

Annual Governance Report

Harborough District Council

Audit 2009/10

Date

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Deputy Chief Executive on 19th September 2010 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 (pages 7 to 9);
- take note of 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 your response to the proposed action plan (Appendix 6).
- note that I will report further if I propose to qualify my audit opinion on the accounts.

Yours faithfully

Neil Bellamy
District Auditor

20 September 2010

Key messages

This report summarises the findings from the 2009/10 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	Results	Page
Unqualified audit opinion	TBC	7
Financial statements free from material error	TBC	7
Adequate internal control environment	Yes	8
Value for money	Results	Page
Adequate arrangements to secure value for money	No	10

Audit opinion

- 1 My audit work to support my opinion is substantially complete. The only key area of work outstanding relates to the accounting treatment of VAT Shelter receipts in the Council's accounts. The amount involved (£989,000) is material and completion of this aspect of the audit is critical to the nature of the opinion I propose to issue on the Council's accounts.
- 2 Subject to accepting recent evidence provided by officers to support the current accounting treatment of VAT Shelter income I propose to issue an unqualified opinion. Otherwise I will consider the need to qualify my opinion but will report further to the committee in this instance.

Financial statements

- 3 In addition to the issue referred to above in paragraph 1 my staff found two errors above the materiality threshold in the notes supporting the Cash Flow statement. This resulted from a change in the method of accounting for Council Tax and National Non Domestic rate receipts (NNDR) following changes to the Local Government Statement of Recommended Practice (the SORP). Officers amended the accounts to reflect the correct position.

Value for money

- 4 My audit work in respect of this is also substantially complete and I propose to issue a conclusion which is qualified in respect of 1 criterion. I am satisfied that, in all

Key messages

significant respects, Harborough District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for managing its risks and maintaining a sound system of internal control.

- 5 During the year I received representations from local government electors regarding the Council's environmental services contract. I followed these up and reviewed the Council's own review of matters relating to the letting of the contract. I have concluded that although the Council intended a performance bond to be in place from the start of the contract, one was not in fact in place for a period of three months. I acknowledge that there were no significant delivery issues with the contract during that period and that a performance bond has been in place since that date
- 6 I will also need to assess my vfm conclusion further in the light of the outcome of the outstanding audit work on the accounting arrangements for VAT Shelter receipts above. If I need to change the proposed wording of my vfm conclusion I will report further to the committee.

Audit fees

- 7 I propose to charge an additional fee to reflect the additional work required in relation to the VAT shelter and the work undertaken on the environmental services contract. I will agree the level of the additional fee with the Deputy Chief Executive once my work is complete.

Independence

- 8 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

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.

9 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 9);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the 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 your response to the proposed action plan (Appendix 6).
- note that I will report further if I propose to qualify my audit opinion on the accounts

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

- 10** My audit work to support my opinion is substantially complete. The only key area of work outstanding relates to the accounting treatment of VAT Shelter receipts in the Council's accounts. Completion of this aspect of the audit is critical to the nature of the opinion I propose to issue on the Council's accounts.
 - 11** In my letter to you last year I referred to the treatment of the VAT shelter income in your accounts, and said that I was taking further guidance from the Audit Commission. I have now received further guidance which supports my initial view that the income should normally be accounted for as a capital receipt and not revenue.
 - 12** Last year the amount concerned was not material to my audit opinion. This year, at a total of £989k, the amount of VAT Shelter receipts shown in the accounts is material.
 - 13** Officers have recently put forward a contrary view, that in certain circumstances the receipts can be treated as revenue, and provided additional evidence to support it which I am now in the course of considering.
 - 14** If, after considering the additional evidence, I accept officers' view I would propose to issue an unqualified opinion, subject to the satisfactory clearance of other more minor outstanding issues. A copy of my draft proposed opinion under these circumstances is at Appendix 1. If, after considering the additional evidence my view remains that the VAT Shelter receipts should be treated as a capital receipt I would propose to qualify my opinion. In this instance I would report my draft proposed amended opinion to the Committee at the meeting arranged for 14 October 2010.
-

Errors in the financial statements

- 15** My staff found two material errors in your financial statements, arising from changed financial reporting requirements for the collection fund introduced by the 2010 SORP, and these are summarised in Appendix 2. They also found a number of non material errors which were above the 'non trivial' threshold and officers amended these errors. This included a presentational amendment of £38k also arising from the new financial reporting requirements for the collection fund. The remaining errors identified remain unadjusted and these are summarised in Appendix 3.
 - 16** A number of other presentational amendments were also agreed.
-

Recommendation

R1 Consider whether the unadjusted misstatements contained in Appendix 3 require amendment.

Weaknesses in Internal Control

17 My audit has not identified any material weaknesses in internal control which would impact directly on the statement of accounts which I need to bring to members attention.

Letter of representation

18 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.

Key areas of judgement and audit risk

19 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
VAT Shelter income - The Council is treating these as revenue receipts While there is no detailed guidance on the treatment of this income there is a view that this should normally be regarded as a capital receipt as it is a product of the disposal of the Council's housing stock.	I have obtained further guidance and have concluded which confirms this overall view that these receipts should normally be treated as capital. The Council recently provided a view that in the case of Harborough the VAT Shelter agreement was negotiated separately and had no impact on the agreement of the LSVT. I am currently considering this recent evidence. At this stage I plan to proceed as indicated in paragraph 14.
New accounting requirements for collection fund debtors	Testing identified two errors which were material and one which was non trivial and officers have corrected these.
New disclosure requirements for senior officer staff costs	Testing identified one minor error which has been corrected
The economic downturn continues to affect land and property values	Asset values are fairly stated.

Accounting practice and financial reporting

20 I consider the non-numeric content of your financial reporting. Table 2 contains the issues I want to raise with you.

Table 2

Issue or risk	Finding
Evidence of ownership of assets.	<p>As part of the audit my staff reviewed title deeds to verify asset ownership. Deeds for two properties are missing / unable to be located.</p> <p>The officer who provided this information to my staff in the past retired on 31/3/10 and it is evident that elements of valuable and vital knowledge is no longer available to the Council.</p>
Capitalisation policy	<p>In my letter last year I said that there is no formal de-minimis level for capital expenditure. At the meeting to discuss the letter Members agreed that this should be formalised. This has not yet been done.</p>

Recommendation

R2 Undertake a full review of title deeds to assets and include references to these deeds in the asset register

R3 Consider registering all of the Council's land and property with the land registry to ensure that evidence of title is not misplaced.

R4 Formalise the Council's level for de-minimis capital expenditure.

Value for money

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

Value for money conclusion

21 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.

Environmental Services Contract

- 22** Following representations from local government electors I have considered the Council's arrangements for the letting and signing of the environmental services contract, including the Council's own scrutiny report on the issue which was presented to the Scrutiny Panel - Resource and Development on 9th September. As a result I propose to qualify my conclusion in respect of 1 criterion - risk management and internal control. The proposed wording is included in Appendix 1.
- 23** My investigations did not conclude that there were any significant overall failures in the process for considering bids or in the standard of service received since the contract has been in place. I acknowledge that the Council was liaising with the new contractor in the lead up to the start of contract to ensure continuity of service on handover. The contract was let on the basis of a letter of intent, but this was not confirmed by the contractor until 3 months after the commencement of the contract. This meant that the performance bond was not in place for that period and the Council was at greater risk than it planned to be during this time. The letter of intent was eventually replaced by a sealed contract in February 2010.
- 24** Whilst it is good practice not to operate under a letter of intent for as long as the Council did in this case (11 months) there were mitigating circumstances as the Council sought to negotiate additional provisions in the contract, for example, to introduce food waste collection.
- 25** I also found that there was a lack of formal reporting to Members regarding the status of the contract whilst contract negotiations continued.
- 26** The Council should seek to avoid a similar situation in any future contract negotiations. I understand it intends to learn the lessons from its own review in this respect which I agree is a course of action it should undertake. More specifically I make two recommendations below.

Accounting for receipts from the VAT Shelter

27 I cannot conclude my assessment of your arrangements for the financial reporting criterion until I have completed my consideration of the additional evidence provided in respect of VAT Shelter receipts.

- 28** If after considering the additional evidence I accept the view that in Harborough's case the VAT Shelter income can be treated as a revenue receipt I would not propose to further qualify my conclusion in respect of this.
- 29** Otherwise I would need to consider whether to further qualify my vfm conclusion. In this event I will report the draft wording to the committee at the proposed meeting on 14 October 2010.

Recommendation	
R5	Ensure any future unusual changes to planned contract negotiations on major contracts are formally reported to members explaining how any consequences are being risk managed
R6	Ensure written confirmation of agreement to any future letter of intent is received before contract arrangements commence

Glossary

Annual governance statement

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

Audit closure certificate

31 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 certificate.

Audit opinion

32 On completion of the audit of the accounts, auditors must give their 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;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.
-

Qualified

33 The auditor has some reservations or concerns.

Unqualified

34 The auditor does not have any reservations.

Value for money conclusion

35 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.

Appendix 1 – Independent auditor’s report to Members of Harborough District Council

Independent auditor’s report to the Members of Harborough District Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Harborough District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These 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 Harborough District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Deputy Chief Executive and auditor

The Deputy Chief Executive’s responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the "Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice" are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to

Appendix 1 – Independent auditor’s report to Members of Harborough District Council

consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority’s Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I identified the following:

In letting the Environmental Services Contract to run from 1st April 2009 the Council initially let the contract on the basis of a letter of intent which included a requirement for a performance bond. The Council did not obtain formal written agreement to the letter of intent until July 14th 2009 meaning it was at a greater level of risk for this period.

Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, I am satisfied that, in all significant respects, Harborough District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010 except for:

- managing its risks and maintaining a sound system of internal control

Certificate

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

Neil Bellamy
Officer of the Audit Commission
Rivermead House
7 Lewis Court
Grove Park

Appendix 1 – Independent auditor’s report to Members of Harborough District Council

Enderby
Leicestershire LE19 1SU

xx September 2010

Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Table 3

Adjusted misstatements	Nature of adjustment	Cash Flow Statement		Balance sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Items classified elsewhere in CFS	reclassification of cash received to liquid resources - NNDR	1,157	1,157		
Items classified elsewhere in CFS	reclassification of cash received to liquid resources - CTax	2,408	2,408		

Appendix 3 – Unadjusted misstatements in the accounts

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities. If you decide not to amend, please tell us why in the representation letter. If you believe the affect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Table 4

Description of error	Accounts affected	Value of error £ thousand
Revenue expenditure incorrectly accounted for as capital and fully impaired	Income & Expenditure Account Statement of Movement on the General Fund Balance Capital Adjustment Account Capital Receipts Unapplied	15
Revenue expenditure incorrectly accounted for as capital	Income & Expenditure Account Statement of Movement on the General Fund Balance Fixed Assets Capital Adjustment Account	31

Appendix 4 – Draft letter of representation

Draft management representation letter

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

Harborough District Council - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Harborough District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge 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: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

- reason 1 etc;
- reason 2

Appendix 4 – Draft letter of representation

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Irregularities

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

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

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; and
- 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.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council

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. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair values

I confirm the reasonableness of the significant assumptions within the financial statements, including:

- the appropriateness of the measurement method;
- the completeness and appropriateness under the financial reporting framework; and

- the appropriateness of any adjustments to the fair value arising from subsequent events.

Group entities and joint arrangements

I confirm that there are no material group entities requiring the preparation of group accounts and no material joint arrangements requiring inclusion in the financial statements.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events/events after the reporting period have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Appendix 4 – Draft letter of representation

Specific representations:

- I confirm that the Council has full title to the following assets for which deeds have been mislaid:
 - 1) Coventry Rd Car Park, Lutterworth
 - 2) Stamford Close Car Park, Market Harborough
- The Council provided accurate information to the actuary for the purpose of calculating the required pension disclosures in accordance with FRS17 and the Local Authority Statement of Recommended Practice (SORP).
- I have reviewed all contracts to identify any that involve both service provision and the use of assets. These have then been examined to determine whether any may fall within the scope of IFRIC 12 as service concessions. There are no contracts that fall within this scope other than those that have been properly recorded and disclosed within the financial statements.
- The Council has provided all the key documentation detailing any impact the agreement of the VAT Shelter arrangement had on the agreement of the terms of the LSVT of the Council's housing stock in 2007/08

Signed on behalf of Harborough District Council

I confirm that this letter was discussed and agreed by members of the Audit Committee at its meeting on 23 September 2010.

Kamal Mehta

Deputy Chief Executive

Date

Appendix 5 – Value for money criteria

VFM Criterion	Met
Managing finances	
<p>Planning for financial health</p> <p>The Council has continued to operate under financial pressures and, as in 2008/09, its focus has been on achieving a balanced budget whilst maintaining services rather than using financial management to improve services. The 2010/11 budget was set in the context of the three year medium term financial strategy (MTFS). The MTFS has been updated to reflect the current economic climate and it was subject to some scenario planning. Staff have been more actively involved in financial planning but there is still little evidence of direct involvement of the public. Outstanding debt continues to be above target. A strengthening of outstanding debt procedures and a reduced level of debt could help ease financial pressures.</p>	Yes
<p>Understanding costs and achieving efficiencies</p> <p>The Council continues to have a sound understanding of costs overall. But staff cuts such as the reduction in directors from four to two have impacted upon capacity which will need to be managed. The 2009/10 efficiency target has been achieved.</p>	Yes
<p>Financial reporting</p> <p>Profiled budgets have been introduced and the Council has improved the content of its budget monitoring reports. Internal financial monitoring has been timely. The approval of the 2009/10 accounts met the statutory deadlines. There is limited evidence of consultation with the public on the format of the 2009/10 annual report and summarised accounts. I am currently considering the Council's accounting treatment of VAT Shelter receipts.</p>	To be confirmed
Governing the business	
<p>Commissioning and procurement</p> <p>Commissioned services continue to provide efficiencies. Greater care is needed to ensure that any delays in procurement and letting of contracts are better risk managed and more openly and formally reported in future.</p>	Yes
<p>Use of information</p> <p>Data quality is sound with additional training this year for managers, but</p>	Yes

Appendix 5 – Value for money criteria

VFM Criterion	Met
<p>there are inconsistent quality assurance arrangements. Data sharing with countywide partners to monitor delivery of the sustainable community strategy (SCS) is good but inconsistent with local partners</p>	
<p>Good governance The principles of good governance are in place in the Council but governance arrangements in its key partnerships continue to be under developed. The Council has put in place a CIPFA compliant audit committee which should improve the existing arrangements.</p>	Yes
<p>Risk management and internal control Management of the Council's own risks is sound and reinforced with a new risk management strategy but partnerships risks are not actively managed, and the Council's arrangements did not ensure an effective performance bond was in place for the first three months of the environmental services contract which commenced in April 2009. The Council has reviewed the circumstances leading to this itself and is intending to learn lessons from this. The Council has sound counter fraud and corruption arrangements, but these do not extend to partnerships in the same degree.</p>	No
Managing resources	
<p>Natural resources The Council has committed to reducing its impact on the environment and it has set a baseline for carbon use and targets for reduction. It is actively involving councillors and staff in its reduction programmes. It works with partner agencies to reduce land contamination and requires contractors to use greener vehicles. The Council has not yet shown the impact of these measures.</p>	Yes
<p>Workforce The Council has implemented its pay and grading review and is taking steps to recruit younger people to balance the existing ageing workforce</p>	Yes

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2009/10 - Recommendations						
10	R1 Consider whether the unadjusted misstatements contained in Appendix 3 require amendment.					
12	R2 Undertake a full scale review of title deeds to assets and include references to these deeds in the asset register					
12	R3 Consider registering all of the Council's land and property with the land registry to ensure that evidence of title is not misplaced.					
12	R4 Formalise the Council's level for de-minimis capital expenditure.					
14	R5 Ensure any future unusual changes to planned contract negotiations on major contracts are formally reported to members explaining how they are being risk managed					

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
14	R6 Ensure written confirmation of agreement to any future letter of intent is received before contract arrangements commence					

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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