

Annual Governance Report

November 2007



# Annual Governance Report

**South Oxfordshire District Council**

**Audit 2006/07**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **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.

### **Copies of this report**

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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 and 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 A draft report was prepared and presented to the Audit and Governance Committee on 26 September 2007. At that meeting Members considered the issues known at that time, and agreed that the Chairman of the Audit and Governance Committee be authorised to consider the final report. At the meeting Members:
  - considered the matters raised in the draft report before approving the version of the financial statements presented on that date;
  - approved the representation letter on behalf of the Authority and those charged with governance;
  - considered and agreed amending the financial statements for unadjusted misstatements identified as a result of completion of our audit;
  - noted significant qualitative aspects of financial reporting brought to their attention; and
  - agreed the recommendations for improvement in the action plan.

- 5 This report includes not only the information originally presented to Members, but also additional issues we wish to draw to the attention of those charged with governance which came to light before we issued our opinion.
- 6 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

- 7 Our work on the financial statements was completed and an unqualified opinion given on 10 October 2007, after the due date of 30 September. The final set of statements differed from that approved by Members on 26 September, and included restated opening figures for the balance sheet and a restated Statement of Total Recognised Gains and Losses (STRGL). These statements were re-approved by the Chairman of the Audit and Governance Committee under delegated powers prior to our opinion. Our work on Whole of Government Accounts (WGA) has also been concluded. (Our report on the statements is attached at Appendix 4).
- 8 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.
- 9 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.
- 10 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We issued an unqualified value for money conclusion at the same time as our opinion on the financial statements on 10 October 2007 (our report is attached at Appendix 4).

## Audit status

- 11 Our audit has now been completed and unqualified opinions were issued on 10 October 2007.
- 12 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.

## Accounts and Statement on Internal Control

- 13 Our work on the financial statements is now completed. Significant and material changes were made to the statements for both 2005/06 and 2006/07, which resulted in a late opinion being given on the statements.
- 14 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.
- 15 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.
- 16 A signed letter of representation, containing all the representations we had requested, was received at the Audit and Governance Committee meeting of 26 September 2007 (this is included at Appendix 5).

### Unadjusted misstatements

- 17 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.
- 18 There was only one unadjusted misstatement within the statements, which related to a correction of a 2005/06 transaction. Time pressures precluded officers from identifying exactly how to amend the ledger for this transaction, and as a result there is a correcting entry on the 2005/06 STRGL of £1.3m.
- 19 An additional note to the financial statements highlighted this entry, and explained the reason for its inclusion.

### Adjustments to the financial statements

- 20 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. The changes between the original statements adopted by the Audit and Governance Committee and those on which we issued our opinion are listed 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 and Governance 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; and
  - 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. There were material adjustments to the following figures:
  - the capital financing account; and
  - the useable capital receipts reserve.

- 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 £5,253k;
  - adjustments to the SMGFB have been changed to £5,253k, which is expanded on within note 18;
  - the gain / loss on fixed assets changed from £5,630k to (£5,998k); and
  - the deficit / surplus on the collection fund on the STRGL has changed to £50k.
- 2005/06 figures were also altered as set out in Appendix 6.

- 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.

**Recommendation**

*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; and
- 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.

**Recommendation**

*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.

## 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 issued an unqualified value for money conclusion on 10 October 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. The difficulties with the audit of the financial statements will be reflected in the score for financial reporting.

### 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.

	<b>Plan 2006/07</b>	<b>Actual 2006/07</b>
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 levied an additional audit fee of £15,000.
- 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
10	R1 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	Audit and Governance Committee	yes		January 2008
10	R2 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	Audit and Governance Committee Chief Executive	yes	Chief Accountant started with the council on 1 October 2007.	ongoing

## 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.

## Appendix 3 – Audit reports issued

<b>Planned output</b>	<b>Planned date of issue</b>	<b>Actual date of issue</b>	<b>Addressee</b>
Audit plan	April 2006	April 2006 31 May 2006	Chief Executive Audit Committee
Annual governance report	September 2007	26 September 2007	Audit and Governance Committee
Opinion on financial statements	30 September 2007	10 October 2007	Audit and Governance Committee
Use of resources conclusion	30 September 2007	10 October 2007	Audit and Governance Committee
Opinion memorandum	October 2007		Officers
BVPP report	December 2006	December 2006	Officers
Annual audit letter	November 2007		Chief Executive Members



## Appendix 4 – 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: 10 October 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 10 October 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 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 in completing the disclosures within the financial statements, 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 Authority 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 and purchase commitments;
- agreements and 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 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:

- a restructuring of the accountancy team to allow joint working with Vale of White Horse District Council resulting in a larger and therefore more robust and resilient structure; and
- the 2006/07 closedown timetable will be presented to the Audit and Corporate Governance Committee for scrutiny.

Our intention in holding long-term investments is to generate income to be invested in capital schemes and to support revenue expenditure in accordance with our Medium Term Financial Strategy.

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

**William Jacobs**  
**Head of Finance**  
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.

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)
Income from transferred debt.	£260 additional income shown on I&E	0	260	260	(260)
<b>Impact on I&amp;E</b>	<b>Deficit for year increased</b>	<b>193</b>	<b>5253</b>		<b>5060</b>
<b>SMGFB</b>					
Deficit changed as a result of I&E changes.	Deficit for year increased.	193	5253		5060
Net additional amount required by statute to adjust SMGFB.	Adjustment as shown in note 18 amended.	(193)	(5253)		(5060)
<b>Net impact on SMGFB</b>					<b>0</b>

Description of misstatements	Nature of adjustment	Original figure	Revised figure	Difference	Impact
<b>Note 18 - Adjustment to SMGFB</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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).	Government grants deferred amortisation reduced.	260	53	207	(207)
	Deferred debtors included in error.	2477	0	2477	(2477)
	Gain / loss on investments shown as positive, but should be negative.	208	(208)	416	(416)
	Reversal of income from sale of housing to SOHA.	0	683	683	683
	Reversal of income from transferred debt.	0	260	260	260
	FRS17 retirement benefit charges increased.	(1560)	(1590)	(30)	(30)
	Employers contributions to pension fund.	1336	1366	30	30
	Capital expenditure charged in year to revenue.	0	(56)	56	(56)
	Transfer to or from earmarked reserves increased.	3319	452	2867	(2867)
	<b>Adjustment to total</b>	<b>(193)</b>	<b>(5253)</b>		<b>(5060)</b>

<b>Description of misstatements</b>	<b>Nature of adjustment</b>	<b>Original figure</b>	<b>Revised figure</b>	<b>Difference</b>	<b>Impact</b>
<b>STRGL</b>					
Deficit on I&E.	Reflects change in I&E.	193	5253		5060
Loss / (gain) on revaluation of fixed assets.	Balance corrected to show gain, and correct amount.	5630	(5998)		(11628)
Gain on disposal of assets.	Removed as not part of this statement.	(372)			372
Actuarial (gain) / loss on pension fund assets and liabilities.	Balance corrected to show loss and correct amount.	(150)	567		717
Surplus on collection fund relating to sodc.	Balance corrected.	(343)	(50)		293
	<b>Total (gain) / loss</b>	<b>4958</b>	<b>(228)</b>		<b>(5186)</b>

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Description of misstatements	Nature of adjustment	Original figure	Revised figure	Difference	Impact
Balance sheet		£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 (£751)k.	(1989)	(5500)	3511	(3511)
	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>144369</b>		<b>(4917)</b>

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*	Correction to reflect restatement of 2005/06 figures, adjustment between CFA and UCRR, and adjustment to developers contributions and creditors.	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*	Correction to reflect restatement of 2005/06 figures, adjustment between CFA and UCRR, and adjustment to developers contributions and creditors.	47488	47134	354	(354)
General fund balances	Separated out to highlight movement shown on SMGFB.	750	750	0	0
Other general balances		49696	47993	1703	(1703)
<b>Change to equity</b>		<b>149286</b>	<b>144369</b>		<b>(4917)</b>

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>	

- 2 The following misstatements to 2005/06 figures within the 2006/07 statements 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.

Description of misstatements	Nature of adjustment	Original figure	Revised figure	Difference	Impact
<b>I&amp;E account</b>		£000	£000	£000	£000
Gain from sale of soha housing originally shown on STRGL.	£726k additional income shown on I&E	0	726	726	(726)
Income from transferred debt	£258 additional income shown on I&E	0	258	258	(258)
<b>Impact on I&amp;E</b>	<b>surplus for year increased</b>	<b>(2551)</b>	<b>(3535)</b>		<b>(984)</b>
<b>SMGFB</b>					
Surplus changed as a result of I&E changes.	surplus for year increased	2551	3535		984
Net additional amount required by statute to adjust SMGFB.	adjustment as shown in note 18 amended	(2551)	(3535)		(984)
<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
Deferred debtors.	Included in this statement in error	2737	0	2737	(2737)
Soha housing income	Reversal of figure added to I&E	0	726	726	726
Transferred debt income	Reversal of figure added to I&E	0	258	258	258
Deferred charges	Figure reduced	(2771)	(3337)	566	( 566)
Capital expenditure charged in year to revenue	Not included in original statement	0	(84)	84	( 84)
Transfer to earmarked reserves	Figure increased	1818	5205	3387	3387
	<b>Adjustment to total</b>	<b>2551</b>	<b>3535</b>		<b>984</b>
<b>STRGL</b>					
Surplus on I&E	Reflects change in I&E	(2551)	(3535)	984	( 984)
Loss / (gain) on revaluation of fixed assets	Balance corrected to show loss on revaluation	(1400)	1018	2418	2418
Gain on disposal of assets	Removed as not part of this statement	(1146)	0	1146	1146
Actuarial (gains) loss pension fund	Balance corrected	(3070)	(3042)	28	28
Deficit on collection fund relating to sodc	Balance corrected	1302	486	816	( 816)
Movement in net worth	Adjustment for prior year transactions	0	(1300)	1300	(1300)
	<b>Total (gain) / loss</b>	<b>(6865)</b>	<b>(6373)</b>		<b>492</b>



Description of misstatements	Nature of adjustment	Original figure	Revised figure	Difference	Impact
<b>Balance sheet</b>		£000	£000	£000	£000
<b>Assets</b>					
Adjustments by officers	Creditors reduced	(5563)	(5528)	35	35
	Capital grants unapplied moved to top of balance sheet.	0	(222)	222	(222)
<b>Change to net assets</b>		<b>144328</b>	<b>144141</b>		<b>(187)</b>
<b>Equity</b>					
Capital financing account*	Correction to reflect restatement of 2005/06 figures, adjustment between CFA and UCRR, and adjustment to developers contributions and creditors.	66778	64650	2128	(2128)
Capital grants unapplied	Moved to top half of balance sheet	222	0	222	(222)
Useable capital receipts reserve*	Correction to reflect restatement of 2005/06 figures, adjustment between CFA and UCRR.	51295	52123	828	828
General fund balances	Separated out to highlight movement shown on SMGFB.	750	750	0	0
Other general balances	Correction for transaction put in incorrectly.	47609	48909	1300	1300
Balances collection fund	Corresponds with creditor adjustment.	(40)	35	35	35
<b>Change to equity</b>		<b>144328</b>	<b>144141</b>		<b>(187)</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 shown 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