

Annual Governance Report

Copeland Borough Council

Audit 2007/08

March 2009



Contents

Summary	3
Financial statements and Annual Governance Statement	5
Value for money	13
Formal audit powers	15
Independence	16
Appendix 1 – Draft letter of management representations	19
Appendix 2 – Summary of amendments	23
Appendix 3 – Proposed independent auditor's report to the Members of Copeland Borough Council	34
Appendix 4 – Value for money criteria	38
Appendix 5 – Action plan	39

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.

Summary

Purpose

- 1 This report summarises the findings from my 2007/08 audit, which is substantially complete. It identifies the key issues that you should consider before I issue my opinion, value for money conclusion and certificate.
- 2 This report 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.
- 3 I reported verbally to the Audit Committee, as those charged with governance, in September and November 2008 as to the reasons that led to this late opinion. I also presented a written report to the Audit Committee in early January 2009 outlining the issues and progress that had been made at that date.

Financial statements

- 4 I expect to issue an unqualified opinion on the financial statements.
- 5 A number of errors were identified in the financial statements but these have now been corrected. There were seven material errors in the primary statements for 2007/08 including two material errors in the Income and Expenditure Account, one material error in the balance sheet, one material error in the Statement of Recognised Gains and Losses and three material errors in the cashflow statement. In addition there were also material amendments required to the comparators in the primary statements to reflect agreed changes made to the 2006/07 accounts. I also identified a significant number of other errors within the financial statements and disclosure notes. To minimise the risk of errors in the future, officers will need to:
 - ensure that there are sufficient skills and capacity available to prepare accounts and maintain financial systems and records;
 - give greater consideration to technical guidance when deciding upon the accounting treatment to be adopted in the accounts;
 - ensure that fixed assets disclosed within the accounts can be fully reconciled back to the asset register and to records held by the Council and the external valuers;
 - ensure that where there are changes to accounting treatment or re-classification issues, the impact on the comparators is always considered as the accounts are prepared;
 - improve the understanding within the Council of the disclosures to be made in the Cashflow Statement and associated notes; and
 - implement robust quality assurance arrangements for the accounts as part of the preparation process.

- 6 Draft accounts for 2007/08 were presented to, and approved by the Audit Committee in June 2008. Although this was in line with the specified timetable, these accounts were incomplete and inaccurate and were therefore returned to the Council as I considered them to be 'un-auditable'. Recognising the weaknesses in both the accounts themselves and the arrangements in place for their preparation, particularly the lack of technical accounting skills, the Council decided to buy in specialist accountancy support to prepare revised 2007/08 financial statements. These statements were approved by the Audit Committee in November 2008.
- 7 The fact that the Council had to produce a revised set of accounts for 2007/08 meant that the audit trail was longer and much more difficult to follow than is normally the case. This was one of the factors which increased the time required to complete the audit. In addition to the need for more technical accounting expertise within the Council, I have had to make a number of recommendations in this report to address the weaknesses within the accounts processes to assist the Council in improving its arrangements for 2008/09.
- 8 I would like to express my thanks to the Head of Finance and Management Information Systems and her staff who have worked hard, and in co-operation with us, throughout my audit. I am pleased to report that I anticipate giving an unqualified opinion by the end of March 2009.

Annual Governance Statement

- 9 A governance review procedure was in place within the Council but it failed to capture and ensure that all significant weaknesses highlighted in the year were disclosed in the Annual Governance Statement. The Annual Governance Statement has now been amended to reflect these omissions.

Value for Money

- 10 I am required to conclude whether the Council put in place adequate arrangements for securing economy, efficiency and effectiveness in its use of resources. I assessed your arrangements against twelve criteria specified by the Audit Commission and identified weaknesses in four of the twelve areas.
- 11 I therefore propose to issue a qualified conclusion stating the Council did not have adequate arrangements for securing economy, efficiency and effectiveness.

Next steps

- 12 I ask the Audit Committee to:
 - consider the matters raised in this report;
 - agree to adjust the financial statements as set out in Appendix 2 to this report;
 - approve the representation letter on behalf of the Council before I issue my opinion, value for money conclusion and certificate; and
 - agree the proposed action plan.

Financial statements and Annual Governance Statement

- 13 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 the financial statements and Annual Governance Statement and it is therefore important that you consider my findings prior to the publication of the post audit version of the financial statements and the Annual Governance Statements.
- 14 In planning my audit I identified specific risks and areas of judgement that I have focused on during my audit. I report to you the findings of my work in those areas.
- 15 In addition, auditing standards require me to report to you:
- the draft representation letter which I am asking you to approve and management to sign;
 - my views about the Council's accounting practices and financial reporting;
 - errors in the financial statements;
 - any expected modification to my report;
 - weaknesses in internal control; and
 - certain other matters.

Key areas of judgement and audit risk

- 16 In planning my audit I identified key areas of judgement and audit risk that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Financial Instruments - new accounting requirement for 2007/08	<p>The Council did not identify and include all the required items in the disclosure notes on financial instruments. The Council failed to include items such as cash, overdraft, debtors and creditors.</p> <p>In the proposed amendments to address these omissions, the accounts included the full balances for debtors and creditors and in doing so failed to comply with technical guidance by excluding amounts relating to statutory elements. This has been corrected and the</p>

Financial statements and Annual Governance Statement

Issue or risk	Finding
	accounts amended.
Annual Governance Statement - new requirement for 2007/08.	A governance review procedure was in place but it failed to capture and ensure that all significant weaknesses highlighted in the year were disclosed in the Annual Governance Statement.

Recommendations
R1 Ensure that there is a greater understanding of the disclosure requirements in respect of financial instruments and that appropriate reporting arrangements are set up to obtain this information for the 2008/09 accounts.
R2 Ensure that the governance review procedure is sufficient robust to capture and report all significant weaknesses in the Annual Governance Statement.

Draft representation letter

17 Before I issue my opinion, auditing standards require me to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
- you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;

Financial statements and Annual Governance Statement

- you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

18 Appendix 1 contains the draft of the letter of representation I seek from you.

Accounting policies and financial reporting

19 I consider the qualitative aspects of your financial reporting. Table 2 contains the issues I want to raise with you.

Table 2 Accounting practice and financial reporting

Issue	Finding
<p>The Council did not have arrangements in place for producing the financial statements in sufficient time and to an appropriate quality for approval by the Council by the 30 June deadline and publication of the audited accounts by 30 September.</p>	<p>Draft accounts were presented to, and approved by the Audit Committee in June 2008. Although this was in line with the specified timetable, these accounts were incomplete and inaccurate, for example:</p> <ul style="list-style-type: none"> • failing to include disclosure notes for financial instruments; and • including obvious balancing figures in the statements. <p>As a result, the draft statements were returned to the Council as I considered them to be ‘un-auditable’.</p> <p>Recognising the weaknesses in both the accounts themselves and the arrangements in place for their preparation, particularly the lack of technical accounting skills, the Council decided to buy in specialist accountancy support to prepare revised 2007/08 financial statements.</p>
<p>The quality of the audit trail was poor.</p>	<p>The audit trail was compromised because the November 2008 set of accounts was prepared on the basis of the June 2008 version adjusted for movements and corrections.</p> <p>This meant that the audit trail was longer and much more difficult to follow than normal. There was not one set of working papers which linked directly to the accounts.</p>

Financial statements and Annual Governance Statement

Issue	Finding
	The position was further complicated by the fact that some journals still needed to be input to get a final position on the general ledger.
The Council's finance staff had only a limited understanding of the financial statements as they were prepared by an external accountancy firm.	<p>The revised financial statements were produced by an external accountancy firm. As a result, there was no-one within the Council who had a complete overview of the accounts.</p> <p>The Council did not have a detailed analytical review of the financial statements to explain how the accounts had moved from those of the previous year.</p>
The financial statements approved by the Council were not compliant with the Statement of Recommended Practice (SORP).	I have identified several areas where the financial statements were not SORP compliant.
The Council could not reconcile its fixed assets register to other land and property records it holds, or to those held by the Council's external valuer.	As part of producing its revised 2007/08 accounts the Council identified assets with a significant value which were not included within its asset register or its accounts. There were brought into the 2007/08 accounts but as the 2006/07 accounts were still open they should have been brought into the 2006/07 accounts. The 2006/07 accounts have been amended for this issue.
Reconciliations between key financial systems and the general ledger had not been undertaken throughout the year.	Reconciliations between the general ledger and the key information processing systems such as housing benefits, council tax, business rates and payroll were not completed regularly during the year. Where the reconciliations were completed, they were not necessarily done on a timely basis and were not subject to appropriate review procedures.

Financial statements and Annual Governance Statement

Recommendations

R3 Ensure that for 2008/09 that a robust project plan is in place for the production and quality assurance of the financial statements prior to them being authorised for issue and then approved by the Council by the 30 June 2009 deadline.

R4 Ensure that for 2008/09 that there is one complete set of working papers which link directly to the accounts and that the general ledger has been fully updated.

R5 Ensure that there is sufficient technical accounting expertise and resources within the Council to produce quality assured, SORP compliant financial statements for 2008/09 by the 30 June 2009 deadline. The SORP disclosure checklist should be completed in detail prior to the Head of Finance and Management Information Systems authorising the accounts for issuing.

R6 Ensure that as part of the production of the 2008/09 financial statements that a detailed analytical review of the financial statements is produced. This should be used as the basis of a written covering reporting explaining the financial statements to support those charged with governance, the Audit Committee, in discharging their responsibilities for the financial statements.

R7 Ensure that a system is put in place to ensure that purchases or disposals of fixed assets are correctly reflected in the Council's asset register and the accounts. Also ensure that the records held by the Council's external valuer and those on the Council's asset register can be fully reconciled.

R8 Ensure that all key financial systems are regularly reconciled to the general ledger on a timely basis and that the reconciliations are subject to appropriate review procedures.

Errors in the financial statements

20 I identified errors in the financial statements (other than those of a trivial nature) and reported these to management.

21 Management has agreed to adjust the financial statements for all the errors identified. A summary of those errors that impact on the primary statements is shown in Appendix 2. I am reporting to you that I have identified seven material errors in the primary statements for 2007/08 including:

- two material errors in the Income and Expenditure Account;
- one material error in the balance sheet;
- one material error in the Statement of Total Recognised Gains and Losses; and
- three material errors in the cashflow statement.

- 22 In addition, there were also material amendments required to the comparators in the primary statements to reflect agreed changes made to the 2006/07 accounts. I also identified a significant number of other errors within the financial statements and disclosure notes.
- 23 The errors identified are varied and include:
- incorrectly accounting for Private Finance Initiative (PFI) grant and rental income in respect of the sub-letting of Copeland House in the Income and Expenditure Account;
 - incorrectly classifying £1.068m of expenditure and associated grant income as housing services rather than cultural, environmental and planning services;
 - correctly identifying that over £3m worth of assets, which were already owned by the Council, were not included within its asset register but then failing to take account of the fact that as the 2006/07 accounts were still not finalised these should have been brought into the 2006/07 accounts rather than the 2007/08 accounts;
 - incorrectly classifying £655k of capital grants unapplied as creditors;
 - failing to consider the accounting implications of a loan issued by the Council;
 - incorrectly showing £6m as other capital receipts in the Cashflow Statement that was really the movement between long and short term investments classification and not an actual cash movement;
 - incorrectly disclosing council tax receipts in the Cashflow Statement at £3m less than their actual value;
 - overstating the amount received from other government grants within the Cashflow Statement;
 - failing to ensure that all disclosures within the Cashflow Statement were on a cash rather than an accruals basis; and
 - failing to robustly quality assure the accounts to minimise the likelihood of SORP disclosure compliance issues and presentational errors in the accounts.
- 24 To minimise any future errors officers will need to:
- ensure that there are sufficient skills and capacity available to prepare accounts and maintain financial systems and records;
 - give greater consideration to technical guidance when deciding upon the accounting treatments to be adopted in the accounts;
 - ensure that fixed assets disclosed within the accounts can be fully reconciled back to the asset register and to records held by the Council and the external valuers;
 - ensure that where there are changes to accounting treatment or re-classification issues, the impact on the comparators is always considered as the accounts are prepared;

Financial statements and Annual Governance Statement

- improve the understanding within the Council of the disclosures to be made in the Cashflow Statement and associated notes; and
- implement robust quality assurance arrangements for the accounts as part of the preparation process.

Recommendation

R9 Ensure that greater consideration is given to technical guidance when deciding upon the accounting treatment to be adopted within the accounts. This consideration should be fully documented.

R10 Ensure that when there are changes to accounting treatment or re-classification issues that the impact on the comparators is considered in producing the accounts.

R11 Implement robust quality assurance arrangements, as part of the closedown process, to ensure that presentational errors within the draft accounts can be identified and addressed prior to the authorisation of the accounts.

The audit report

25 I plan to issue an audit report that contains the standard wording and includes an unqualified opinion on the financial statements. Appendix 3 contains a copy of my draft report.

Material weaknesses in internal control

26 I have identified weaknesses in the design or operation of an internal control that has resulted in a material error in your financial statements which I am now reporting to you. These weaknesses were not disclosed within your Annual Governance Statement (AGS) but the AGS has now been amended to reflect these omissions as set out in Table 3.

Table 3 Weaknesses in internal control

Issue or risk	Finding
The Council's process for producing the Annual Governance Statement failed to capture and ensure that all significant weaknesses highlighted in the year were identified and disclosed in the Annual Governance Statement.	<p>My work identified a number of weaknesses which were not reported in the Annual Governance Statement. These included the:</p> <ul style="list-style-type: none"> • need for clearer and more explicit disclosure of what is required to improve financial reporting; • failure to ensure that reconciliations between all key financial systems and the general ledger are being undertaken on a

Issue or risk	Finding
	timely basis; <ul style="list-style-type: none">● backlog of internal audit recommendations that have not been implemented;● failure to update the business continuity plan and to test it regularly;● adverse inspection report on the Council's statutory housing function;● failure to maintain an accurate and up to date asset register.

27 I have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. I have reported only those matters which have come to our attention because of the audit procedures I have performed.

Other matters

28 There are no other matters that I want to report to you.

Value for money

- 29 I am required to conclude whether the Council put in place adequate arrangements for securing economy, efficiency and effectiveness in its use of resources. I assess your arrangements against twelve criteria specified by the Audit Commission as shown in Appendix 4. My conclusion is informed by our work on Use of Resources, a scored judgement reported to the Audit Commission.
- 30 I identified weaknesses in arrangements for securing value for money as detailed in Table 4.

Table 4 Value for money conclusion: criteria assessed as not adequate

Criterion	Finding
The Council has put in place arrangements to maintain a sound system of internal control.	A governance review procedure was in place but it failed to capture and ensure that all significant weaknesses highlighted in the year were disclosed in the Annual Governance Statement.
The Council has put in place arrangements to manage its significant business risk.	There was a risk management strategy and policy in place, and approved by members, but it is clear from the breakdown in internal control and problems within finance that risk management arrangements and processes did not work as intended.
The Council has put in place arrangements for managing performance against budgets.	The lack of reconciliations between the general ledger and key information processing systems means that it is difficult to assess if reports to members are consistent with underlying records and whether data is as up to date as possible when reported.
The Council has put in place arrangements for the management of its asset base.	The Council outsourced asset management to a private sector service provider but the register of assets held by this contractor could not be reconciled to that which the Council held as its Fixed Asset Register as at 31 March 2008. A full reconciliation was only completed in the summer of 2008.

- 31 I therefore propose to issue a qualified conclusion stating the Council did not have adequate arrangements for securing economy, efficiency and effectiveness. Appendix 3 contains the wording of my draft report.

Formal audit powers

32 I have:

- a power to issue a public interest report. I do so where I believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

33 I have not and do not propose to exercise these powers.

Independence

- 34 The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 35 I confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 36 I communicate to you:
- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Council

- 37 I have identified no relationships that might affect objectivity and independence.

Audit fees

- 38 I reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

Table 5

	Plan 2007/08 (£)	Actual 2007/08 (£)
Financial statements and Annual Governance Statement	62,970	100,570 (estimate)
Use of resources	45,983	45,983
National Fraud Initiative	625	625
Total Audit Fee	109,578	147,178
Total Inspection Fee	14,680	14,680
Total Audit and Inspection Fee	124,258	161,858
Certification of claims and returns	40,000	44,342

Independence

- 39 The analysis above shows that I have been unable to contain the audit fee within the totals you had already agreed. The main reasons for this, many of which were reported to the Audit Committee in January 2009, were:
- abortive work done on the initial 2007/08 accounts which were subsequently deemed unauditable;
 - the way the accounts and working papers were produced for the November 2008 accounts made the audit trail longer and much more difficult to follow than normal. The Council did not have one set of working papers which linked directly to the accounts;
 - journals still needed to be input to get a final position on the ledger;
 - Council's finance staff lack of knowledge or understanding of the working papers produced by the firm of specialist accountants brought in to assist;
 - The lack of anyone within the Council with an overview of the accounts and who could respond to all audit queries;
 - no analytical review of the accounts or covering report to explain why figures have moved and whether this is reasonable;
 - lack of a completed SORP disclosure checklist; and
 - the number of errors that we have identified within the accounts and set out in full in Appendix 2.
- 40 Under the Audit Commission's advice and assistance power I may provide non-audit services to the Council. I have not provided any such services in 2007/08.

Our arrangements to ensure independence and objectivity

- 41 I have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 6.

Table 6 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> • do not hold a financial interest in any of our audit clients; • may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and • may not enter into business relationships with UK audit clients or their affiliates.

Area	Arrangements
	<p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> ● the general requirement to carry out work independently and objectively; ● safeguarding against potential conflicts of interest; ● acceptance of additional (non-audit) work; ● rotation of key staff; ● other links with audited bodies; ● secondments; ● membership of audited bodies; ● employment by audited bodies; ● political activity; and ● gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

Appendix 1 – Draft letter of management representations

To:

Karen Murray
District Auditor
Audit Commission
2nd Floor Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ

Copeland Borough Council - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officers of Copeland Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2008. 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 (the SORP), which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Corrected misstatements

I confirm that we have corrected all the identified misstatements in the financial statements and discussed them with those charged with governance within the Council.

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.

Appendix 1 – Draft letter of management representations

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the financial instruments assumptions in the Council accounts, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- no subsequent events which require adjustment to the fair value measurement.

Assets

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

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

Compensating arrangements

There are formal set off and compensating balancing arrangements with our cash accounts. Except as disclosed in Note 29 we have no other lines of credit arrangements.

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; and
- 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 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.

Signed on behalf of Copeland Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee, on behalf of the Council, on 27 March 2009.

Signed

Name: Julie Crellin

Position: Head of Finance and Management Information Systems

Date: 27 March 2009

Appendix 2 – Summary of amendments

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

Table 7 Amendments made to primary financial statements

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	Decreases gross expenditure on central services to the public.	Expenditure was reduced by £837k because all costs relating to Copeland House were previously incorrectly charged against Central Services. They have now been charged to relevant service lines, and where costs are recovered from external bodies, to Trading Services.	837 (expenditure) 1,357 (income)
	Decreases gross income on central services to the public.	Income was reduced by £1,357k because PFI grant and income from external sources in respect of leasing of Copeland House was previously shown against Central Services. PFI grant of £837k has now been shown as a general Government grants with external income, and the associated costs, have been recorded as Trading Operations below the net cost of services.	

Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	<p>Decreases gross expenditure on cultural, environmental and planning services.</p> <p>Decreases gross income on Cultural, environmental and planning services.</p>	<p>The primary cause of the adjustments is a transfer of £1,068k private sector renewals expenditure from Cultural, Environment and Planning services to Housing services. This has the effect of reducing both income and expenditure by £1,068k.</p> <p>Expenditure is also increased by £162k to reflect cultural, environmental and planning services' share of the costs of Copeland House.</p>	<p>906 (expenditure) 1,068 (income)</p>
Income and Expenditure Account	<p>Increases gross expenditure on housing services.</p> <p>Increases gross income on housing services.</p>	<p>As above, the primary cause of the adjustment is a transfer of £1,068k private sector renewals expenditure from Cultural, Environment and Planning services to Housing services. This has the effect of increasing both income and expenditure by £1,068k.</p> <p>Expenditure is also increased by £141k to reflect Cultural, Environmental and Planning services' share of the costs of Copeland House.</p>	<p>1,209 (expenditure) 1,068 (income)</p>

Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	Decrease in loss on disposal of fixed assets.	This relates to the removal of assets which had been disposed of in previous years but remained in the Council's balance sheet and asset register. This adjustment has now been made in the 2006/07 accounts and therefore there is no loss to be charged in 2007/08.	344
Income and Expenditure Account	Increase in income and expenditure on trading operations.	This reflects the change in accounting treatment for rental income received from the sub-letting of part of Copeland House which is now shown under trading operations. The corresponding costs are also shown under trading operations.	520 (expenditure) 520 (income)
Income and Expenditure Account	Increase in general government grants.	This adjustment relates to the recognition of PFI grant as a general grant rather than Central Services income.	837
Balance sheet	Decrease in debtors.	The main adjustment is the transfer of a £561k loan made by the Council from debtors to short term investments. This is offset by some increases to the debtor balance including an increase of £110k in respect of Local Authority Business Grant Initiative (LABGI) grant.	419

Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Balance sheet	Increase in short term investments	As above, this is due to the transfer of a £561k loan made by the Council from debtors to short term investments.	561
Balance sheet	Decrease in creditors.	This relates to £655k unapplied capital grant which was incorrectly shown in the creditor balance. It has now been transferred to capital grants unapplied.	655
Balance sheet	Increase in capital grants unapplied.	As above, this relates to £655k unapplied capital grant which was incorrectly shown in the creditor balance. It has now been transferred to capital grants unapplied.	655
Balance sheet	Increase in capital adjustment account (CAA).	<p>There were a number of adjustments made to the CAA. The most significant was due to recognising assets in the 2006/07 accounts which had previously been missed from the balance sheet and the asset register. This increased the brought forward balance on the CAA by £3,479k. The balance was further increased through the recognition of £561k loan as capital expenditure.</p> <p>The balance was reduced by £995k in respect of assets disposed of in 2007/08. The balance relates to the revaluation gains held in the revaluation reserve relating to these assets. The assets have now been recognised in 2006/07 as they were missed from the asset register and there is no balance in the revaluation reserve to write off to the CAA in 2007/08.</p>	3,065

Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Balance sheet	Decrease in revaluation reserve (RR).	The most significant adjustment is a decrease of £3,479k in respect of assets previously missed from the asset register and balance sheet. These were originally recognised as a revaluation in 2007/08 but have now been recognised in the 2006/07 accounts and hence there is no posting required to the revaluation reserve in 2007/08. The balance was increased by £995k to reverse the write off of disposed asset revaluation gains as described above.	2,484
Balance sheet	Decrease in capital receipts reserve.	This is due to the recognition of a loan made by the Council as capital expenditure. It has been financed by capital receipts and therefore the capital receipts reserve has reduced.	581
Balance sheet	Increase in the General fund balance.	This relates to LABGI grant which had not previously been recognised.	142

Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Statement of Movement on the General Fund Balance (SMGFB)	Reduction in deficit for the year.	This is as a result of amendments to the I&E account described above. The main adjustment impacting on the I&E deficit is the removal of £344k loss on disposal of fixed assets which has now been recognised in 2006/07.	376
Statement of Movement on the General Fund Balance (SMGFB)	Decrease in net additional amounts required by statute and non statutory proper practices to be debited and credited to the general fund balance for the year.	This relates to the removal of £344k loss on disposal of fixed assets which has now been recognised in 2006/07.	344
Statement of Total Recognised Gains and Losses (STRGL)	Reduction in deficit for the year.	This is as a result of amendments to the I&E account described above. The main adjustment impacting on the I&E deficit is the removal of £344k loss on disposal of fixed assets which has now been recognised in 2006/07.	376
Statement of Total Recognised Gains and Losses (STRGL)	Decrease in the surplus for the year arising on the valuation of fixed assets.	This relates to assets previously missed from the asset register and balance sheet. These were originally recognised as a revaluation in 2007/08: they have now been recognised in the 2006/07 accounts.	3,479

Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Cashflow statement	Increase in revenue cash outflows relating to other operating cash payments.	Other operating cash payments is a balancing item in the cashflow statement and reflects adjustments made to other revenue inflows and outflows.	4,409
Cashflow statement	Increase in revenue cash outflows relating to housing benefits paid out.	The Council had incorrectly shown the housing benefit grant received rather than that paid out.	378
Cashflow statement	Increase in revenue cash inflows relating to council tax receipts.	This understatement is due to an input error to the spreadsheet used by the Council to generate the cashflow figures.	2,998
Cashflow statement	Increase in revenue cash inflows relating to DWP grant for benefits.	This was due to an error in the working papers. Grant received had actually been shown as housing benefit paid out.	413

Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Cashflow statement	Decrease in revenue cash inflows relating to other government grants.	The main element of this adjustment was a double-counting of Local Area Agreement (LAA) grant of £862k. There was also a £251k overstatement of Planning Delivery Grant received in year and various other (smaller) items that had not been correctly converted to cash.	1,439
Cashflow statement	Increase in revenue cash inflows relating to cash received for goods and services.	This is a balancing figure for cash inflows. £1m relates to the adjustments made to DWP grant and Other Government Grants. The balance relates to other adjustments in the cashflow and other statements.	2,616
Cashflow statement	Decrease in capital activities relating to the purchase of fixed assets.	The amendment is because of incorrect adjustments made for opening and closing creditors.	315
Cashflow statement	Increase in capital activities relating to the payment of renovation and other deferred charges.	The amendment is needed because of incorrect adjustments made for opening and closing creditors.	210

Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Cashflow statement	Decrease in capital activities relating to capital grants received.	This is due to £655k unapplied grant which had previously been shown as a creditor.	655
Cashflow statement	Decrease in capital activities relating to other capital receipts.	This related to a £6m investment which moved from long term to short term because the maturity date is now within 12 months of the balance sheet date. It has now been treated as a non cash movement.	6,000
Cashflow statement	Increase in capital activities relating to other capital payments.	This related to the £561k loan made by the Council.	561
Cashflow statement	Reduction in management of liquid resources relating to net increase in short term deposits.	This is due to reclassifying £3,503k call account investments as cash in the 2006/07 comparatives, and treating £6,000k increase in short term investments as a non-cash movement. The net impact of these adjustments is to reduce the increase in short term deposits by £2,497k.	2,497

The adjustments referred to above have impacted on the primary financial statement. As a result of these changes, further adjustments were required to the notes to the accounts to ensure all statements remained internally consistent. In addition, other changes were made to the notes to the accounts and the most significant ones are outlined below.

Amendments made to explanatory foreword/disclosure notes

- There were changes made to the Explanatory Foreword including re-stating some of the pie charts to reflect changes made to the accounts and to the Council's three year budget strategy.
- Note 11 on tangible fixed assets has been extensively amended to reflect the fact that some assets, which were brought into the accounts for the first time in 2007/08 as revaluations, should have been in the brought forward balances from 2006/07 as these assets were already owned by the Council.
- Note 11 also showed capital expenditure and how it was financed. The analysis of the sources of finance was amended to show £895k being financed from the single capital pot with a corresponding reduction in financing from government grants and other contributions. This note was also amended to show the loan made by the Council as capital expenditure.
- A new note analysing the £3.065m of deferred charges has been added as this was a SORP requirement that had been omitted.
- Note 12 on capital commitments was amended to reflect the £364k commitment that the Council has at 31 March 2008 to fund housing renovations and provide facilities for the disabled.
- Note 22 on debtors amended to reflect reductions in sundry debtors and payments in advance.
- Note 23 on short term investments increased by £561k to reflect the outstanding value of the loan made by the Council. In addition the comparator for 2006/07 was amended by £3.503m to reflect the change in classification, in 2007/08, of on call funds as cash rather than an investment.

Appendix 2 – Summary of amendments

- Note 24 on financial instruments has been significantly amended including:
 - financial liabilities held at amortised cost failed to include creditors (£1,646k) and bank overdraft (£1,205k);
 - financial assets held at amortised cost failed to include debtors (£3,274k);
 - a reconciliation between the debtors and creditors disclosed in the financial instrument note and those disclosed in the balance sheet;
 - disclosure of the value of debtors (£149k) who are outstanding for more than the Council's 21 day credit limit for customers; and
 - disclosure of estimated maximum exposure to debtors defaulting.
- Note 26 on creditors amended to reflect reductions in amounts owed to government departments.
- Note 28 on provisions extended to provide commentary on the reason for the insurance provision.
- Note 30 amended to include the required disclosures for reconciling items for the Statement of Movement on the General Fund Balance. These were previously included within Note 31 on the movement on reserves but did not provide comparators as required by the SORP.
- Note 31 on the movement on reserves amended to reflect the impact of various changes made to the accounts.
- Note 36 provides the disclosures required to support the Cashflow statement. Various amendments were required in these notes in order to reflect changes made to the Cashflow statement, balance sheet and Income and Expenditure account. The most significant amendments were to show the transfer of £6m from long to short term investments as a non-cash movement, and the restatement of the analysis of government grants.

Appendix 3 – Proposed independent auditor's report to the Members of Copeland Borough Council

Opinion on the financial statements

I have audited the accounting statements and related notes of Copeland Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Foreword, Income and Expenditure Account, the Statement of the 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 Copeland Borough 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 auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 Authority's accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Authority and its income and expenditure for the year.

Appendix 3 – Proposed independent auditor’s report to the Members of Copeland Borough Council

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 financial statements. I am not required to 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 Authority’s 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 Authority’s accounting statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the Authority’s 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 Authority’s 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’s financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 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.

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 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.

Conclusion

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

- The lack of reconciliations between the general ledger and key information processing systems means that it is difficult to assess if reports to members are consistent with underlying records and whether data is as up to date as possible when reported;
- The Council outsourced asset management to a private sector service provider but the register of assets held by this contractor could not be reconciled to that which the Council held as its Fixed Asset Register;
- There was a risk management strategy and policy in place, and approved by members, but it is clear from the breakdown in internal control and problems within finance that risk management arrangements and processes did not work as intended;
- A governance review procedure was in place but it failed to capture and ensure that all significant weaknesses highlighted in the year were disclosed in the Annual Governance Statement.

Appendix 3 – Proposed independent auditor’s report to the Members of Copeland Borough Council

For the reasons set out above, and having regard to relevant criteria specified by the Audit Commission for principal local authorities, I am not satisfied that, in all significant respects, Copeland Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008, in that it did not put in place:

- adequate arrangements to manage performance against budgets;
- adequate arrangements to manage its asset base;
- adequate arrangements to manage its significant business risks; and
- adequate arrangements to maintain a sound system of internal control.

Best Value Performance Plan

I have issued my statutory report on the audit of the Authority’s best value performance plan for the financial year 2007/08 in December 2007. 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.

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.

Karen Murray
District Auditor

Audit Commission
2nd Floor Aspinall House
Aspinall Close
Middlebrook
Bolton BL6 6QQ

March 2009

Appendix 4 – Value for money criteria

Figure 1 The 12 VFM criteria assessed

Copeland Borough Council has put in place:	Met
Arrangements for setting, reviewing and implementing its strategic and operational objectives	Yes
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.	Yes
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.	Yes
Arrangements to monitor the quality of its published performance information, and to report the results to members.	Yes
Arrangements to maintain a sound system of internal control.	No
Arrangements to manage its significant business risks.	No
Arrangements to manage and improve value for money.	Yes
A medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Yes
Arrangements to ensure that its spending matches its available resources.	Yes
Arrangements for managing performance against budgets.	No
Arrangements for the management of its asset base.	No
Arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Yes

Appendix 5 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Ensure that there is a greater understanding of the disclosure requirements in respect of financial instruments and that appropriate reporting arrangements are set up to obtain this information for the 2008/09 accounts.	3	Accountancy Services Manager	Yes	<p>The Financial Statements will be prepared by the Financial Accountant, through the supervision of the Accountancy Services Manager. The template for the Financial Statements 2008/09 is being prepared. Lessons learned from the omissions in the original 2007/08 Accounts in respect of financial instruments are reflected in the closure preparations.</p> <p>The Council's independent Treasury Management Advisers (Butlers) have agreed to provide an external review of the sections of the Accounts 2008/09 which relate to financial instruments.</p> <p>Review dates for the preparation of the Financial Statements have been agreed with the Accountancy Services Manager and the closure plan clearly identifies the final review date by the Head of Finance. These dates have been entered into diaries.</p>	<p>30 April 2009</p> <p>5 June 2009</p> <p>1 April to 15 June 2009</p>

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R2 Ensure that the governance review procedure is sufficient robust to capture and report all significant weaknesses in the Annual Governance Statement.	3	Head of Policy and Performance	Yes	Dedicated officer group, including the Heads of Legal, Policy and Performance and Finance to meet in first week of April to confirm arrangements for data capture and format of AGS. The draft AGS will be reviewed and subject to challenge by Corporate Team prior to presentation to the Audit Committee meeting of 3 June, i.e. before 15 May 2009 to meet reporting deadlines to Audit Committee.	3 April 2009 15 May 2009
9	R3 Ensure that for 2008/09 that a robust project plan is in place for the production and quality assurance of the financial statements prior to them being authorised for issue and then approved by the Council by the 30 June 2009 deadline.	3	Head of Finance and MIS	Yes	Closure of Accounts Plan 2008/09 has QA (e.g. proof reading, analytical review) procedures in place, including time for review. Review meetings have been agreed with the Accountancy Services Manager and the closure plan clearly identifies the final review date by the Head of Finance. These dates have been entered into diaries. Draft Accounts to be circulated to CMT for comment and independent Treasury Management Advisers have agreed to be part of the review process. Final date for 'working' draft is 29 May for Financial Accountant. Distribution to CMT and other reviewers, including Portfolio Holder, the following Tuesday (bank holiday). The Closure Plan 2008/09 has team aiming for a final accounts deadline of 12 June 2009, ie one week before the publishing deadline of 19 June 2009 to report to Special Audit Committee of 26 June 2009.	1 April to 15 June 2009 3 June 2009 12 June 2009

Appendix 5 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R4 Ensure that for 2008/09 that there is one complete set of working papers which link directly to the accounts and that the general ledger has been fully updated.	3	Accountancy Services Manager	Yes	<p>A shared electronic folder has been established within Accountancy which holds the working papers and guidance notes relevant to Closure of Accounts 2008/09.</p> <p>The Financial Accountant will manage the folder on a day to day basis, but as part of the preparation of working papers for the Auditor, the structure and presentation of the folder will be reviewed by the Accountancy Services Manager, before working papers are submitted to the auditor.</p> <p>The general ledger will reflect all the year-end journals and the working papers will show the reconciliation to the Accounts, in readiness for the Auditor commencing his review.</p>	<p>January 2009</p> <p>30 June 2009</p> <p>30 June 2009</p>

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R5 Ensure that there is sufficient technical accounting expertise and resources within the Council to produce quality assured, SORP compliant financial statements for 2008/09 by the 30 June 2009 deadline. The SORP disclosure checklist should be completed in detail prior to the Head of Finance and Management Information Systems authorising the accounts for issuing.	3	Head of Finance and MIS	Yes	<p>The SORP compliance checklist 2008/09 will be completed as the Accounts are prepared by the Financial Accountant. The Accountancy Services Manager will review the SORP checklist.</p> <p>Review dates have been agreed with the Accountancy Services Manager and the closure plan clearly identifies the final review date by the Head of Finance. These dates have been entered into diaries.</p> <p>Permanent appointments to the Accountancy Services Manager and Financial Accountant positions commenced on 15 December 2008 and this has strengthened the technical capabilities of the Accountancy team.</p> <p>Accountant officers of Accountancy have attended IFRS, Closure of Accounts and Local Authority Accounting events organised by the Audit Commission and CIPFA.</p> <p>Service Plan 2009/10 includes training activities to increase general accounting understanding within the team.</p> <p>Further development of the accounting ledger (dependent upon c/fwd of slippage of capital programme approvals from 2008/09) is planned for 2009/10.</p>	<p>1 April to 15 June 2009</p> <p>December 2008</p> <p>December 2008, February 2009 and March 2009</p> <p>April 2009 to March 2010</p> <p>June to December 2009</p>

Appendix 5 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R6 Ensure that as part of the production of the 2008/09 financial statements that a detailed analytical review of the financial statements is produced. This should be used as the basis of a written covering reporting explaining the financial statements to support those charged with governance, the Audit Committee, in discharging their responsibilities for the financial statements.	3	Accountancy Services Manager	Yes	The Closure of Accounts Plan 2008/09 includes specific responsibility for the production of the analytical review. The AR will be used in preparing the covering report to the Audit Committee, at its special meeting to approve the accounts (26 June 2009).	28 May 2009 12 June 2009
9	R7 Ensure that a system is put in place so that any purchases or disposals of fixed assets are correctly reflected in the Council's asset register and the accounts. Also ensure that the records held by the Council's external valuer and those on the Council's asset register can be fully reconciled.	3	Head of Finance and MIS Head of Development Operations	Yes	Revised procedures with Capita were agreed in January 2009 to improve property asset information capture both in the asset register and the accounts. Roles and responsibilities in respect of Capita and the Council (Finance and Property Management) have been clarified. Further development of asset management practices by CBC will continue in 2009/10. The asset management plan is to be reviewed and updated in 2009. Disposals to be taken through Resource Planning Working Group for Member information.	January 2009 April 2009 to December 2009 June 2009 to March 2010

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					<p>The Closure Pack 2008/09 (issued on 17 February 2009) to Managers includes a return relating to the acquisition and disposal of all assets and this information will be cross-checked to the Capita records. Briefing sessions for budget holders have commenced. The first was held on 10 March 2009.</p> <p>Specific project, working with Consilium (external software company) commenced in January 2009 (and it will continue during closure to implement the Fixed Asset module within the accounting ledger. This will result in the fixed asset closing balances from the 08/09 closure process being captured on the ledger. This also supports preparation for closure of accounts 2009/10 and the transition to International Financial Reporting Standards, which will require greater sophistication in reporting assets.</p> <p>Budget resources for 2009/10 have been increased to provide for an additional accountant position within the Finance team, who will have responsibilities for capital and project accounting. This post is not factored into the Closure Plan as the post is not expected to be filled until June 2009. This should provide the Audit Committee with the reassurance that the strengthening of Finance continues and remains a priority for 2009/10.</p>	<p>February 2009</p> <p>30 May 2009</p> <p>Recruit during Q1 2009/10</p>

Appendix 5 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R8 Ensure that all key financial systems are regularly reconciled to the general ledger on a timely basis and that the reconciliations are subject to appropriate review procedures.	3	Head of Finance and MIS	Yes	<p>Reconciliation procedures for key systems have been revised in Q4 and are in place. Accountancy Services Manager to review on a monthly basis and report to Head of Finance.</p> <p>Monitoring process has been established to evidence the reconciliation activity. Report established on shared electronic folder for Accountancy.</p> <p>Key systems will be reviewed as part of Internal Audit Review (February to May 2009).</p>	<p>February 2009</p> <p>February to May 2009</p>
11	R9 Ensure that greater consideration is given to technical guidance when deciding upon the accounting treatment to be adopted within the accounts. This consideration should be fully documented.	3	Head of Finance and MIS	Yes	<p>Closure working paper templates have been developed to include specific commentary regarding accounting treatments undertaken.</p> <p>Preliminary identification of potential areas for consideration has been undertaken.</p> <p>Accounting policies are being revised and will be presented to the Audit Committee at its meeting in April 2009.</p> <p>Review of accounting treatments to be included as part of closure QA processes by Accountancy Services Manager and reviewed by Head of Service.</p>	<p>February 2009</p> <p>April 2009</p> <p>June 2009</p>

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	R10 Ensure that when there are changes to accounting treatment or re-classification issues that the impact on the comparators is considered in producing the accounts.	3	Accountancy Services Manager	Yes	Accounting Policies will be reviewed every year, and a report will be presented to the Audit Committee in April which sets out the Accounting Policies for 2008/09 and any changes to the SORP. The impact of changes to accounting treatment or re-classification will be reflected in the report to the Audit Committee, however, any numeric implications will be included in working papers to support the production of the Financial Statements 2008/09.	22 April 2009 1 April 2009 to 12 June 2009
11	R11 Implement robust quality assurance arrangements, as part of the closedown process, to ensure that presentational errors within the draft accounts can be identified and addressed prior to the authorisation of the accounts.	3	Head of Finance and MIS	Yes	Closure Plan 2008/09 has QA (eg proof reading, analytical review) procedures in place, including time for review. Draft Accounts to be circulated to CMT for comment and independent Treasury Management Advisers have agreed to be part of the review process. Final date for 'working' draft is 29 May 2009 for Financial Accountant. Distribution to CMT and other reviewers, including Portfolio Holder, the following Tuesday (bank holiday). The Closure Plan 2008/09 has the Accountancy team aiming for a final accounts deadline of 12 June 2009, ie one week before the publishing deadline of 19 June 2009, to report to Special Audit Committee of 26 June 2009.	3 June 2009 12 June 2009

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, covering the £180 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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
