OX4 2RD

Date                      September 2007

## **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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor’s responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority’s best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, South Oxfordshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

## Best value performance plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 in December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

## 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.

Maria Grindley,  
District Auditor  
Unit 5 Isis Business Centre  
Horspath Road  
Cowley  
Oxford OX4 2RD

Date September 2007

## Appendix 5 – Management representation letter

The Audit Commission  
Unit 5  
ISIS Business Centre  
Horspath Road  
Cowley  
OXFORD OX4 2D

### **South Oxfordshire District Council - Audit for the year ended 31 March 2007**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors, officials, officers of South Oxfordshire District Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present the financial position fairly and for making accurate representations to you. I acknowledge my responsibilities under the relevant statutory authorities to prepare the Authority's accounts in accordance with proper practices as defined in relevant legislation or guidance.

#### **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 Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority meetings, have been made available to you.

#### **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.

In particular I confirm that consideration has been given to any potential related party transactions with CAPITA, with whom the Council has a contract for the provision of various financial services.

## **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.

## **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 Authority (and, where applicable, the financial statements disclose the actual or contingent consequences arising as a result).

In all material respects, the expenditure and income disclosed in the financial statements has been applied in line with statutory powers.

The body 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.

## **Assets**

The following have been properly recorded and when 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.

## **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect 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.

**Post balance sheet events**

Since the date of approval of the financial statements by the Authority, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

**Compensating arrangements**

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. We have no other lines of credit arrangements.

**Specific representations**

The following action has been taken to prevent a recurrence of the difficulties caused by the resourcing pressures within the finance section:

- *to be completed by the Council.*

Our intention in holding long-term investments is *(to be inserted by the council e.g. to generate income to support our MTFS).*

The Authority 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 South Oxfordshire District Council

Signed

Name

Position

## Appendix 6 – Summary of adjusted misstatements

- 1 The following misstatements to 2006/07 figures were identified during the course of our audit and the financial statements have been adjusted by management. We bring them to your attention to assist you in fulfilling your governance responsibilities.

**NB: this includes only those adjustments identified at the time of writing. This schedule will be update to incorporate any further adjustments to the 2006/07 figures. A separate list of adjustments to the 2005/06 figures will also be completed.**

Description of misstatements	Nature of Adjustment	original figure	revised figure	difference	impact
<b>I&amp;E account</b>		£000	£000	£000	£000
adjusting post balance sheet event for payment to Somerfield included	£3,002k added to cost of services	0	3002	3002	3002
adjustments to the statement of movement in general fund balances incorrectly included within I&E	£3001k that was shown as income to reduce the net operating expenditure removed	3001	0	3001	3001
gain from sale of soha housing originally shown on STRGL	£683k additional income shown on I&E	0	683	683	(683)
<b>impact on I&amp;E</b>	<b>deficit for year increased</b>	<b>193</b>	<b>5513</b>	<b>5320</b>	<b>5320</b>
<b>SMGFB</b>					
deficit changed as a result of I&E changes	deficit for year increased	193	5513	5320	5320
net additional amount required by statute to adjust SMGFB	adjustment as shown in note 18 amended	(193)	(5513)	(5320)	(5320)
<b>net impact on SMGFB</b>					<b>0</b>

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Description of misstatements	Nature of Adjustment	original figure	revised figure	difference	impact
<b>Note 18 - Adjustment to SMGFB</b>		£000	£000	£000	£000
corrections made as a result of audit and adjustments by officers	depreciation and impairment of fixed assets reduced	(765)	(745)	20	20
NB (1) this account originally balanced to zero as the deficit was incorrectly shown. It should have been shown as (193) (2) this account should included an adjustment of £683k to remove the profit on soha sales, and therefore needs further changes.	government grants deferred amortisation reduced (NB audited figure £52k)	260	0	(260)	(260)
	deferred debtors included in error	2477	0	(2477)	(2477)
	gain / loss on investments shown as positive, but should be negative	208	(208)	(416)	(416)
	exceptional adjusting pbse	0	(3001)	(3001)	(3001)
	FRS17 retirement benefit charges increased	(1560)	(1590)	(30)	(30)
	employers contributions to pension fund	1336	1366	30	30
	transfer to or from earmarked reserves increased	3319	4133	814	814
	<b>adjustment to total</b>	<b>(193)</b>	<b>(5513)</b>	<b>(5320)</b>	<b>(5320)</b>
<b>STRGL</b>	<b>awaiting final version</b>				



Description of misstatements	Nature of Adjustment	original figure	revised figure	difference	impact
<b>Balance sheet</b>		£000	£000	£000	£000
<b>Assets</b>					
long term investments shown less the provision	additional line for provision added to balance sheet	67594	68492 (538)	0	0
debtors shown reduced by payments in advance	debtors increased by payments in advance on collection fund	10015	12775	2760	2760
	receipts in advance altered to reflect change to debtors (£2760k) and other adjustment by officers £874k	(1989)	(3875)	(1886)	(1886)
	developers contributions amended by officers	630	(276)	(906)	(906)
adjusting PBSE for Somerfield payment	special creditor added to balance sheet	0	(3002)	(3002)	(3002)
adjustments by officers	deferred government grants reduced	(237)	(206)	31	31
	capital grants unapplied moved to top of balance sheet (was £430k originally - see financing adjustments below).	0	(289)	(289)	(289)
<b>change to net assets</b>		<b>149286</b>	<b>145995</b>	<b>(3291)</b>	

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Description of misstatements	Nature of Adjustment	original figure	revised figure	difference	impact
<b>Balance sheet</b>		£000	£000	£000	£000
<b>Equity</b>					
Capital financing account*	changes by officers	70673	68243	(2430)	(2430)
capital grants unapplied	moved to top half of balance sheet, but also reduced from £430k to £289k	430	0	(430)	(430)
Useable capital receipts reserve*	changes by officers	47488	48760	1272	1272
General fund balances	changes by officers	50446	48743	(1703)	(1703)
<b>change to equity</b>		<b>149286</b>	<b>145995</b>	<b>(3291)</b>	
* may be subject to further changes					

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Description of misstatements	Nature of Adjustment	original figure	revised figure	difference	impact
<b>Cash flow statement</b>		£000	£000	£000	£000
adjustments by officers to correct errors in original cash flow statement	cash paid to employees	9632	9639	7	7
	other operating payments	16081	15307	(774)	(774)
	other operating cash outflows	1693	869	(824)	(824)
	DWP grant for benefits	(23351)	(23375)	( 24)	( 24)
	other capital cash payments	26	0	( 26)	( 26)
	sale assets / mortgage receipts	(4690)	(5480)	(790)	(790)
	capital grants received	(832)	(801)	31	31
	long term investments	105	2550	2445	2445
	other capital cash receipts	(2)	(47)	( 45)	( 45)
<b>Net increase / decrease cash</b>	<b>no change</b>	<b>11</b>	<b>11</b>	<b>0</b>	

## Appendix 7 – Value for money conclusion

- 1 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body’s arrangements for economy, efficiency and effectiveness in its use of resources.
- 2 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Authority has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are show in the table below.

Code Criteria	Description	Associated UoR KLoE	UoR Score	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	N/A	N/A	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	N/A	N/A	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	N/A	N/A	Adequate

<b>Code Criteria</b>	<b>Description</b>	<b>Associated UoR KLoE</b>	<b>UoR Score</b>	<b>VFM Conclusion</b>
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	LG DQ KLoEs	N/A	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	4.2		Adequate
6	The body has put in place arrangements to manage its significant business risks.	4.1		Adequate
7	The body has put in place arrangements to manage and improve value for money.	5.2		Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	2.1		Adequate
9	The body has put in place arrangements to ensure that its spending matches its available resources.	3.1		Adequate
10	The body has put in place arrangements for managing performance against budgets.	2.2		Adequate
11	The body has put in place arrangements for the management of its asset base.	2.3		Adequate
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	4.3		Adequate