

Annual governance report

Bassetlaw District Council

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at mid September 2012 I expect to issue an unqualified audit opinion in due course.

The arrangements for the production of your financial statements were good. The draft financial statements were produced by the target date, and the working papers to support the financial statements were of a good standard. My audit identified three material errors that were corrected but these affected the disclosure or presentation of items rather than the Council's outturn. Additionally there were several non-trivial errors which have been amended.

Value for money (VFM)

The Council has an established process for service reviews to deliver economy, efficiency and effectiveness. Against an environment of reductions in spending by other councils, the Council's net expenditure per head of population remains slightly below the average of its statistical nearest neighbours. Nevertheless, whilst the financial outturn for 2011/12 is consistent with the Medium Term Financial Plan, the General Fund is now at the minimum the Council considers prudent. This provides little flexibility in the short term to cover unexpected adverse events, and is an area that Councillors will need to monitor closely. Further work in 2012/13 is underway to alleviate the pressure on reserves.

Certificate

I am not yet able to sign my Audit Certificate to close the 2011/12 audit as my work on the Whole of Government Accounts is not yet finished. I expect to complete the outstanding work and report my findings to management by early October 2012. I plan to issue my certificate in early October 2012.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

I ask the Council to:

- take note of the adjustments to the financial statements included in this report (appendices 2 and 3); and
- approve the letter of representation (appendix 4), on behalf of the Authority before I issue my opinion and conclusion.

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected 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

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.

Uncorrected errors

I have identified three unadjusted items to bring to your attention.

- The Council based its estimate of the recoverability of deposits in Icelandic banks on the information available in May 2012. Updating this estimate to the information available in June would increase the estimate of the amount recoverable by £79,000.
- I have also identified a minor error relating to the calculation of the minimum revenue provision of £25,000.
- Whilst the Council provided £20,000 for a pending court case (where judgement had been referred to the Crown Court for award of damages), the final settlement was £38,000 comprising a fine of £25,000 and costs of £13,000.

These items are detailed in Appendix 2. The net effect of the three changes would be to increase the balance sheet by £36,000 but to reduce the Council's General Fund by £43,000.

Officers have chosen not to amend for the above uncorrected items, on the grounds of immateriality. I ask the Council to confirm this response.

Corrected errors

My review did not identify any significant corrected errors that affected the outturn reported in the draft accounts. Nevertheless my review found three errors of a material value which I highlight below. Further details of the detailed entries involved are provided in Appendix 3.

- The Movement in Reserves Statement and Note 7 brought forward balances for the Major Repairs Reserve in total were correct. However the subjective split of several balances was inappropriately restated. These items ranged between £170,000 and £4.3m. These balances have now been re-presented to reflect the format required by the Accounting Code of Practice 2011/12.
- Note 12 Property Plant & Equipment contains a table showing the revaluation of assets from the years ended 31 March 2008 to date. Whilst in total the values were correct, the Note was amended to include additional lines to clarify the dates the valuations were undertaken eg. 31st March and 1st April dates.
- Note 16 (the Financial Instruments disclosure) incorrectly included finance leases of £495,000, and incorrectly excluded cash and cash equivalents of £3.7m. The Note has been revised.

The Council also prepares group accounts consolidating the result of A1 Housing. Disclosures within these group accounts were improved to include balances from 31 March 2010.

Significant risks and my findings

I reported to you in my Audit Plan 2011/12 the significant risks that I identified relevant to my audit of your financial statements. In the table below I report to you my findings against each of these risks.

Table 1: Risks and findings

Audit Plan Risk	Finding
<p>General fund reserves</p> <p><i>“The impact of the 2010 Comprehensive Spending Review continues to place the Council’s financial health under strain. The general fund at the start of the financial year was approximately £1.3m and is slightly above the minimum level of £1m which the Council’s Section 151 officer considers as prudent. There is ongoing pressure on budgets and on management to achieve cost savings with an inherent risk of misreporting performance.”</i></p>	<p>I have continued to monitor the Council’s delivery of the annual budget and management of emergent cost pressures. My final accounts audit gave due regard to possible risk areas such as overstatement of income, understatement of expenditure and capitalisation of revenue expenditure. My audit has not identified any significant issues of concern or other matters that I need to report.</p>

Audit Plan Risk

Finding

Payroll

“A new payroll system was introduced in April 2011. Staff costs represent about £11m of the total annual Council expenditure.”

I have reviewed the management oversight of the migration of information from the old to new payroll systems. I have undertaken the documentation and testing of the new financial system, and I have not identified any material weaknesses in controls that I need to report.

HRA reform

“The government plans to reform local Council housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off settlement payment to or from central government on or before 28 March 2012. This will adjust the HRA debt of the Council. Payments from government will in most cases be used to redeem an equal percentage of all PWLB debt held by the Council. Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.”

The receipt of new long term borrowing of £26.9m and payment of this to the Government was completed in March 2012. The accounting of these transactions was confirmed as consistent with the expected arrangements as determined by the Chartered Institute for Public Finance & Accountancy.

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

My review has not identified any issues that I need to bring to your attention.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

I have the following issues I wish to report.

Table 2: **Other matters**

Issue	Finding
Car parking income - controls	<p>The Internal Audit review of car parking income was reported in August 2011 and identified several areas where controls could be strengthened. Of these I highlight a need for (i) a contract with G4S to govern car parks' cash collection (ii) reconciliation of the machine audit ticket reading to the ASLAN system to ensure all collections have been accounted for on the G4S income spread sheet.</p> <p>Further work is required by the Council to ensure these issues are addressed. Whilst the sums involved are not material and hence will not affect the audit opinion, members may wish to note that there remains a potential fraud risk.</p>
Car parking income and expenditure – accounting treatment	<p>In Note 34 to its accounts the Council discloses its share of the income and expenditure of the Notts Parking Partnership. This partnership administers car parking on behalf of Nottinghamshire County Council and the Nottingham Districts. Bassetlaw is accounting for these transactions as if it is the principal (an agent would not disclose the income and expenditure) for both on-street and off-street parking, and your officers have provided a reasoned argument for this treatment. However I understand that some other Districts have adopted different treatments, and may only be disclosing off-street fees. As the sums involved are not material, and the impact on your net Cost of Services is very marginal, I suggest that members need simply note the Council's treatment, and the possibility that the Districts might move to a common accounting approach in 2012/13.</p>

Issue	Finding
Recovery of the Council's investments in Icelandic banks	<p>The change in the impairment of the investments between 2010/11 and 2011/12 (to reflect better expected recovery of the investments) of £170,000 is shown on the Comprehensive Income & Expenditure Statement as an 'exceptional item'. This treatment is not strictly consistent with the Code definition of an exceptional item, as the sum involved is not of a material amount. Officers have chosen to retain this disclosure to be consistent with previous years. As this is a departure from the normal accounting convention I am raising this issue for your information, but I propose no other action.</p>
Municipal Mutual Insurance (MMI)	<p>As disclosed in Note 40 (Contingent Liabilities), the Council has an exposure to losses of MMI. MMI encountered financial difficulties some years ago, and since it ceased taking in any new business it has been trying to achieve a solvent run-off. However its balance sheet as at the end of June 2011 showed a net liability of £72m, and a judgement in March 2012 by the Supreme Court, relating to the liability for asbestos claims increases the risk that MMI will not be able to achieve a solvent run-off.</p> <p>Councils, including Bassetlaw District Council, that are the 'owners' of MMI as a mutual organisation are ultimately responsible for MMI's liabilities. Consequently there could be a 'run-off' on Councils to provide between 10% and 25% of outstanding claim values. The cost to Bassetlaw DC if these losses crystallised could be between £37,000 and £92,000. However there remains significant uncertainty whether these losses will crystallise, and if so at what amount, and I have therefore not challenged the treatment by the Council as a contingent liability (rather than a provision). Nevertheless I raise this matter for members' attention, and in particular as a risk to take into account when formulating future financial plans.</p>
Collection Fund	<p>As the Council acts as an agent for collection of precept for the Nottinghamshire County Council, there is year end accounting for residual debtor and creditor values. Within this context we noted that the County Council believes its share of the residual balance is £15,000 greater than currently estimated in Bassetlaw's Collection Fund. This difference is due to a different interpretation on the inclusion / exclusion of parish council income as part of the allocation basis. As the sum involved is not material, and the treatment is still under discussion, I am raising this for members' information but propose no other action.</p>
Housing – Major Repairs Reserve	<p>The Council has correctly accounted for the transactions on the Major Repairs Reserve within the Housing Revenue Account (HRA) in accordance with the Code. However, whilst the details of the depreciation charges that make up the balance are shown in Notes C and E to the HRA, this is then consolidated into a single entry in Note 7 of the financial statements of £4.1m. I have suggested that, to aid transparency, the content of Note 7 is expanded beyond the normal Code requirement to separately identify these transactions. This is purely a disclosure change, however I have highlighted it due to the material amount involved.</p>

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at September 2012 I have not yet completed all the procedures specified by the National Audit Office. I expect to complete the review and provide my report by early October 2012.

Value for money

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

I assess your arrangements against the two criteria specified by the Commission. In my Audit Plan for 2011/12 I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 3: **Value for money conclusion criteria and my findings**

Criteria	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The financial outturn for 2011/12 and reduction in the general fund reserve is consistent with the Council's revised Medium Term Financial Plan (MTFP). However the residual general fund balance of £1.0m is now at the minimum the Council's Section 151 financial officer considers as prudent. Officers have recognised emergent risks in the MTFP, although in some areas exact details are only just becoming clear, such as the changes in the administration of benefits (from a central Government to a local administered and funded scheme), and of council tax and business rates. Against this background, efficiency measures are continuing in 2012/13 to alleviate the impact on reserves, such as a further voluntary redundancy scheme, budget reviews and joint working with A1 Housing and other councils.</p> <p>In summary, the Council is controlling costs in line with its strategy and taking action to alleviate future pressures, but there is little flexibility in the short term to</p>

Criteria**Findings****2. Securing economy efficiency and effectiveness**

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2011/12:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

cover unexpected adverse events. This therefore remains a risk that Councillors will need to continue to monitor closely.

The Council's "Star Chamber" approach to service reviews over recent years has helped to achieve economy, efficiency and effectiveness and, with reductions in funding by the Government, to offset the need for drastic cuts in service provision. Against an environment of reductions in spending by other councils, the Council's net expenditure per head of population remains slightly below the average of its statistical nearest neighbours. However, going forward, the potential of the Star Chamber to deliver the Medium Term Financial Plan gaps in 2012/13 onwards is becoming more challenging, and alternative approaches are being considered as detailed in Criteria 1 above.

Fees

I reported my planned audit fee in the Audit Plan 2011/12.

I will complete my audit within the planned fee.

Table 4: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Main Audit	125,666	125,666
Claims and returns	18,200	18,200
Non-audit work	0	0
Total	143,866	143,866

The Audit Commission has paid a rebate of £10,053 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission for the Main Audit to £115,613.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF BASSETLAW DISTRICT COUNCIL

Opinion on the financial statements

I have audited the financial statements of Bassetlaw District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Bassetlaw District 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 Head of Finance & Property and auditor

As explained more fully in the Statement of the Head of Finance & Property’s Responsibilities, the Head of Finance & Property is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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 and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance & Property; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Bassetlaw District Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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.

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 2011, 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 2012.

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 2011, I am satisfied that, in all significant respects, Bassetlaw District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

David Phillips

Officer of the Audit Commission

Audit Commission
Westthorpe Business Innovation Centre
Westthorpe Fields Road
Killamarsh
Sheffield S21 1TZ

September 2012

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management have not addressed in the revised financial statements.

Item of account	Nature of error	Movement in Reserves Statement		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Note 7 - Adjustments between accounting basis and funding basis	A minor error was identified in the calculation of the Minimum Revenue Provision. - General Fund - Statutory provision for repayment of debt	25			
Note 24 – Capital Adjustment Account	- Statutory provision for the financing of capital investment charged against the General Fund and Housing Revenue Account.				25
Icelandic banks recovery of deposits	The Council correctly based its estimated recovery on the recovery rates provided by the Chartered Institute of Public Finance and Accountancy in their technical bulletins. However, the rates used are those within the bulletin of May 2012, rather than those in an updated version provided in June 2012. Using the June 2012 rates would have increased the recoverable amount by £79,000.		CIES 79	79	

Provisions	Adjustment to reflect the actual costs of a pending court case estimated at £20,000 but actual costs were £38,000.	CIES 18	18
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Appendix 3 – Corrected errors

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

		Movement in Reserves Statement		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Movement in Reserves Statement (MiRS)	<p>The Movement in Reserves Statement and Note 7 brought forward balances for the Major Repairs Reserve in total were correct. However the subjective split of several balances was inappropriately restated. These items ranged between £170,000 and £4,304,000. These balances have now been amended to reflect accurately the balances certified in last year's accounts. The main change is to the 2010/11 MiRS, as follows:</p> <ul style="list-style-type: none"> 2010/11 MiRS - Major repairs reserve - Adjustment between accounting basis & funding basis under regulations 2010/11 MiRS - Major repairs reserve - Transfers to/from earmarked reserves <p>Consequent adjustments were also made to supporting Note 7, and to the Group MiRS.</p>	4,134		no impact:	no impact:
			4,134		

Note 12 Property Plant & Equipment	This Note contains a table showing the revaluation of assets from the years ended 31 March 2008 to date. Whilst in total the values were correct, the Note was amended to include additional lines to clarify the dates the valuations were undertaken eg. 31 st March and 1 st April dates. The changes were between £82,000 and £13.3m.	no impact: Note 12 disclosure only	no impact: Note 12 disclosure only	no impact: Note 12 disclosure only	no impact: Note 12 disclosure only
Note 12 Property Plant & Equipment	Two finance leases that are fully depreciated were treated as disposals. Writing these back to the asset register increased vehicle plant & equipment 'cost' by £955,000 and 'depreciation' £955,000.	no impact: Note 12 disclosure only	no impact: Note 12 disclosure only	no impact: Note 12 disclosure only	no impact: Note 12 disclosure only
Note 12 Property Plant & Equipment	Testing of assets re-valued in 2011/12 indicated these had not been fully input to the fixed asset register.	498	CIES revaluations 498	Other land & buildings 404 Reval reserve 94	CAA 498
Note 16 Financial Instruments	Note 16 incorrectly included finance leases of £495,000, and incorrectly excluded cash and cash equivalents of £3,735,000. The Note was subsequently revised.	no impact: Note 16 disclosure only	no impact: Note 16 disclosure only	no impact: Note 16 disclosure only	no impact: Note 16 disclosure only
Group accounts balance sheet	The Council also prepares group accounts consolidating the result of A1 Housing. Disclosures within these group accounts were improved to include balances from 31 March 2010.				

Other numerical issues within the financial statements	<p>Other errors were noted from my audit which affected primarily the Notes to the accounts, but the values were individually below my materiality, and I therefore summarise these for information. In total there were five other errors that required numerical adjustments to be made. These covered:</p>	provisions 125	short term creditors 125
Other textual issues within the financial statements	<ul style="list-style-type: none"> • property plant & equipment additions £9,000; • a provision that should have been a creditor £125,000; • Note 37 comment on impairment of a refuse freighter £72,000; • subjective classification of expenditure in Note 7 £72,000; • financial instrument incorrect inclusion of a finance lease £65,000 <hr/> <p>My audit identified several textual items within the accounts, none of which are individually significant to require discrete disclosure. These are therefore aggregated.</p> <p>Update of notes, accounting policies, format of contents to be consistent with the current Code of Practice and to correct other minor errors.</p> <p>Several other minor issues such as an additional comment in the Annual Governance Statement over Internal Audit limited assurance reviews, general referencing in the statements, rounding of balances, correction of previous year comparator values or opening balances, and the subjective split of balances.</p>		

Appendix 4 – Draft letter of management representation

Bassetlaw District Council - audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other [insert relevant details directors of Bassetlaw 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 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, 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

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

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 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 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.

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 the Authority'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 requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Bassetlaw District Council

I confirm that the this letter has been discussed and agreed by the Council on 27th September 2012

Signed

Name

Position

Date

Appendix 5 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative 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

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

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

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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.

