



Policy and Resources Committee – 29 September 2011

Statement of Accounts 2010/11

Purpose of report

This report presents for approval the Statement of Accounts, which includes the Annual Governance Statement, for the year ended 31 March 2011, following the audit and any subsequent amendments to the draft statement.

Attachment(s)

Appendix 1: Statement of Accounts **(to follow)**

1.0 Background

- 1.1. This report provides Members with a detailed explanation of the outcome of the audit and the impact of any amendments to the financial statements.
- 1.2. This report also seeks approval of the Statement of Accounts and Annual Governance Statement for 31 March 2011.

2.0 Background

- 2.1. The draft Statement of Accounts 2010/11 was approved by the Chief Finance Officer on 30 June 2011, together with the draft Annual Governance Statement.
- 2.2. This financial year has seen the first time adoption of International Financial Reporting Standards (IFRS) by Local Authorities, which has changed the format and disclosure requirements shown within the Statement of Accounts.
- 2.3. The draft Statement of Accounts are no longer required to be approved by members prior to the start of the audit, which is to bring Local Authorities in line with practices common in private industry. Member approval is now only required once the audit has been completed and any errors or omission have been corrected.

3.0 Statement of Accounts 2010/11

- 3.1. The Council must produce its draft Statement of Accounts by 30 June each year. An audit of the accounts is then undertaken, this year it was from 1 August to 19 August. They are then approved and published before 30 September, in order to comply with statutory requirements.
- 3.2. As a result of the audit, shown below is a summary of the material errors which have been identified and incorporated into the final version of the Statement of Accounts. Most of the material errors are in relation to the first time adoption of IFRS and the interpretation of disclosure requirements by the new Code and do not affect the general fund balance held by the Council.

The effort required by the Finance Team in EnCor to produce the accounts in the new IFRS format should not be underestimated or go unrecognised.

3.3 Adjustments to 2010/11 Statement of Accounts

Non trivial (Above £8k and below Materiality)

Changes to Accounts	Affect on accounts	Impact on General fund Balance
Non Accrual of staff termination benefits	CIES & Creditors £29k	Yes
Non inclusion of pension curtailment costs (identified by Officer)	CIES & Long Term Liabilities £86k	Yes
Reclassification of accrued interest on short-term investments	Balance Sheet £31k	No
Impairment to Industrial Unit due to Fire	CIES & PPE £38k	No
Correction to NNDR due to discretionary and deferral reliefs to reconcile to NNDR 3 claim	CIES & Balance Sheet £31k	Yes

3.4 Material (Above £811k)

Financing and investment income and expenditure – prior year comparatives	CIES - presentation	No
Correction to prior year accounting treatment for ENC's contribution to the Stanwick Lakes Visitor Centre in 2008/09 & 2009/10	CIES & PPE £1,382k (08/09) £107 (09/10) Depreciation reversal £68k (09/10) £42k (10/11)	No
Misstatement on Collection Fund Account in relation to NNDR Payment to the pool	Collection Fund £2,320k Income and payments	No

4.0 Equality and Diversity Implications

4.1 There are no equality and diversity implications arising from the proposals.

5.0 Legal Implications

5.1 There are no legal implications arising from the proposals.

6.0 Risk Management

6.1 There are no significant risks to the council in relation to the recommendation in this report.

There is a minor reputational risk in that failure to gain Member approval of the Statement of Accounts by 30 September following the year end represents a breach of the Accounts and Audit Regulations and could attract adverse criticism from external bodies, including the External Auditors.

7.0 Financial Implications

7.1 The financial implications arising from this report are noted in section 3.

8.0 Corporate Outcomes

8.1 The report contributes to the following corporate outcomes:

- Good Value for Money
- Effective Management

9.0 Recommendation

9.1 It is recommended that members approve the Statement of Accounts and the Annual Governance Statement for the year ended 31 March 2011. *(Reason to comply with the requirements of the Accounts and Audit Regulations)*

Legal	Power: Local Government Act 2003, Accounts and Audit Regulations (amended 2011)				
	Other considerations:				
Background Papers: Statement of Accounts and working papers					
Person Originating Report: Rosanne Fleming					
Date: 19 September 2011					
CFO		MO		CX	

(Committee Report Normal Rev. 22)

Annual governance report

East Northamptonshire 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.

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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 Interim S151 Officer on 14 September 2011 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);
- agree to adjust the errors in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the errors (appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 4); and
- agree Officers' response to the proposed action plan (appendix 6).

Yours faithfully

Neil Bellamy
District Auditor

21 September

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	7
Important weaknesses in internal control	No	8

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

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

Audit opinion

1 The financial statements submitted for audit were largely complete and included the majority of the disclosures required by the Code of Practice on Local Authority Accounting 2010/11 (the 'Code'). I have not identified any significant errors or omissions to date, except in relation to the disclosure notes. At the time of writing this report, the main aspects of the financial statements where our work is not fully complete are as follows.

- S106 Receipts in advance – Maintenance of open spaces – agreeing accounting treatment.
- Testing of expenditure on assets under construction.
- PPE/Intangible assets – waiting for evidence from the Authority to support material disclosures within the accounts.
- Treatment of government grants under IFRS – awaiting evidence from authority.

2 Subject to satisfactory clearance of outstanding matters, I expect to be able to issue an audit opinion on the financial statements by 30 September 2011. Should any significant mistakes or errors arise from the work outstanding I will raise them at the meeting.

Financial statements

3 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.

4 The financial statements were certified on 30 June. We received a copy of them on 4 July.

5 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, movement in reserves statement, cashflow statement, balance sheet, collection fund and disclosure notes. These have resulted in a net reduction of £115,000 to the General Fund Balance.

Value for money

6 I am required to conclude whether the Authority 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 Authority secures economy, efficiency and effectiveness.

7 To date, I have found the Authority's arrangements to be adequate. My assessment will continue throughout the audit of the financial statements but, at the current time, I expect to issue an unqualified value for money conclusion.

Audit fees

8 I agreed my audit plan for 2010/11 with the Interim S151 Officer on 21 July 2011 and this was forwarded to Members on 25 July 2011. The audit 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 Authority could take to limit any potential increase in fee.

9 The following have impacted on the audit progress made and has resulted in some additional work.

- The Authority did not produce a full set of restated 2009/10 financial statements including accounting policies before compiling the 2010/11 accounts, which gave little opportunity to feed back findings from the audit before it had to compile the 2010/11 financial statements.
- A Joint Working Protocol was agreed with the Authority, including a detailed listing of working papers to be provided at the start of the audit. The working papers initially provided to us comprised a series of spreadsheets and ledger prints. Although supplementary evidence was made available when requested this did cause some delay in our work.

10 I hope that this additional work can be contained within the audit fee agreed with the Authority but I will have to review the full impact on the audit fee at the conclusion of the audit.

Independence

11 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.

12 The Audit Commission's 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.

13 I ask the Policy and Resources 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);
- agree to adjust any errors in the financial statements I have identified that management has declined to amend or set out the reasons for not amending the errors (appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 4); and
- agree Officers' response to the proposed action plan (appendix 6).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

14 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Key areas of judgement and audit risk

15 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. These were reported in my audit plan for 2010/11 agreed with the Interim S151 Officer on 21 July 2011 and this forwarded to Members on 25 July 2011.

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

Issue or risk	Finding
<p>Introduction of financial reporting under IFRS</p> <p>The Council had to produce IFRS compliant accounts by 30 June 2011.</p> <p>The Council had made good progress in restating its accounts for 2009/10 and these, together with supporting working papers and a skeleton set of accounts for 2010/11 were provided to me in February for review.</p> <p>My staff identified a small number of areas where further changes were required to ensure the restatements are fully compliant, and were waiting for updates to be provided to us for review.</p>	<p>Updated skeleton accounts were not provided in advance of compiling the 2010/11 accounts. As a result there was no opportunity to provide timely feedback on whether the accounting entries and disclosures were appropriate and complete in advance of my 2010/11 audit. This meant that some of the work required had to be completed during the post statements audit which impacted on the efficiency of the audit.</p>

Issue or risk	Finding
<p>Financial Challenges</p> <p>As with other areas of the public sector the Council has financial challenges in the medium term due to the economic downturn and reduction in grants from Central Government.</p>	<p>We considered the financial position reported in your financial statements when planning our detailed testing.</p>
<p>Fixed assets</p> <p>The fixed asset register is still being updated to reflect revaluations as at 1 April 2009. It is therefore not possible to gain assurance from testing the system to support our audit opinion, and substantive testing will be required instead.</p>	<p>Substantive testing was undertaken of the asset register supporting the disclosures in the accounts.</p> <p>This review identified:</p> <ul style="list-style-type: none"> ■ a lack of evidence to support the existence of items of plant and equipment; and ■ a lack of evidence to support the continuing existence of intangible assets. <p>Officers are undertaking additional work to provide me with assurances over these material figures.</p>

Errors in the financial statements

16 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, movement in reserves statement, cashflow statement, balance sheet, collection fund and disclosure notes. These have resulted in a net reduction of £115,000 to the General Fund Balance.

17 The errors of significance which have been amended by the Authority are set out at appendix 2.

18 In addition, a number of minor errors and inconsistencies in disclosure were identified in the financial statements, for example, casting errors, inconsistencies between notes, and prior year information being incorrect. Due to their trivial impact I have not reported on them in detail in this report.

19 To date one non trivial error has been identified which the Authority has not amended, and this is shown at appendix 3.

Recommendation

R1 The Authority should adjust the financial statements for the errors identified through the audit.

Important weaknesses in internal control

20 To date, no important weaknesses in internal control have been identified during the audit.

Quality of your financial statements

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

22 Table 4 contains the issues I want to raise with you.

Table 4: **Accounting practices, policies and estimates and financial statement disclosures**

Issue	Finding
As part of the 2010/11 Code guidance, CIPFA produced an example set of local authority financial statements. There was an expectation that the Authority's draft financial statements would include all relevant disclosures as set out in the example financial statements.	Not all the required disclosures that are relevant to the Authority were included in the draft financial statements. Amendments have subsequently been made to a number of disclosure notes.

Recommendation

R2 Ensure that any subsequent LAAP Bulletins are checked to ensure that all required disclosures are made in future years.

Follow up of 2009/10 recommendations

23 In my 2009/10 annual governance report, I made three recommendations, all of which are relevant to 2010/11.

24 I recommended that the Council undertake a full review and rationalisation of the fixed asset register to ensure it contains details of assets that the Council owns with details of expenditure incurred and any impairments. This has been done for the land and buildings section of the register, but not yet completed for vehicles, plant and equipment, and for intangible assets. Audit findings regarding this in 2010/11 are included in table 3 above.

25 I also recommended that the unresolved difference on the bank reconciliation was investigated and that full reconciliation should be achieved. No unreconciled difference has been found in 2010/11.

26 In 2009/10 it was found that the Council had a provision for payment of LSVT levy to CLG. I recommended that the Council contact DCLG to establish where the liability for this levy existed. This was done and the provision has now been removed from the balance sheet.

Recommendation

R3 Ensure that the review and rationalisation of the fixed asset register is completed during 2011/12.

Significant difficulties encountered during the audit

27 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.

28 Whilst the authority achieved the 30 June deadline and provided accounts to me on time, a complete set of working papers as set out in the agreed joint working protocol was not supplied. We were provided with electronic working papers which were mainly ledger prints and excel spreadsheets to support calculations, but no supporting prime documents. In addition some detailed information requested on individual balances was not included. While staff provided the additional information and supporting working papers as and when requested, this did result in some delays being experienced during the audit, with work having to be revisited once the working papers were supplied.

Recommendation

R4 Ensure that complete supporting working papers as agreed in the joint working protocol are provided to me at the start of the audit in future years.

Significant matters that were discussed or subject to correspondence with management

29 To date, there is nothing to report.

Other significant matters relevant to the financial reporting process

30 To date, there is nothing to report.

Letter of representation

31 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation.

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.

32 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission, namely:

- Securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future. This covers :
 - Financial governance
 - Financial planning
 - Financial control.
- Challenging how the Authority secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency. This covers:
 - Prioritising resources
 - Improving efficiency and productivity.

33 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.

34 If auditors become aware of any significant risks in these areas they will need to consider if they impact on the VFM conclusion.

35 From the work carried out, I have concluded that the Authority has proper arrangements in place. My conclusion on each of the two specified criteria is set out below.

Table 5: **Value for money conclusion criteria**

Criterion	Finding
Securing financial resilience	<p>The Authority's 2010/11 outturn position was below budget and the total revenue reserves at the year-end were above those forecast in the MTFS. The Authority maintained its revenue reserves above its agreed minimum levels.</p> <p>The Authority set a balanced budget for 2011/12.</p> <p>The Authority updated its Medium Financial Strategy in response to the Comprehensive Spending Review.</p>
Securing economy, efficiency and effectiveness	<p>The Authority has continued to review its costs and has achieved cost reductions through a review of middle management. In addition efficiencies have been achieved in the current year from the new waste collection contract.</p>

36 My overall conclusion is subject to any issues which may arise out of the current audit of the financial statements however, at this stage, I expect to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of a draft unqualified report.

Report by exception

37 The Audit Commission requires me to report by exception where significant matters come to my attention, which I consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

38 There are no such matters of such significance which I need to refer to in the wording of my formal value for money conclusion. I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Appendix 1 Draft independent auditor's report to Members of East Northamptonshire Council

Opinion on the Authority accounting statements

I have audited the accounting statements of East Northamptonshire 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 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 East Northamptonshire 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 Section 151 Officer and auditor

As explained more fully in the Statement of the Section 151 Officer's responsibilities, the Section 151 Officer 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 East Northamptonshire 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 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, East Northamptonshire 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 East Northamptonshire 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 6: **Adjustments to core statements (1)**

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	
Individual amendments				
Non accrual of Executive Director termination benefits	NCoS 29			Creditors 29
Disclosure of accrued interest on investments			Short term investments 31	Short term debtors 31
Non inclusion of gains or losses on pension settlements/ curtailments (identified by EnCor before audit commenced)	NDC 86			Long term liabilities 86
Financing and investment income and expenditure – prior year comparatives	2009/10 F&I Gross Income 1036	2009/10 F&I Gross Exp 1036		

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
Adjustments to account for impairment to industrial unit	2010/11 CIES - Surplus/Deficit on the provision of services 9 CIES - Other Comprehensive Income and Expenditure 29	2010/11 MIRS – - adjustments between accounting basis and funding basis under regulation 9 - other CIES 29	Revaluation Reserve 29 CAA 9	PPE 38
Amendments re Stanwick Lake				
■ Correction of 2008/09 PPE brought forward re Stanwick Lakes Visitor Centre (SLVC)			2008/09 CAA 1,382	2008/09 PPE (other land and buildings) 1,382
■ Correction of 2009/10 expenditure on SLVC to be treated as REFCUS	NCoS - Cultural, Environmental and planning services 107	NCoS - Cultural, Environmental and planning services 107	CAA 107	PPE (other land and buildings) 107
■ Correction of 2009/10 depreciation charge on SLVC	2009/10 MIRS - adjustments between accounting basis and funding basis under regulation 68	2009/10 NCoS - Cultural, Environmental and planning services 68	2009/10 PPE depreciation 68	2009/10 CAA 68

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
<ul style="list-style-type: none"> Correction of 2010/11 depreciation charge on SLVC 	2010/11 MIRS - adjustments between accounting basis and funding basis under regulation 42	2010/11 NCoS - Cultural, Environmental and planning services 42	2010/11 depreciation 42	2010/11 CAA 42

Table 7: **Adjustments to core statements (2)**

Adjusted mis-statement	Collection Fund		Balance sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
Description	Account entry and value			Account entry and value
Misstatement of NNDR income and payment to pool	NNDR payment to pool 2320	NNDR income 2320	–	–
Misstatement of CLG debtor re NNDR due to discretionary and deferral reliefs	NNDR income 83			Short term debtors 83

There were consequential amendments to the movement in reserves statement, and cashflow statement.

Table 8: Significant adjustments to disclosure notes

Note number	Nature of misstatement												
Note 30 – senior officer remuneration	<p>Termination benefits which should have been accrued for the Executive Director (see table 6 above) of £29k were not disclosed.</p> <p>Termination benefits payable to the Head of Revenue and Benefits services were understated in the note by £6k.</p>												
Note 37 – Defined Benefit Pension Scheme – History of Experienced Gains and Losses table	<p>The figure for 2010/11 relating to 'changes in the demographic and financial assumptions used to estimate liabilities' had been mis-transcribed from the actuarial report. The figure was overstated by £7,832k</p> <table border="1"> <thead> <tr> <th></th> <th>original figure</th> <th>amended figure</th> </tr> </thead> <tbody> <tr> <td>Changes in the demographic and financial assumptions used to estimate liabilities</td> <td>10,444</td> <td>2,612</td> </tr> <tr> <td>% of liabilities</td> <td>-28.70%</td> <td>-7.2%</td> </tr> <tr> <td>net gain/loss</td> <td>13,090</td> <td>5,258</td> </tr> </tbody> </table>		original figure	amended figure	Changes in the demographic and financial assumptions used to estimate liabilities	10,444	2,612	% of liabilities	-28.70%	-7.2%	net gain/loss	13,090	5,258
	original figure	amended figure											
Changes in the demographic and financial assumptions used to estimate liabilities	10,444	2,612											
% of liabilities	-28.70%	-7.2%											
net gain/loss	13,090	5,258											
Various	Adjusted to include third year comparative data to balance sheet notes to support IFRS restatement as required by LAAP bulletin 88.												

I will report on any further significant amendments verbally at the meeting on the 29 September.

Appendix 3 Unadjusted misstatements in the financial statements

At the date of writing there was one non trivial misstatement identified for which management has not adjusted the financial statements. This is detailed in the table below. I will bring unamended misstatements to your attention to help you in fulfilling your governance responsibilities and ask you to correct them. If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Should any further such misstatements be identified during the completion of my audit.

Table 9: **Unadjusted misstatement**

Unadjusted 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
Land included in asset register in error	Other operating expenditure 10	MIRS – Reversal if items debited or credited to CIES 10	CAA 10	PPE 10

Corresponding amendments are required to the cash flow statement and disclosure notes 12, 24 and 25

Appendix 4 Draft letter of representation

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

Dear Neil

East Northamptonshire 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 East Northamptonshire 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 and International Financial Reporting Standards 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.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

Supporting records

All relevant information and access to persons within the entity 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.

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.

Other representations

I confirm that the Manor Park Leisure Centre project has been postponed rather than cancelled and it is therefore appropriate for the expenditure incurred to date to remain in assets under construction on the balance sheet.

Related party transactions

I confirm that I have disclosed the identity of East Northamptonshire Council's 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.

Signed on behalf of East Northamptonshire Council

I confirm that this letter has been discussed and agreed by the Policy and Resources Committee on 29 September 2011.

Mike Baish
S151 Officer

Appendix 5 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 6 Action plan

Recommendations	
Recommendation 1	
The Authority should adjust the financial statements for the errors identified through the audit.	
Responsibility	S151 Officer
Priority	High
Date	30 September 2011
Comments	Agreed. Adjustments have been made to the accounts.
Recommendation 2	
Ensure that any subsequent LAAP Bulletins are checked to ensure that all required disclosures are made in future years.	
Responsibility	Finance Manager/EnCor Group accountant
Priority	High
Date	2011/12 accounts
Comments	Agreed.
Recommendation 3	
Ensure that the review and rationalisation of the fixed asset register is completed during 2011/12.	
Responsibility	Finance Manager/EnCor Group accountant
Priority	High
Date	2011/12 accounts
Comments	Agreed. We will continue the work on the Fixed Asset Register and attempt to complete it during 2011/12 where resources allow.
Recommendation 4	
Ensure that complete supporting working papers as agreed in the joint working protocol are provided to me at the start of the audit in future years.	
Responsibility	EnCor Financial Services Manager
Priority	High
Date	2011/12 accounts
Comments	Early detailed discussions on the joint working protocol and regular meetings prior and during the audit.

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- any third party.



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