

# **Annual governance report**

**Northampton Borough Council**

**Audit 2010/11**

**The Audit Commission is a public corporation set up in 1983 to protect the public purse.**

**The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.**

**We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.**

# Contents

<b>Key messages</b> .....	<b>3</b>
Audit opinion .....	3
Financial statements .....	3
Value for money .....	4
Audit fees .....	4
Independence .....	4
<b>Next steps</b> .....	<b>5</b>
<b>Financial statements</b> .....	<b>6</b>
<b>Value for money</b> .....	<b>11</b>
<b>Appendix 1 Draft independent auditor's report to Members of Northampton Borough Council</b> .....	<b>13</b>
<b>Appendix 2 Amendments to the draft financial statements</b> .....	<b>16</b>
<b>Appendix 3 Draft letter of representation</b> .....	<b>18</b>
<b>Appendix 4 Glossary</b> .....	<b>21</b>
<b>Appendix 5 Action plan</b> .....	<b>23</b>

Ladies and Gentlemen

**2010/11 Annual Governance Report**

I am pleased to present the results of my audit work for 2010/11.

I discussed and agreed a draft of my report with the Director of Finance 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;
- note the adjustments to the financial statements set out in this report (appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 3); and
- agree your response to the proposed action plan (appendix 5).

Yours faithfully

Neil Bellamy  
District Auditor

September 2011

# Key messages

**This report summarises the findings from the 2010/11 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.**

Table 1: **Key messages - financial statements**

Financial statements	Results	Page
Unqualified audit opinion	Yes	6
Weaknesses in internal control	Yes	8

Table 2: **Key messages - value for money**

Value for money		
Proper arrangements to secure value for money	Yes	11

## Audit opinion

**1** My audit is substantially complete. At this stage, subject to satisfactory completion of the outstanding work and agreeing the final amended version of the financial statements, I propose issuing an unqualified audit opinion.

## Financial statements

**2** The Accounts and Audit (England) Regulations 2011 require the Responsible Financial Officer of a local authority to certify the statement of accounts by 30 June. Members are no longer required to adopt these financial statements by this date but must still approve the audited financial statements by 30 September.

**3** The 2010/11 statements had not been finalised at 30th June but were certified on the basis that they were substantially complete.

**4** Some errors in the draft financial statements submitted for audit have been identified. To date, adjustments have been agreed to the Consolidated Income and Expenditure Account, Balance Sheet, Cash Flow Statement and notes to the accounts but have had no impact on either net expenditure or the net balance sheet position.

## Value for money

**5** I am required to conclude whether the Council has put in place adequate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is based on two criteria, specified by the Commission, related to your arrangements for:

- securing financial resilience; and
- challenging how the Council secures economy, efficiency and effectiveness.

**6** I have concluded that the Council's arrangements are adequate and propose to issue an unqualified value for money conclusion.

## Audit fees

**7** At the Audit Committee on 27 June 2011 I presented my audit opinion plan for 2010/11. The plan reported on the audit fee and the assumptions used in setting the fee. It reported that where the assumptions are not met, I may be required to undertake additional work which is likely to result in an increased audit fee and also on the specific actions the Council could take to limit any potential increase in fee.

**8** One of the assumptions was that the full financial statements and working papers would be available at the start of the audit. The statements presented for audit did not include a cash flow statement or related notes. However, we agreed to prioritise our work on those areas of the accounts that were complete. As a result, I expect to be able to finalise my audit within the agreed fee but will have to review the full impact at the conclusion of the audit.

## Independence

**9** I can confirm that I have complied with the Audit Practice Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

**10** As reported in my Audit Opinion Plan, I am aware of one potential conflict of interest for a member of the audit team. This has been reported to you and discussed with officers in previous years. Safeguards have been put in place to ensure that the individual does not undertake any audit work on the payroll system or operational areas subject to the potential conflict.

**11** The Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

## 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.**

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

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements which are set out in this report (appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 3); and
- agree your response to the proposed action plan (appendix 5).

# 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**

**13** My work on the audit is substantially complete, subject to review of the classification of discontinued operations, testing of assertions in respect of derecognised assets and agreement of the final amended version of the financial statements. Should any further matters arise in concluding the outstanding work that need to be reported, I will raise them with the Director of Finance and Chairman of this committee.

**14** Subject to satisfactory completion of the outstanding work, 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.

**15** The working papers to support the accounts remain of a good standard and officers were responsive and supportive throughout the audit.

**16** It is also worth reminding members that the 2010/11 financial statements have been prepared for the first time on the basis of International Financial Reported Standards (IFRS). As a result, the financial statements have expanded considerably and the work involved both in re-stating previous year's balances and preparing the 2010/11 accounts should not be under-estimated.

## **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 3: **Key areas of judgement and audit risk**

Issue or risk	Finding
<p>Re-statement of the 2008/09 and 2009/10 audited accounts and preparation of the 2010/11 financial statements in IFRS format.</p>	<p>The restatement of previous year's balances was undertaken to a good standard and in a timely fashion in most cases, although preparation of the re-stated cash flow statement was delayed. Issues arising from our work on the 2010/11 financial statements are summarised in the rest of this report.</p>
<p>Implementation of Single Status pay and grading structure and settlement of equal pay claims.</p>	<p>All costs associated with single status and equal pay claims are properly recorded within the financial statements.</p>
<p>We reported a number of issues arising from our 2009/10 audit, including:</p> <ul style="list-style-type: none"> <li>■ scope to provide additional details in the Annual Governance Statement in respect of weaknesses in internal controls and management actions;</li> <li>■ a need to review the basis for calculation of the bad provision in respect of housing rents;</li> <li>■ scope to improve the explanatory foreword;</li> <li>■ large amounts of unallocated cash at the year-end;</li> <li>■ ensuring depreciation calculations take account of the residual value of assets;</li> <li>■ non-retention of working papers to support the creditors control account reconciliation; and</li> <li>■ material errors in the statement of movements on GF balance, cash-flow statement, and classification of assets.</li> </ul>	<p>Most of these issues were addressed in 2010/11 although there remains a significant sum of unallocated cash at the year-end requiring an adjustment in the balance sheet (see table 5 and appendix 2).</p>

## Errors in the financial statements

**18** We identified errors in the draft financial statements submitted for audit. They related to the Consolidated Income and Expenditure Account, Balance Sheet, Cash Flow Statement and notes to the accounts but have had no impact on either net expenditure or the net balance sheet position.

**19** The errors of significance which have been amended by the Council are set out at appendix 2.

**20** In addition, a number of minor errors and inconsistencies were identified in the financial statements, for example, casting errors and inconsistencies between notes. Due to their trivial impact I have not included them in this report.

## Weaknesses in internal control

**21** I identified the following weaknesses in internal controls.

Table 4: **Weaknesses in internal control**

Description of weakness	Potential effect	Management action
Internal audit identified weaknesses in journal control procedures. Re-performance of a sample of internal audit's work was not possible as officers were unable to locate the necessary documentation following the office move.	Failure to maintain an adequate audit trail could make it difficult to trace errors and take appropriate corrective action.	Ensure that evidence is retained to support all journal transfers.

**22** These weaknesses are only those I identified during the audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

## Recommendation

**R1** Ensure that all journal transfers have adequate narrative descriptions and that evidence is retained on file to support the transaction.

## Quality of your financial statements

**23** I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statement disclosures.

**24** Table 5 contains the issues I want to raise with you.

Table 5: **Accounting practices, policies and estimates and financial statement disclosures**

Issue	Finding
Unallocated cash	<p>We reported last year that there was £623k of unallocated cash at the year-end and recommended action be taken to review the arrangements for dealing with unallocated income. This year there was an unallocated cash balance of £426k at 31 March. The bulk of this was cleared to the correct accounts on 1 April but the balance was left in creditors rather than being allocated to the correct debtor categories. Consequently, debtors and creditors were over-stated (see appendix 2).</p> <p>Although arrangements for the identification and clearance of unallocated income have improved, year-end closedown procedures need to be reviewed to enable unallocated cash at 31st March to be posted to the correct debtor balances.</p>
De-recognition of replaced/restored parts of non-current assets.	<p>The Council has not derecognised parts of non-current assets replaced or restored in 2010/11. Officers disagree with our interpretation of the Code but have agreed to provide evidence to demonstrate that the potential error is unlikely to be material. We have recommended that officers seek clarification from CIPFA on the code requirements and consider whether a change in accounting practice is necessary for next year.</p>

**Recommendation**

- R2** Review year-end closedown procedure to allow unallocated cash at 31st March to be posted to the correct debtor categories if the income is subsequently identified prior to closedown.
- R3** Seek clarification of the Code requirements in respect of de-recognition of non-current assets and consider the need for a change in accounting practice next year if necessary.

## Letter of representation

**25** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

# Value for money

**I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.**

**26** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out in table 6 below.

**27** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Table 6: **Value for money conclusion criteria assessed as adequate**

<b>Criterion</b>	<b>Finding</b>
The Council has proper arrangements in place for securing financial resilience.	<p><b>Adequate</b></p> <p>The 2010/11 outturn was delivered within budget leading to a net increase in the general fund (GF) balance of £474k. The GF balance at 31 March 2011 increased to £2,480k in accordance with plans to achieve a minimum balance of £3 million over the next three to five years.</p> <p>The Council set a balanced budget for 2011/12. Effective preparations were made to deliver budget savings in advance of the anticipated government funding cuts.</p> <p>The Medium Financial Strategy (MTFS) is reviewed and updated on an annual basis together with an annual review and risk assessment of balances and reserves.</p> <p>Budgetary control arrangements remain robust.</p>

Criterion	Finding
The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness	<p data-bbox="579 239 719 275"><b>Adequate</b></p> <p data-bbox="579 288 1102 562">The Council has a good track record of reviewing its services and management arrangements to deliver economy, efficiency and effectiveness through, for example, its programme of strategic business reviews and development of partnership working.</p> <p data-bbox="579 575 1123 846">It has recently completed a joint procurement exercise with Daventry District Council to deliver environmental services. Leisure services have been transferred to a charitable trust and office space has been rationalised through the sale of Cliftonville House.</p>

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# Appendix 1 Draft independent auditor's report to Members of Northampton Borough Council

## **Opinion on the Authority accounting statements**

I have audited the accounting statements of Northampton Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and 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 Northampton Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

## **Respective responsibilities of the Director of Finance and auditor**

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Opinion on accounting statements**

In my opinion the accounting statements:

- give a true and fair view of the state of Northampton Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

## **Conclusion on Authority's 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 review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.



## **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Northampton Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

## **Certificate**

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

Neil Bellamy  
Officer of the Audit Commission  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire  
LE19 1SU

September 2011

## Appendix 2 Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities.

Table 7: **Adjusted errors in the core statements**

Adjusted mis-statement	Comprehensive income and expenditure statement		Balance sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
Description	Account entry and value			Account entry and value
Misclassification of NNDR debtor brought forward from 2009/10			ST Creditors 4,812	ST Debtors 4,812
Leisure income & expenditure misclassified	Cultural & Related Serv. (net) 3,483	Discontinued operations (net) 3,483		
Receipts in advance misclassified			ST Debtors 51	ST Creditors 51
Error in classification of s106 liabilities			St Creditors 65	ST Debtors 65
Unallocated cash at 31 March included in creditors			ST Creditors 426	ST Debtors 426

Table 8: **Adjustments affecting other statements or notes**

Description	Nature of misstatement
Cash flow statement	As discussed with officers prior to commencement of our work, the draft financial statements presented for audit did not include a cash flow statement or related notes.
Housing Revenue Income and Expenditure Account	Depreciation disclosed in the HRA was inconsistent with the figures disclosed in HRA note 7. The figure in the HRA is under-stated by £158k.
Note 5 Material items of income and expenditure	The disposal of Cliftonville house was disclosed but not quantified in the note.
Note 8 Earmarked reserves	A number of minor errors and inconsistencies were identified and corrected by the Council. The corrections also impacted on the Movement in Reserves Statement.
Note 12 Property, plant & Equipment	Revaluation increase in respect of community assets and surplus assets were incorrectly classified in the note. £4k in respect of community assets was incorrectly classified as surplus assets and £474k in respect of surplus assets was incorrectly classified as assets under construction.
Note 18 and 21 Creditors and Debtors	The analysis provided in the notes did not comply with the categories required by the Code.
Note 42 Termination benefits	The note was understated by £52k in respect of termination benefits charged to the HRA.
Cash flow statement Note E Cash and Cash Equivalents	<p>The net amount shown in the note was correct but the analysis was misstated:</p> <ul style="list-style-type: none"> <li>■ Cash and bank balances 2009/10 understated by £33k and 2010/11 understated by £24k</li> <li>■ Cash investments 2009/10 understated by £1,591k and 2010/11 understated by £371k</li> <li>■ Bank overdraft 2010/11 understated by £395k and 2009/10 understated by £1,624k</li> </ul>

## Appendix 3 Draft letter of representation

Mr Neil Bellamy  
District Auditor  
Audit Commission  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire  
LE19 1SU

### **Northampton Borough Council – Audit for the year ended 31 March 2011**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Northampton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011.

#### **Compliance with the statutory authorities**

I have fulfilled 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 which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

#### **Supporting records**

All relevant information and access to persons within the Council has 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 financial statements.

#### **Internal control**

I have communicated to you all deficiencies in internal control of which I am aware

#### **Irregularities**

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

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;

- 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; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

### **Law, regulations, contractual arrangements and codes of practice**

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. 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.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

### **Accounting estimates including fair values**

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

### **Related party transactions**

I confirm that I have disclosed the identity of Northampton Borough Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

### **Subsequent events**

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

### **Other representations**

- The Council provided accurate information to the actuary for the purpose of calculating the required pension disclosures in accordance with the Code of Practice for Local Authority Accounting and IAS19. All unfunded liabilities (e.g. discretionary added years awarded to staff) are included in the IAS 19 figures.
- There are no known bad debts other than those already provided for in the financial statements.

I confirm that the this letter has been discussed and agreed by the Audit Committee on 26 September 2011

Isabell Procter - Director of Finance & Support

Signed on behalf of Northampton Borough Council

[date]

## Appendix 4 Glossary

### **Annual governance statement**

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

### **Audit closure certificate**

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 financial statements.

### **Audit opinion**

On completion of the audit of the financial statements, I must give my 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; and
- whether they have been prepared properly, following the relevant accounting rules.

### **Opinion**

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

### **Materiality (and significance)**

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

'Significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

### **Weaknesses in internal control**

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

### **Value for money conclusion**

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 based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.



## Appendix 5 Action plan

### Recommendations

#### Recommendation 1

Ensure that all journal transfers have adequate narrative descriptions and that evidence is retained on file to support the transaction.

<b>Responsibility</b>	Wayne Leader
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<b>Priority</b>	High
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<b>Date</b>	Immediate
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<b>Comments</b>	Agreed - the missing journal evidence was an exception due to the files being mislaid during the office move.
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#### Recommendation 2

Review year-end closedown procedure to allow unallocated cash at 31 March to be posted to the correct debtor categories if the income is subsequently identified prior to closedown.

<b>Responsibility</b>	Phil Morrison
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<b>Priority</b>	Medium
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<b>Date</b>	2011/12
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<b>Comments</b>	Agreed
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#### Recommendation 3

Seek clarification of the Code requirements in respect of de-recognition of non-current assets and consider the need for a change in accounting practice next year if necessary.

<b>Responsibility</b>	Bill Lewis
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<b>Priority</b>	High
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<b>Date</b>	2011/12
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<b>Comments</b>	Agreed - a query has already been lodged with the CIPFA Technical Enquiries service.
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