

Annual Governance Report

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Annual Governance Report

Wiltshire County Council

Audit 2006/07

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

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Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in this case the Finance and Audit Committee) at the time they are considering the financial statements.
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
 - where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 2.
- 4 This report has been prepared for presentation to the audit committee on 27 September. Members are invited to:
 - consider the matters raised in the report before the financial statements are approved;
 - approve the representation letter on behalf of the Authority and those charged with governance before we issue our opinion; and
 - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan.
- 5 Our work during the year was performed in line with the plan that we presented to you in March 2006. We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 3.

Key messages

- 6 Our work on the financial statements is substantially complete although our internal review process is not entirely finalised and we are awaiting the amended set of accounts. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Chief Financial Officer. We propose issuing an unqualified audit opinion on 27 September 2008 (a draft report is attached at Appendix 4).
- 7 In our view, the financial statements of the pension fund do present fairly the financial transactions of the pension fund.
- 8 In our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 9 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is not complete but should be finalised before the 27 September. We expect to issue a unqualified conclusion on the use of resources (a draft report is attached at Appendix 4).

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Audit status

- 10 At the date of issue of this report our detailed audit is substantially complete. We are awaiting an amended set of accounts containing a number of agreed amendments and the completion of our work on the VFM conclusion.
- 11 The Authority has taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation for the Authority's assistance and co-operation in what has been a challenging year given the extent of changes required by the SORP.

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Accounts and Statement on Internal Control

- 12 Our work on the financial statements is substantially complete although we are awaiting an amended set of accounts containing a number of agreed amendments in areas such as PFI, Local Government pensions and the Statement of Recognised Gains and Losses and completing our work on asset ownership.
- 13 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal control to prevent and detect error.
- 14 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 15 The final draft of the letter of representation has been attached as Appendix 5.

Unadjusted misstatements

- 16 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. There are no unadjusted misstatements for us to bring to the attention of members.

Adjustments to the financial statements

- 17 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. These are recorded in full at Appendix 6 but we provide a more detailed analysis of the most significant items below.

PFI accounting

- 18 The authority has not followed recommended guidance contained in the SORP which suggests that the authority's balance sheet should show entries for its PFI scheme, which over time builds up to the residual value of the schools which will revert back to the authority at the end of the PFI contract. It had also not accounted for the capital contributions it made to the PFI scheme, which, as they reduce the annual payments made under the PFI contract, should be carried forward and written down over the life of the contract. Whilst, compliance with these requirements is not mandatory the Council has agreed to follow the guidance this year and amend the accounts. This involves creating a prior year adjustment to reflect their impact on prior year accounts.

Accounting practices

- 19 We are also required to report to you our view on the qualitative aspects of the Authority's accounting practices and financial reporting and have set out below our observations on key issues affecting the Authority.

Quality of accounts presented to members

- 20 This year the format of the accounts was required to be substantially different to previous years (following introduction of revised core statements in the 2006 SORP). Whilst all required statements were prepared we have identified a significant number of presentational issues which the Council have amended which have improved the level of compliance with the SORP significantly. These amendments made as a result had no impact on the Council's financial position. Many of the amendments made were necessary to ensure internal consistency between the notes and the accounts. The volume of amendments required to the key statements and notes suggest that the quality control processes in place to ensure fully compliant accounts are presented to you for approval in June should be strengthened. We set out below the key issues for your information.

Internal quality arrangements

- 21 Given the increased volume of changes made to the accounts this year it is evident that the procedures in place to ensure that the Section 151 officer presents accurate accounts for adoption by members were not sufficiently robust. This year changes were required to all of the key financial statements and to the supporting notes, particularly in relation to pensions (e.g. employer's contributions) and fixed assets (e.g. analysis of operational assets). Further significant changes are expected in the 2007 SORP and so it is important that in future the Council's quality control processes are robust and work effectively.

Recommendations

R1 The Council should improve its internal quality processes to ensure that future accounts submitted for approval by members are internally consistent and comply with the SORP.

Statement of Internal Control

- 22 This Council's draft Statement of Internal Control did not make it clear that the processes in place apply to the Local Government pension fund. We have requested that, if appropriate this be amended and are awaiting the amended version.

Disclosure of actuarial adjustment

- 23 The most recent actuarial valuation of the pension fund corrects an error made by the actuary in the past which increased the Council's estimated liability by £20.1m. This significant event was not referred to in the accounts and so we requested an additional disclosure note to help the readers understanding of the accounts.

Systems of internal control

- 24 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified. We have not identified any significant control weaknesses which would cause us to consider the accuracy of your own Statement of Internal Control but we have identified some areas for improvement which we felt it would be helpful to report to you. These are:

Internal Audit

- 25 IA have not documented the system for manual journals. Also there is scope to improve the way progress on internal audit plans is reported in their annual report, the reporting of responses to audit recommendations and the extent of communication with external inspectorates.

Recommendations

R2 Internal Audit should document the system for manual journals and improve the way progress on internal audit plans is reported in their annual report, the reporting of responses to audit recommendations and the extent of communication with external inspectorates.

Accounting processes

- 26 During 2006-07 reconciliations between payroll and general ledger were not performed on a regular basis and were only completed after year end. This increases the risk of undetected fraud or error and makes the end of year closedown process less efficient.

Recommendations

R3 All reconciliations between feeder systems and the general ledger should be completed regularly throughout the year.

- 27 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.
- 28 We have also reviewed whether the SIC has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no matters arising.

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Use of resources

Work performed

- 29 The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources – the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission. Our work to support our conclusion comprised the following elements:
- use of resources assessment;
 - data quality work; and
 - the best value performance plan.
- 30 Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 7.

Use of resources assessment

- 31 We are currently finalising our report arising from our use of resources assessment. When finalised, we will discuss this with the relevant officers.

Data quality work

- 32 We are currently finalising our data quality review and will report our findings to the relevant officers. Based on our work to date we expect to report that the arrangements in place to produce accurate performance information are adequate.

Best value performance plan

- 33 Our work in respect of the Authority's 2006/07 Best Value Performance Plan (BVPP) was reported in the 2006 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

Audit fee update

- 34 We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan:

	Plan 2006/07	Actual 2006/07
Financial statements and Statement on Internal Control	£155,204	£155,204
Use of Resources	£61,515	£61,515
Total Audit Fees	£216,719	£216,719
Grants certification work	£26,330	£23,000 Est
Whole of Government Accounts	N/A	£2,660

- 35 The analysis above shows that our audit fee has been contained within the totals you have already agreed.
- 36 The outturn on inspection fees will be reported in the annual audit and inspection letter.

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Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
8	R 1. The Council should improve its internal quality processes to ensure that future accounts submitted for approval by members are internally consistent and comply with the SORP.	3	Chief Financial Officer			
9	R 2. Internal Audit should document the system for manual journals and improve the way progress on internal audit plans is reported in their annual report, the reporting of responses to audit recommendations and the extent of communication with external inspectorates.	2	Chief Internal Auditor			
10	R 3. All reconciliations between feeder systems	3	Corporate Finance Officer			

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Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
	and the general ledger should be completed regularly throughout the year.					

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Appendix 2 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required to communicate the following matters to those charged with governance:
 - the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the audit team and which are required to be disclosed under auditing and ethical standards.

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Appendix 3 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	March 2006	March 2006	Finance and Audit Committee on behalf of Officers and Council
Annual governance report	September 2007	20 September 2007	Finance and Audit Committee as "those charged with governance"
Opinion on financial statements	September 2007	20 September 2007	The Council
Use of resources conclusion	October 2007	Est 28 October 2007	Head of Performance
Final accounts memorandum	October 2007	Est end October	Chief Financial Officer
BVPP report	September 2006 and October 2007	September 2006 and October 2007	Head of Performance
Data quality report	N/A	October 2007	Head of Performance
Equality and Diversity review	December 2006	December 2006	Head of Diversity
Annual audit letter	December 2007	December 2007	Chief Executive and members

Appendix 4 – Proposed auditor’s report

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Independent auditor's report to the Members of Wiltshire County Council

Opinion on the financial statements

I have audited the financial statements and pension fund accounts of Wiltshire County Council for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

This report is made solely to Wiltshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Pension Fund Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended; and
- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31 March 2007, and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Auditor Brian Bethell
Address Audit Commission
 Westward House
 Lime Kiln Close
 Stoke Gifford
 Bristol

Date

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects Wiltshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 in October 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Auditors' responsibilities

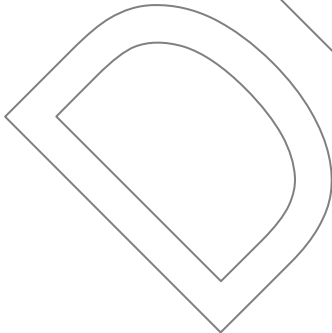
Auditors have a duty under the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to their attention in the course of the audit in order for it to be considered by the body concerned or brought to the attention of the public. This year no reports in the public interest have been issued.

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.

Auditor Brian Bethell
Address Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol

Date



Appendix 5 – Management representation letter

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Draft management representation letter (ISA+580)

To: Brian Bethell (District Auditor)
The Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol

Wiltshire County Council (incorporating the Wiltshire LG Pension Fund) - Audit for the year ended 31 March 2007

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors, officials and officers of Wiltshire County Council, the following representations given to you in connection with your audit of the council's financial statements (including those in respect of the Wiltshire Pension Fund) for the year ended 31 March 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.

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.

Specific representations:

- All unfunded liabilities e.g. discretionary added years awarded to staff in the LGPS and discretionary benefits awarded to teachers under the Teachers Pension scheme are included within the FRS 17 liability figures.
- There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

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, Cabinet and Audit Committee meetings, have been made available to you.

Related party transactions

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

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

Contingent liabilities

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

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

Law, regulations, contractual arrangements and codes of practice

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

The body has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Assets

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

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

Irregularities

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

There have been no:

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

Post balance sheet events

Since the date of approval of the financial statements by the Audit Committee no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete stock and no stock is stated at an amount in excess of net realisable value.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note X to the financial statements we have no other lines of credit arrangements.

Signed on behalf of Wiltshire County Council

Signed

Name

Position

Date

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Appendix 6 – Summary of adjusted misstatements

- 1 The following misstatements were identified during the course of our audit and the financial statements have been adjusted by management. We bring them to your attention to assist you in fulfilling your governance responsibilities.

Adjusted misstatements	Nature of Adjustment	Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
1. PFI accounting in Balance Sheet	To comply with good practice guidance contained in the SORP and introduce accounting for the residual assets reverting to the authority and properly establish balances from which the capital contributions can be written down over the life of the asset...			£5.713m long term debtors	£5.713m Capital Financing Account
				£16.263m FARA	£16.263m Fixed Assets
				£13.564m Long Tern Debtors	£13.564m Capital Financing Account
Dr		£0.744m			
Cr			£0.744m		
Net effect	I and E entry is offset by adjustment in the Statement of Movement on the General Fund Balance, so there is no impact on the County Fund Balance	NIL	NIL	NIL	NIL

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		Income and Expenditure Account		Balance Sheet	
2. Gains and losses on disposal of assets in I and E account and Statement of movement on the general fund balance	To comply with SORP requirement by showing gains and losses on disposal of assets as a separate line rather than include in service lines and to correct error in the value of gains and losses				
Dr		£3.364m Cost of services			
Cr			£4.484m Gains on disposal of fixed assets		
Net effect	I and E entry is offset by adjustment in SMGFB so no impact on County Fund Balance	NIL	NIL	NIL	NIL
3. General Government Grants and NNDR in the I and E account	To correct transposition error				
Dr		General Government Grants £41.268m			
Cr			NNDR £41.268m		
Net effect		NIL	NIL	NIL	NIL
4. Employees contributions to	To include employees contributions to				

		Income and Expenditure Account		Balance Sheet	
pension fund	comply with SORP				
Dr		GF Fund Balance Reconciliation £20.125m			
Cr			GF Fund Balance Reconciliation £20.125m		
Net effect		NIL	NIL	NIL	NIL
5. Statement of Total Recognised gains and losses	Changes necessary as a consequence of changes elsewhere				
Dr SRGL £9.962m					
Cr SRGL £9.962m					
Net effect		NIL	NIL	NIL	NIL
6. Loans	To correct a mis-classification of loans between short term and long term				
Dr BS				Long Term Borrowing £11.414m	
Cr BS					Temporary Borrowing £11.414m

		Income and Expenditure Account		Balance Sheet	
Net effect		NIL	NIL	NIL	NIL
7. Deposits	To reclassify deposits as creditors rather than have a separate heading which is not recommended in the SORP				
Dr				Deposits £3.645m	
Cr					Creditors £3.645m
Net effect		NIL	NIL	NIL	NIL
8. Debtors	To properly account for a debtor as a debtor rather than a negative creditor and to ensure earmarked government grants are properly accounted for as such rather than as creditors				
Dr				Debtors £3.67m Creditors £5.590m	
Cr					Creditors £3.67m Earmarked reserves £5.590m

		Income and Expenditure Account		Balance Sheet	
Net effect	Although an increase in net assets no overall impact on the Council's finances.	NIL	NIL	NIL	NIL
9. School balances	To correct mis-classification of school balances in the balance sheet.				
Dr				Cash in hand up £3.478m	
Cr					Current liabilities deferred income up £3.478m
Net effect		NIL	NIL	NIL	NIL

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Appendix 7 – Value for money conclusion

- 2 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body’s arrangements for economy, efficiency and effectiveness in its use of resources.
- 3 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Authority has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are show in the table below.

Code Criteria	Description	Associated UoR KLoE	UoR Score	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	N/A	N/A	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	N/A	N/A	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	N/A	N/A	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	LG DQ KLoEs	N/A	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	4.2	o/s	o/s

6	The body has put in place arrangements to manage its significant business risks.	4.1	o/s	o/s
7	The body has put in place arrangements to manage and improve value for money.	5.2	o/s	o/s
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	2.1	o/s	o/s
9	The body has put in place arrangements to ensure that its spending matches its available resources.	3.1	o/s	o/s
10	The body has put in place arrangements for managing performance against budgets.	2.2	o/s	o/s
11	The body has put in place arrangements for the management of its asset base.	2.3	o/s	o/s
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	4.3	o/s	o/s