

Accounts and Regulatory Committee

**Grand Jury Room, Town Hall
27 September 2011 at 6.00pm**

This committee deals with items such as the approval of the Council's Statement of Accounts, hearing and determining all appeals by employees relating to dismissal, and makes recommendations to the Council on functions such as Health and Safety and Elections.

Information for Members of the Public

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Private Sessions

Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does so, you will be asked to leave the meeting.

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Please ensure that all mobile phones and pagers are turned off before the meeting begins and note that photography or audio recording is not permitted.

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There is wheelchair access to the Town Hall from St Runwald Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please take it to Angel Court Council offices, High Street, Colchester or telephone (01206) 282222 or textphone 18001 followed by the full number that you wish to call and we will try to provide a reading service, translation or other formats you may need.

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COLCHESTER BOROUGH COUNCIL
ACCOUNTS AND REGULATORY COMMITTEE
27 September 2011 at 6:00pm

Members

Chairman : Councillor Sue Lissimore.
Deputy Chairman : Councillor Will Quince.
Councillors Michael Lilley, Jon Manning, Gerard Oxford,
Mark Cory, Annie Feltham, Scott Greenhill, Pauline Hazell
and Justin Knight.

Substitute Members : All members of the Council who are not Cabinet members or members of this Panel

Agenda - Part A

(open to the public including the media)

Members of the public may wish to note that Agenda items 1 to 5 are normally brief.

Pages

1. Welcome and Announcements

(a) The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.

(b) At the Chairman's discretion, to announce information on:

- action in the event of an emergency;
- mobile phones switched off or to silent;
- location of toilets;
- introduction of members of the meeting.

2. Substitutions

Members may arrange for a substitute councillor to attend a meeting on their behalf, subject to prior notice being given. The attendance of substitute councillors must be recorded.

3. Urgent Items

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent and to give reasons for the urgency.

4. Declarations of Interest

The Chairman to invite Councillors to declare individually any personal

interests they may have in the items on the agenda.

If the personal interest arises because of a Councillor's membership of or position of control or management on:

- any body to which the Councillor has been appointed or nominated by the Council; or
- another public body

then the interest need only be declared if the Councillor intends to speak on that item.

If a Councillor declares a personal interest they must also consider whether they have a prejudicial interest. If they have a prejudicial interest they must leave the room for that item.

If a Councillor wishes to make representations on an item on which they have a prejudicial interest they may do so if members of the public are allowed to make representations. In such circumstances a Councillor must leave the room immediately once they have finished speaking.

An interest is considered to be prejudicial if a member of the public with knowledge of the relevant facts would reasonably regard it as so significant that it is likely to prejudice the Councillor's judgement of the public interest.

Councillors should consult paragraph 7 of the Meetings General Procedure Rules for further guidance.

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| 5. Minutes | 1 - 2 |
| To confirm as a correct record the minutes of the meeting held on 26 July 2011. | |
| 6. Review of Polling Districts and Polling Places | 3 - 16 |
| See report from the Head of Corporate Management. | |
| 7. Annual Statement of Accounts | 17 - 42 |
| See report from the Head of Resource Management. | |
| 8. Have Your Say! | |
| (a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter not on this agenda. You should | |

indicate your wish to speak at this point if your name has not been noted by Council staff.

(b) The Chairman to invite contributions from members of the public who wish to Have Your Say! on a general matter not on this agenda.

9. Exclusion of the public

In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

ACCOUNTS AND REGULATORY COMMITTEE

26 JULY 2011

- Present :-* Councillor Will Quince (Chairman)
Councillors Mark Cory, Annie Feltham, Scott Greenhill,
Pauline Hazell, Justin Knight, Michael Lilley,
Jon Manning and Gerard Oxford
- Substitute Member :-* Councillor Dennis Willetts for Councillor Sue Lissimore
- Also in Attendance :-* Councillor Paul Smith

8. Minutes

RESOLVED that the minutes of the meeting held on 28 June 2011 was confirmed as a correct record.

9. The Review of Polling Districts and Polling Places

Mrs Sarah Cheek, Electoral Services Manager, introduced the report on Polling Places and Polling Districts, informing the Committee of the forthcoming statutory review of all polling districts and polling places arrangements.

The report was a notification to Members of the statutory requirement to complete a follow-up review before the end of the period of four years from the original review, in effect, by the 31 December 2011.

Mrs Cheek explained the definitions of Polling Districts and Polling Places and the timetable for the complete review, including the consultation period. The results of the consultation would be fed back to the Accounts and Regulatory Committee in September 2011 followed by Full Council approval in October 2011.

Mrs. Cheek confirmed that a Government directive and guidance on the number of electors at any one Polling Station not exceeding 2,500 and the ratio of Polling Station staff to the number of people on an electoral register, will form part of the review.

In response to Councillor Manning, Mrs. Cheek said that in so far as new building development was concerned, e.g. New development at the Hythe, a five year development plan in Colchester would be looked at with the view to adjust and balance.

Mrs. Cheek confirmed to Councillor Willetts that in so far as a set of criteria for deciding where a Polling Station is situated, the review document will set out the criteria, though accessibility and facilities for people with disabilities was high on the list with the need to find suitable buildings.

RESOLVED that the Committee noted the requirement to carry out a review of polling districts and polling places arrangements.

10. Draft Annual Statement of Accounts

Mr. Steve Heath, Finance Manager, presented the Draft Statement of Accounts for 2010/2011.

Mr. Heath explained that the Finance and Audit Scrutiny Panel were notified of the changes to the accounts as a result of the introduction of International Financial Reporting Standards (IFRS) at the meeting of 29 March 2011, and the potential changes to processes resulting from revisions to the Accounts and Audit Regulations at the meeting of 28 June 2011.

The draft accounts had been certified by the responsible financial officer on 30 June in accordance with the statutory deadline and an internal briefing session is planned to take place prior to the Committee meeting where Members are asked to approve the certified accounts. Mr. Heath confirmed that the briefing has been scheduled for Thursday 22 September 2011 at 6 p.m. in Rowan House, allowing time for any issues to be addressed prior to Members certifying the accounts on 27 September 2011.

Mr. Heath confirmed to Councillor Manning that a hard copy of the Accounts is made available to members of the public in the Angel Court Customer Services Centre.

Mr. Heath confirmed to Councillor Willetts that all enquiries by the public to access the accounts are recorded and this and the working papers are retained, and are open to auditor inspection.

RESOLVED that the Committee considered the report and supporting information relating to the pre-audit Statement of Accounts for 2010/11 prior to an internal briefing session for the Committee and the deadline for approval of the audited accounts on 30 September 2011.



Accounts & Regulatory Committee

Item
6

27 September 2011

Report of	Head of Corporate Management	Author	Sarah Cheek
Title	Review of Polling Districts and Polling Places		
Wards affected	All wards of Colchester Borough Council		

This report concerns a statutory review of all polling district and polling places.

1. Decision(s) Required

- 1.1 To consider the proposed changes to polling districts and polling places following a consultation period. This decision will be passed to full council for approval.

2. Reasons for Decision(s)

- 2.1 Section 16 of The Electoral Administration Act 2006 (EAA 2006) requires every relevant authority to have undertaken and completed a review of all polling districts and polling places in its area by 31 December 2007. Following the first review, the relevant authority must then complete a further review before the end of the period of four years, in effect this means by the 31 December 2011.

3. Alternative Options

- 3.1 This review is a statutory requirement.

4. Supporting Information

- 4.1 On the 1st August 2011, Colchester Borough Council announced a review of polling district and places was to take place and so began the start of a consultation period.

The EEA 2006 requires that the relevant authority actively seeks representations from:

- a) The Returning Officer for the areas of the constituencies that fall within the authority.
 - b) Any person as it thinks has expertise in relation to access to premises or facilities for persons who have different disabilities.
 - c) Any elector in the constituency.
- 4.2 In conducting this review the council must have, as far as practicable, regard to the criteria set out in the legislation and must seek to ensure that all electors in the constituency have reasonable facilities for voting as are practical in the circumstances. Also, they must ensure that wherever possible the polling place is accessible to all electors, including those who are disabled, when designating the polling station. Consideration must be given to the requirement that each polling district should have a polling place in the defined area and within the ward except in exceptional circumstances.

5. Proposals

- 5.1 For many of the ward it is felt that no change is required as the existing voting arrangements provide satisfactory facilities for electors and are practical in the circumstances for the area
- 5.2 Polling Districts
It is proposed that all but seven wards will remain unchanged by the polling district boundary changes. These are Berechurch, Castle, Christchurch, Highwoods, Marks Tey, Prettygate and St Andrews ward (see Appendix A).
- 5.3 Polling Places
It is proposed that two polling places will be changed but these will utilise existing polling stations. These will be Copeford and West Stanway, Mile End and St Johns ward (see Appendix A).

6. Strategic Plan References

- 6.1 There are no particular references to the Strategic Plan, financial or risk management implications

7. Consultation

- 7.1 The Returning Officers for the constituencies within Colchester Borough are proposing to, on the whole, keep the existing arrangements and only make changes where circumstances require. The requirements set out in the legislation will still be followed. There were no comments from any member of the public or local access groups. Responses have been received from the following:

Cllr Elizabeth Blundell	Marks Tey - Happy with the proposal to combine GO & GP and to make Marks Tey Parish Hall the only polling station.
Cllr Nigel Chapman	Fordham & Stour - Happy with the current arrangements.
Cllr Peter Chillingworth	Great Tey - Recommend all areas within Gt Tey remain the same as all are long standing and are all suitable
Cllr Barry Cook	St Annes - All electors are familiar with the current St Annes Polling stations and their location and see no reason to change the polling districts or stations.
Cllr Christopher Garnett	Dedham & Langham - Neither Dedham or Langham have any problems with the present polling stations
Cllr Mike Hogg	St Annes - No reason to alter the boundaries or polling station at the present time.
Cllr Nigel Offen	Shrub End - Residents complain that they have a 30 min walk to their polling station. However there is a polling station in Berechurch ward 5 min away and they would prefer to go there. Turnout from this area appears to be low and the problem may be accessibility.
Cllr Henry Spyvee	Castle - After discussion with colleagues the following observations were made - Transfer Rotary Way, Sheepen Place and Sheepen Road currently in AE to AH. Polling station would be nearer and electors would not need to climb North Hill, many commuters pass Belle Vue polling station on their way to work.

Chris Butler	When Councils are being forced to make cut backs there is possibly a justification for significantly reducing polling station numbers particularly with the rise in postal votes.
	<p>Berechurch -Incorporate AB with AC whilst still transferring the suggested roads.</p> <p>Castle -Combine AF except for east of Queens Street with AG and the remainder with AE.</p> <p>Christchurch -Compact ward and could easily be reduced to one polling station- probably Hamilton School.</p> <p>Copford & West Stanway -Combining polling district GL with GM</p> <p>East Donyland -Polling district EC is close to AD in Berechurch. Whilst electors would be voting outside of the ward having two polling stations so close appear superfluous. Recommend using on polling station for both AE & EC.</p> <p>Harbour -Compact ward AL & AM could be disbanded and all electors vote at the Old Heat Community Centre.</p> <p>Highwood -Agree with the proposals.</p> <p>Lexden -Polling stations AR & AS are particularly close. Propose merge AR with AS.</p> <p>Marks Tey -Agree with proposals.</p> <p>Mile End -Disband AV polling district and incorporate into AX.</p> <p>New Town -Propose disbanding AY and moving to AZ. Disband BA and incorporate with BB and disband BD and incorporate BC. This halves number of stations without leaving any elector more than 10 minutes walk.</p> <p>Prettygate -Understands the rational behind proposed changes but that leaves two polling stations within a couple of hundred yards from each other. Suggest merging BF & BG.</p> <p>St Andrews -Merge BK and BL for simplicity. BM try to find alternative polling station further south as there is historical low turnout from Lighthouse Way, Hawkins Road.</p> <p>St Annes -Transfer BO into BN and BP</p> <p>St Johns - I agree with proposals.</p>

8. Publicity Considerations

- 8.1 During the 30 day period of consultation, maps, current polling district and elector numbers as well as any other relevant information was available for public inspection, along with details listed on the council's website.
- 8.2 Upon conclusion of the review, any elector who is affected with a change in polling station will be contacted and the new polling location explained.
- 8.3 The final schedule of polling districts and polling places will be available for public inspection and details listed on the council's website.

9. Financial Implications

- 9.1 There are no financial consequences arising from this report for the Borough Council

10. Equality, Diversity and Human Rights implications

- 10.1 An Equality Impact Assessment has been completed and is available on the Council's website:

11. Community Safety Implications

11.1 There are no community safety implications.

12. Health and Safety Implications

12.1 There are no health and safety implications associated with this decision.

13. Risk Management Implications

13.1 There are no risk management implications.

Background Papers

Appendix A Draft recommendations to polling District and Polling Places

Appendix B Maps showing recommended boundary changes.

Polling District Boundary Changes

Berechurch Ward

Move the following roads from AC (polling district Mersea Road) to AD (polling district Blackheath)

Agnes Silverside Close, Berechurch Hall Road, Gryps Close, James Gore Drive, James Parnell Drive, John Hammond Close, John Mace Road

The movement of these roads will help to alleviate the imbalance in elector numbers for the two wards and allow for possible future development in AC.

Consideration has been given to combining AC and AD but it would increase the number of electors using one polling station to an unacceptable level.

Castle Ward

Move Sheepen Place, Sheepen Road and Rotary Way from AE (polling district Jumbo) to AH (polling district Cowdray Avenue)

The movement of these roads into the adjoining polling district will make the polling station more accessible and convenient for the elector.

Consideration has been given to the disbanding of polling district AF but geographically this would not benefit the elector. It is felt that a town centre polling station is still needed. There are also concerns that the polling station in AE and AG would not be suitable to take on additional electors.

Christchurch Ward

Move the following roads into AK (polling district Hamilton Road)

Beaconsfield Avenue, Burlington Avenue, Alexandra Road, Alexandra Terrace, Part of Butt Road and East side of Maldon Road

Move the following roads into AJ (polling district Christchurch)

The Avenue, Beverley Road, Gray Road, Hospital Road, Keble Close, Lexden Road, part Maldon Road, Oxford Road, part Queens Road, Silvanus Close, Wellesley Road and West Lodge Road

The movement of these roads would effectively dissolve the current polling district AI, making only two polling districts in Christchurch ward.

Consideration has been given to the possible proposed development in this ward which could increase the elector numbers considerably but is felt that at this stage there is not a significant change. This will be kept under review.

Highwoods Ward

Combine polling district AP (polling district West Highwoods) and AQ (polling district Myland East)

This polling place holds two polling stations in the building. By combining the two polling districts, it would enable the electoral imbalance in the two stations to be rectified.

Marks Tey Ward

To combine polling district GO (polling district Marks Tey North-West) and GP (polling district Marks Tey South-East)

The combining of the two polling districts and only using Marks Tey Parish Hall as the polling station will alleviate the issues of the use of a portacabin at St Andrews Primary School. The use of this polling station is still convenient to all electors.

Prettygate Ward

Move the following roads from BF (polling district West Prettygate) into BG (polling district James Carter)

Baden Powell Drive Brownsea Way, Gilwell Park Close, Greystones Close, 6 – 110 King Harold Road, Redmill, Rowallan Close, 161a - 205a Shrub End Road Somers Road part 304 – 366 Straight Road Sutton Park Avenue Sutton Park Avenue

Move the following road from BG (polling district James Carter) into BF (polling district West Prettygate)

261-311 Straight Road

This will correct the imbalance of electors to the polling district and alleviate the problem that have arisen regarding the convenience and suitability of the polling station for the entire electorate.

Consideration has been given to combining these polling districts, as the polling stations are close together, but it was felt that neither station would be able to take the increase in number of electors

St Andrews Ward

Combine polling district BK (polling district Sycamore Road) and BL (polling district Hawthorne Avenue)

This polling place holds two polling stations in one building. This would allow the electoral imbalance in the two stations to be divided more evenly.

Polling Station Changes

Copeford and West Stanway Ward

Change the Polling place for GL (polling district West Stanway) to the neighbouring polling district GM (polling district Copeford)

Although the requirement is to have a polling station in every polling district, except in exceptional circumstances, due to the number of electors and the unsuitability of the current polling station it is felt that this is an acceptable departure.

Consideration must be given to possible development in this area and should be kept under review.

St Johns Ward

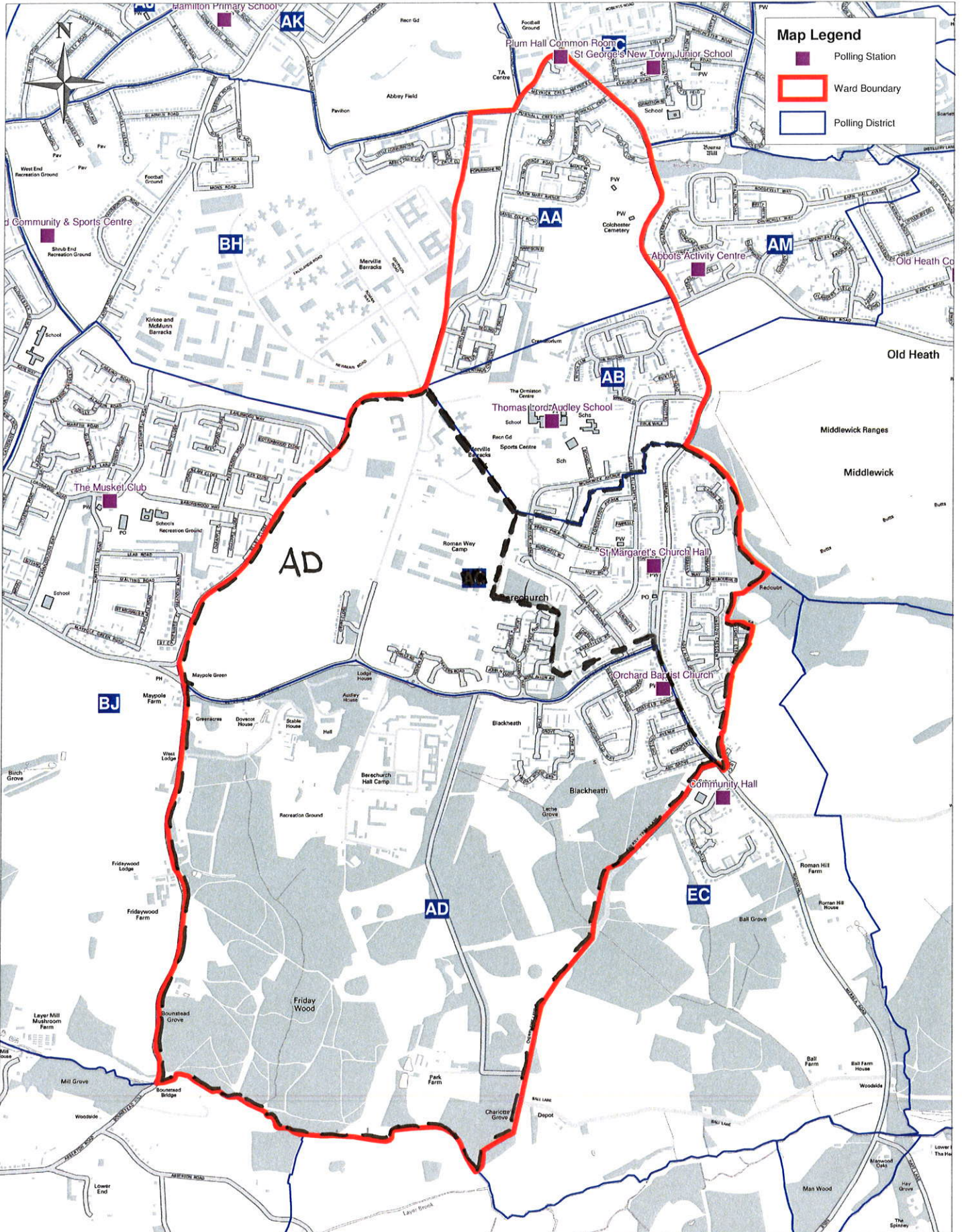
Change in Polling Place for BT (Parsons Heath) to Frairs Grove Primary School.

Although this polling station is still not within the polling district, it does fall within St Johns ward, unlike the current polling station that is currently being used.

The need for a polling station in the polling district is noted and will be kept under view.

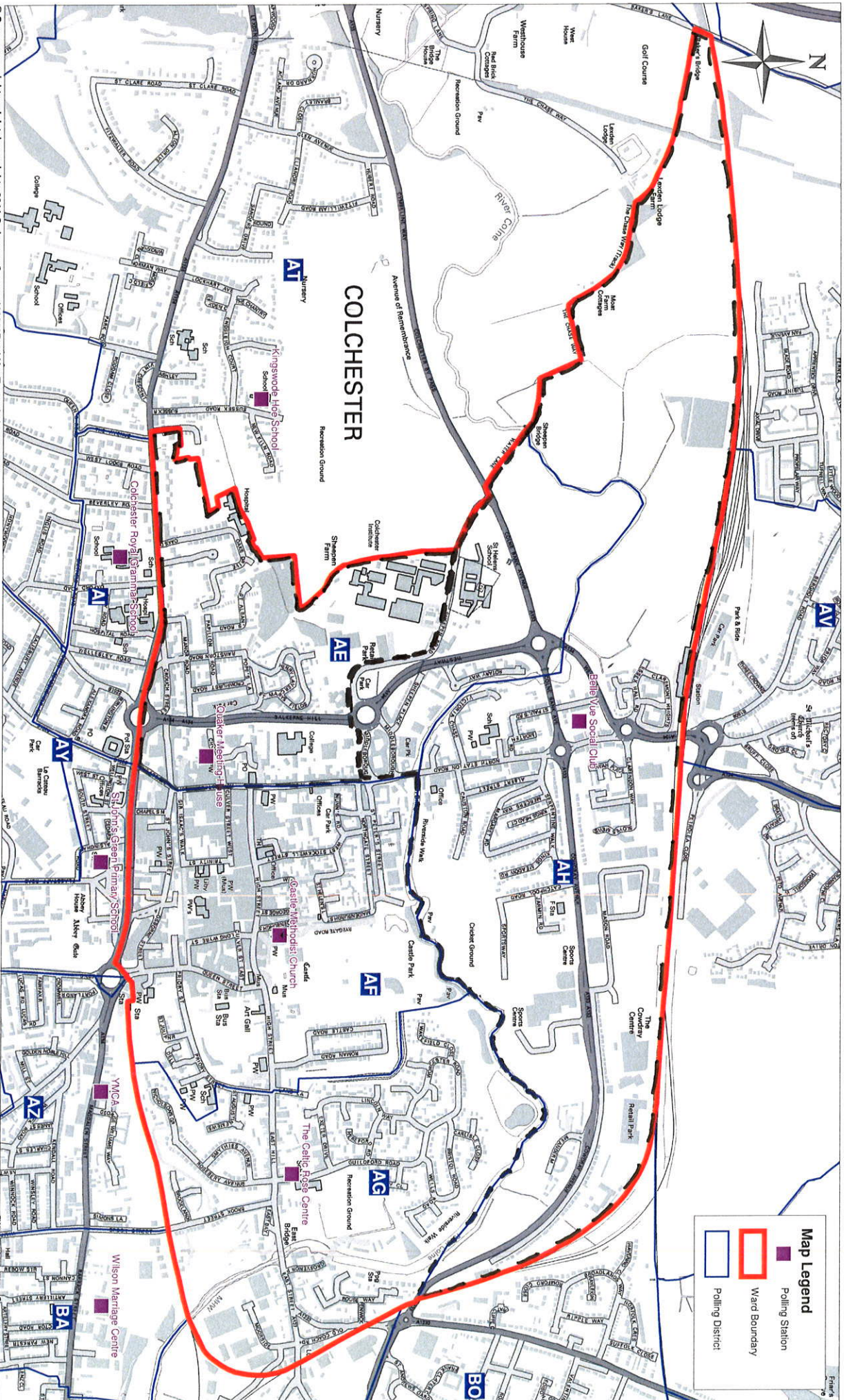
Berechurch Ward

--- PROPOSED NEW BOUNDARY



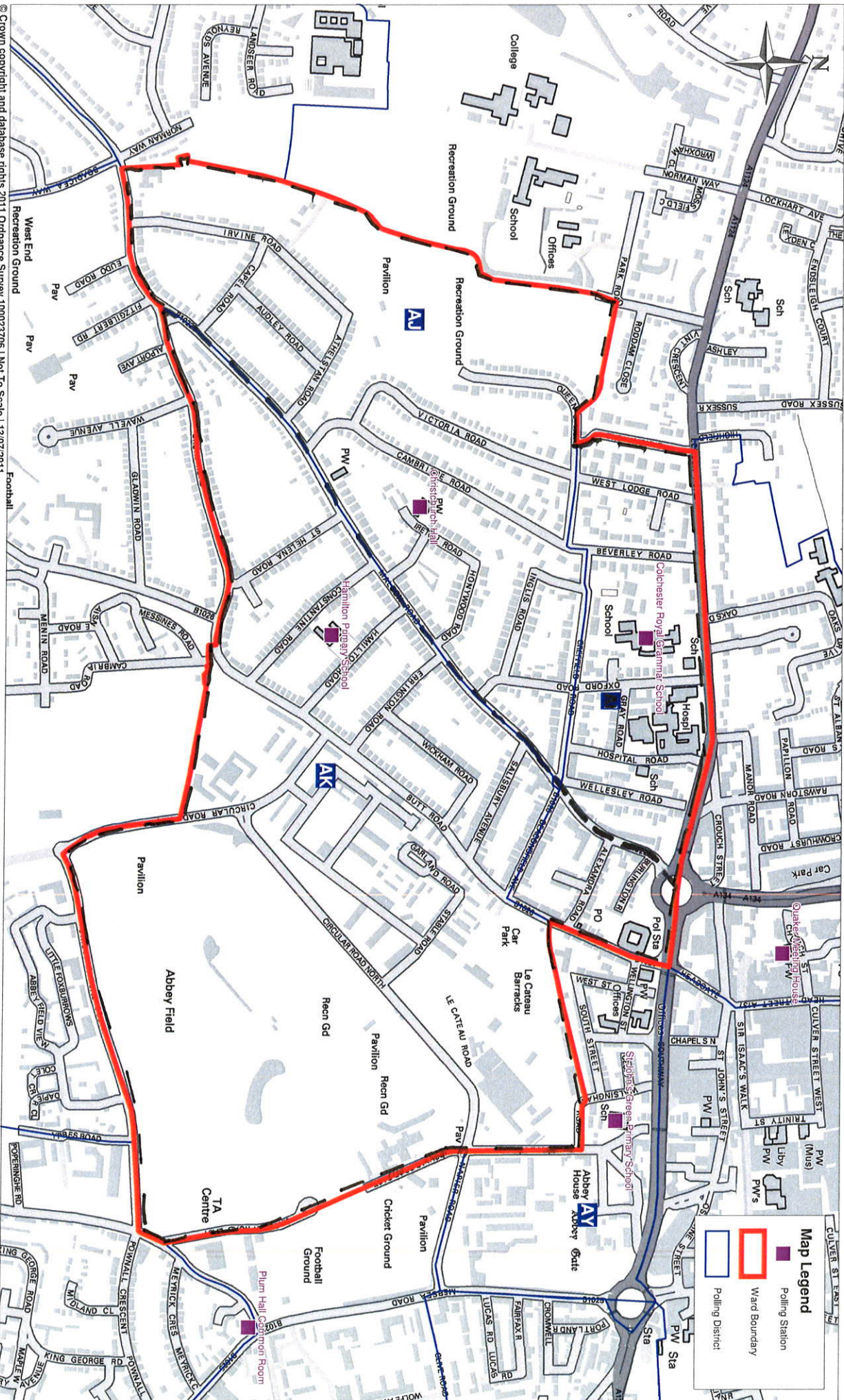
Castle Ward

**Proposed New
Boundary**



Christ Church Ward

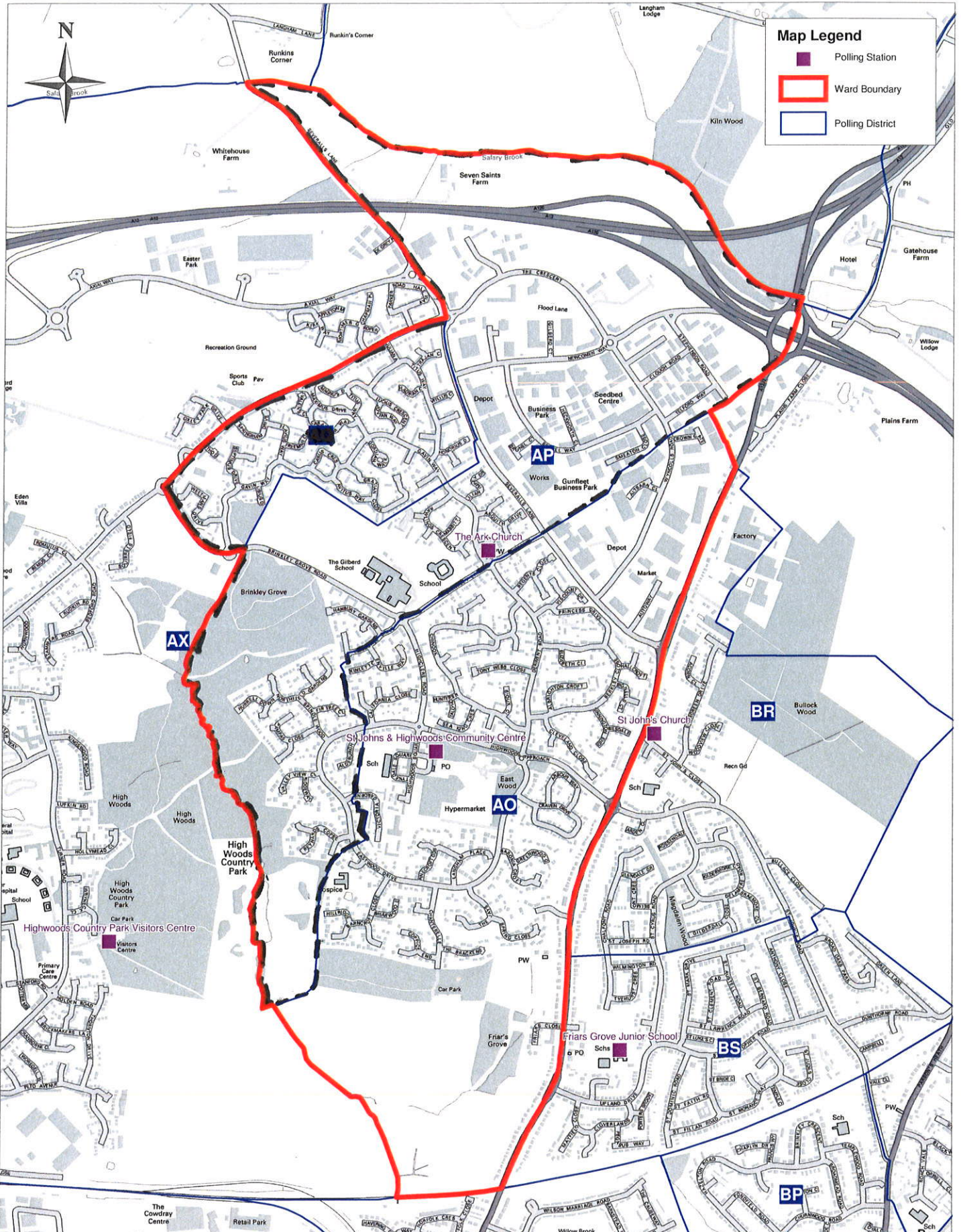
--- PROPOSED NEW
BOUNDARY



----- PROPOSED NEW BOUNDARY

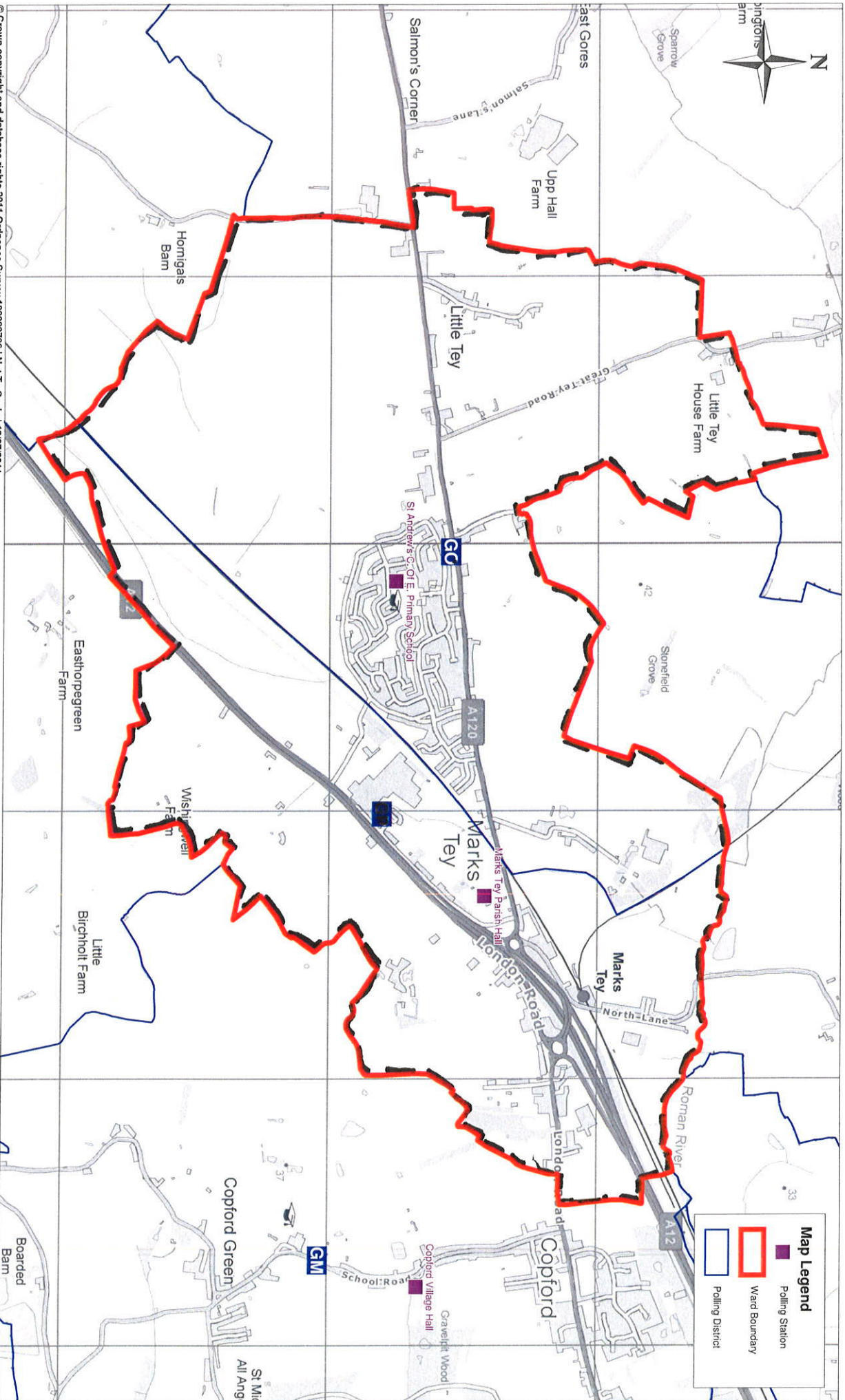


Highwoods Ward



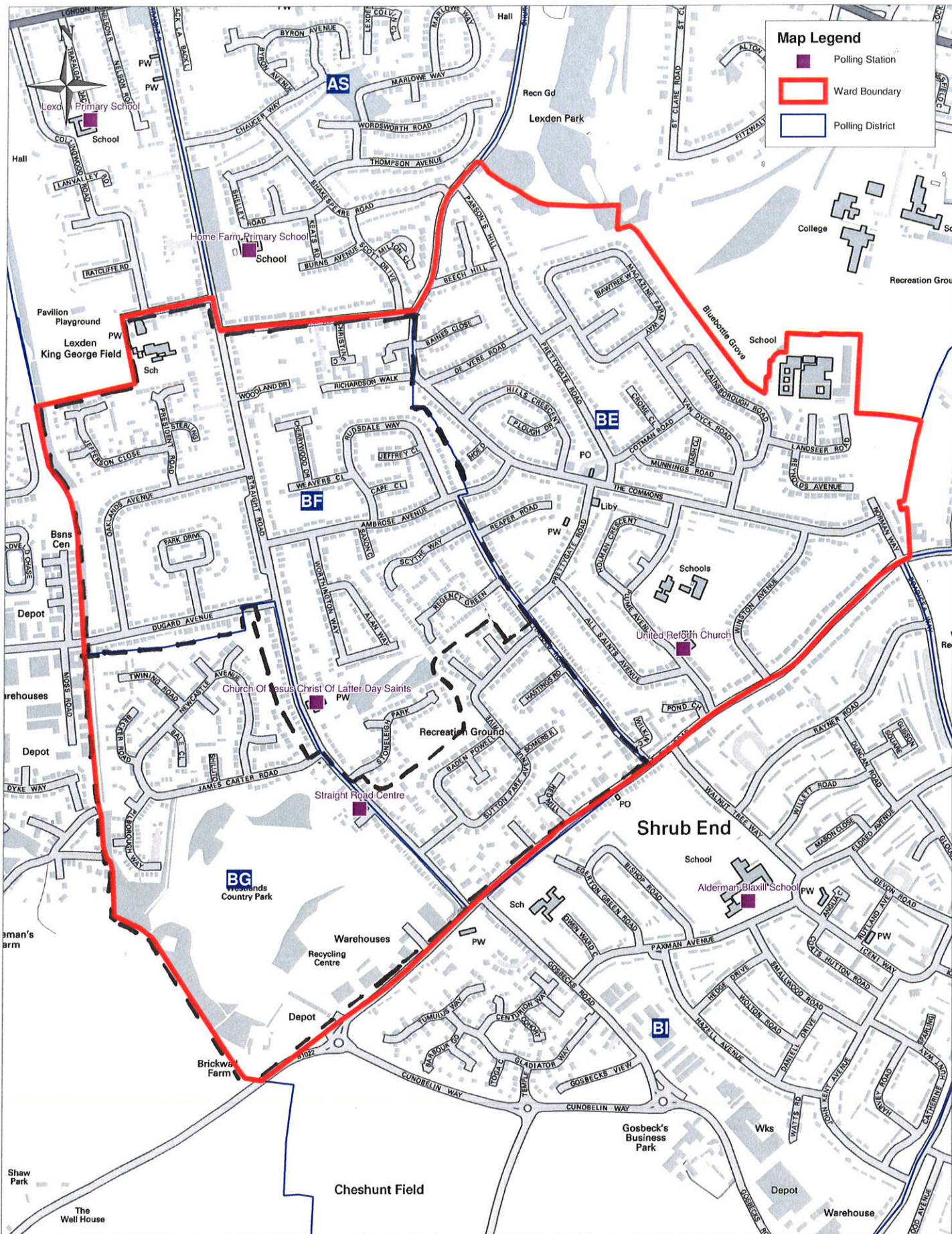
Marks Tey Ward

--- PROPOSED NEW BOUNDARY



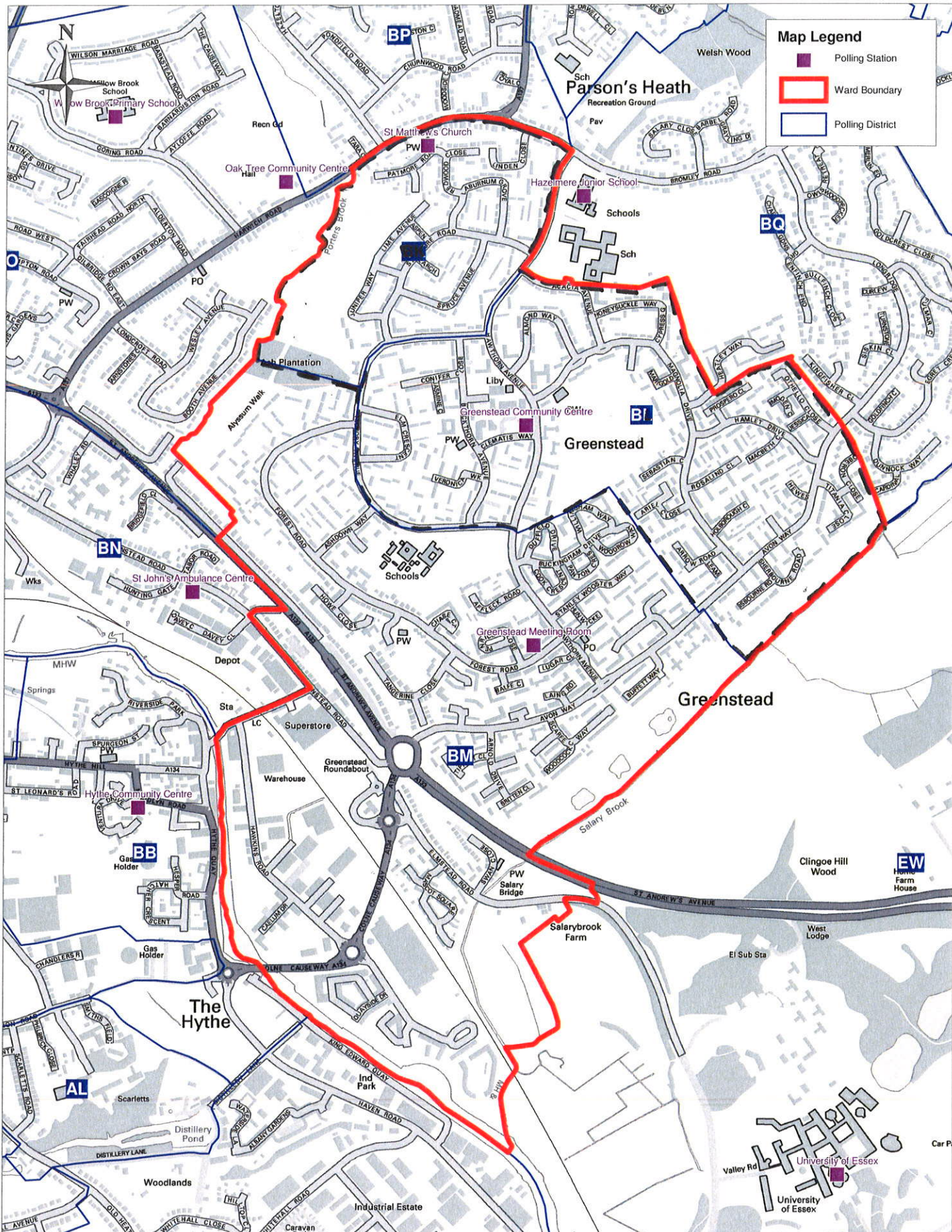
--- PROPOSED NEW BOUNDARY

Prettygate Ward



--- PROPOSED NEW BOUNDARY

St Andrew's Ward





Accounts and Regulatory Committee

Item

7

27 September 2011

Report of	Head of Resource Management	Author	Steve Heath ☎ 282389
Title	Annual Statement of Accounts		
Wards affected	Not applicable		

This report provides comments on the Auditors' report on the Statement of Accounts for 2010/11.

1. Decisions Required

1.1 To:-

- Accept the Auditors' report,
- Note the comments in this covering report,
- Approve the letter of representation subject to the inclusion of the explanation given at paragraph 2.6 of this report, and
- Approve the audited Statement of Accounts.

2. Auditors' Annual Governance Report

2.1 The pre-audit Statement of Accounts (SOA) was certified by the responsible financial officer on 30 June in accordance with the statutory deadline. A report was presented to this Committee on 26 July highlighting the availability of the draft accounts, summarising the main changes resulting from the introduction of International Financial Reporting Standards (IFRS), explaining the key financial statements and providing information on the major items affecting the 2010/11 accounts.

2.2 The time allowed for members of the public to inspect the accounts has now ended and the final accounts audit is nearly complete. The issues raised during the audit have been discussed with the District Auditor and dealt with, and the Statement of Accounts is being agreed. The presentation of the Auditors' report to those charged with governance is the final stage in the process to approve the Council's Statement of Accounts.

Financial Statements

2.3 The District Auditor anticipates being able to issue an unqualified Opinion that the accounts give a true and fair view of the Council's financial position as at March 2011 (Draft Audit Report, Appendix 1) by the statutory deadline of 30 September. In keeping with the usual practice the published statement, including the Auditor's opinion, will be submitted to the Committee following conclusion of the audit.

2.4 The Auditors' report sets out three "Key audit risks" on page 6 and their findings do not raise any concerns over our accounting treatment of these areas. The report also states that the audit has not identified any weaknesses in internal control that might result in a material error.

2.5 The audit identified a small number of disclosure and consistency errors within the accounts that have all been amended. These adjusted misstatements are detailed in Appendix 2 to the report.

- 2.6 Appendix 3 to the report details one misstatement identified during the audit that has not been adjusted. This relates to a creditor accrual of £17k that was raised in error. This has not been adjusted as it is an immaterial sum, and extended audit testing did not identify any further errors. This decision will be reflected in the representation letter. It should be noted that the extrapolated error falls below the level of materiality and has not prevented the Auditor from stating that the accounts give a true and fair view of the financial position of the Council.
- 2.7 In line with International Standards of Auditing, the Audit Commission requests a general letter of representation in support of the SOA. This provides assurance about the information within the SOA and any issues that could arise between the end of the financial year and the conclusion of the audit. A draft of the letter required is set out in Annex 1 to this covering report, and this will be signed by the Section 151 Officer once the explanation for the unadjusted misstatement (Para 2.6, above) has been added to the letter.

Value for Money

- 2.8 The Auditor proposes issuing an unqualified value for money conclusion prior to the statutory deadline of 30 September. The conclusions against each of the relevant Value for Money criteria are shown on pages 8 to 10 of the report.

3. Joint Committees

- 3.1 The Colchester and Ipswich Museum Service Joint Committee (JMC) was formed with Ipswich Borough Council on 1 April 2007, and the Joint Parking Committee (JPC) was formed with Braintree District Council and Uttlesford District Council with effect from 1 April 2009.
- 3.2 Colchester Borough Council is the lead authority for both Joint Committees and all financial transactions are recorded in our accounts. However, as the Joint Committees were established under Sections 101 and 102 of the Local Government Act 1972, they are required to produce annual returns that are subject to a limited assurance audit. The draft accounts for 2010/11 were submitted to both Joint Committees for approval on 28 June 2011. The audited returns will be reported to future meetings of the Joint Committees.

4. Strategic Plan References

- 4.1 The objectives and priorities of the Strategic Plan informed all stages of the budget process for 2010/11.

5. Publicity Considerations

- 5.1 The accounts were open for public inspection from Monday 25 July to Friday 19 August to meet our legal duties. This had been advertised in the local press and on the Council's website. Some parties did exercise their rights to inspect the accounts.

6. Financial Implications

- 6.1 The approval of the audited Statement of Accounts meets a statutory requirement for financial reporting and is an important part of the process to demonstrate accountability in the use of public funds.

7. Other Standard References

- 7.1 Having considered consultation, equality, diversity and human rights, community safety, health and safety and risk management implications, there are none that are significant to the matters in this report.

Background Papers

Attached to this report:

Annual Governance Report

Available on the Council's website:

Draft Statement of Accounts 2010/11 (updated)

Annual Statement of Accounts – Reports to Accounts and Regulatory Committee on 28 June and 26 July 2011.

Draft management representation letter

To: Debbie Hanson
Appointed Auditor
3rd Floor
Eastbrook
Shaftesbury Road
Cambridge
CB2 8BF

Colchester Borough Council - Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Colchester 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 2011. All representations cover the Council's accounts and Group accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

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

These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

- reason 1 etc

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error. I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value. For financial asset and liability assumptions, I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the process;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events do not require adjustment to accounting estimates and disclosure included within the financial statements.

Contingent liabilities

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

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

Related party transactions

I confirm that I have disclosed the identity of Colchester Borough Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Colchester Borough Council

I confirm that this letter has been discussed and agreed by the Accounts and Regulatory Committee on 27 September 2011.

Sean Plummer
Chief Financial Officer
28 September 2011

Annual governance report

Colchester Borough Council

Audit 2010/11



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Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

- My audit of the 2010/11 financial statements is substantially complete. Following member approval of the final version of the financial statements and receipt of the letter of representation, I propose to issue an unqualified opinion.
- The Council's 2010/11 financial statements were the first prepared under International Financial Reporting Standards (IFRS). The Council has responded well to this significant challenge. The Council has produced a good quality and timely set of IFRS-compliant accounts, including 2009/10 and 2010/11 comparatives.
- A small number of amendments were made to the accounts as a result of my audit. There is no impact upon the level of reserves as a result of these changes.

- My audit identified one trivial error which management have decided not to amend. The extrapolated impact of this error is not material.

Value for money

- I have concluded the Council has put in place adequate arrangements to secure financial resilience and secure economy, efficiency and effectiveness in its use of resources. I therefore plan to issue an unqualified VFM conclusion.

Before I complete my audit

I confirm to you

My 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.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

I ask you to confirm to me

I ask the audit committee to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2); and
- approve the letter of representation, provided alongside this report, on behalf of the Council Trust before I issue my opinion and conclusion.

Financial statements

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

Opinion on the financial statements

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

The move to IFRS gave all Local Government organisations including District Councils, the difficult task of reviewing their past accounting policies and accounts and restating them in the format required by IFRS. It also required the current year accounts to be prepared in the new format. The Council prepared well for this transition. The quality of the working papers provided by the Council in support of the entries in the accounts has once again been of a very high standard. The IFRS restatement of 2008/09 and 2009/10 comparatives, which was audited earlier the year, was also supported by good quality working papers.

The finance team have been very helpful and timely in answering audit queries and I would like to thank the Council for their help throughout the audit.

Errors in the financial statements

I identified a few errors in the financial statements (other than those of a trivial nature) and reported these to management. The errors were mainly textual errors in the disclosure notes. Other than the overstatement of revenue accruals noted in Appendix 3, management have corrected all other errors identified. Details of the amendments made are noted in Appendix 2. None of these errors had any impact on the bottom line of the revenue accounts or the balance sheet.

Financial statements

Key audit risks

In planning my audit, I identified specific risks and areas of judgement that I have considered as part of my audit. These are set out below.

Key audit risk and our findings

Key audit risk	Finding
<p>1. IFRS</p> <p>The Council is well progressed when it comes to IFRS restatement and their implementation plans are sound. Nevertheless, given IFRS is a new requirement for 2010/11 this is seen to be a significant risk, particular in relation to the accounting treatment for Fixed Asset component valuations and leases.</p>	<p>My review of the IFRS restatement workings in January 2011 did not identify any significant errors. Good quality working papers were provided which were clear and accurate. Any complex accounting treatments of balances were discussed and agreed through early and on-going discussion with officers,</p>
<p>2. Financial reporting</p> <p>Given the financial pressures the Council will be exposed to in 2010/11 and the need to deliver against a balanced budget, there is an increased risk of financial misreporting.</p>	<p>Extra testing was undertaken in those areas of risk, such as year end cut-off for debtors and creditors, provisions and accruals. My audit did not identify any issues in these areas and the Council delivered an underspend against budget of £25,000.</p>
<p>3. Systems</p> <p>There are two new systems coming into effect in 2010/11, which once embedded should improve processes:</p> <p>(1) The fixed assets system, which will make the asset register IFRS compliant. This has now been set up and 2008/09 assets have been imported in to the system and reconciled to the accounts. The Council aims to bring the system up-to-date with the IFRS restated 2009/10 fixed asset figures by January 2011; and</p>	<p>As part of the IFRS restatement work, I reviewed the work done on the implementation of the new fixed asset system. For 2009/10 comparatives (after restatement for IFRS) the system produced the correct figures, as included in the 2009/10 audited accounts. I was therefore able to conclude that the fixed asset register is complete and the entries within it are valued correctly (that is they have the correct valuation amounts from 09/10 and are being depreciated correctly).</p>

(2) the new e-procurement module which will integrate with the ledger and purchase ledger modules. This is coming online in late 2010/11 in a phased way.

The impact on the 2010/11 accounts was not material and therefore no further work was done on this system. This will be reviewed in 2011/12.

Significant weaknesses in internal control

I have not identified any weaknesses in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware. I have not provided a comprehensive statement of all weakness which may exist in internal control, nor of all improvements which may be made. I have addressed only those matters which have come to my attention because of audit procedures I have performed.

Quality of your financial statements

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures. I have noted a few disclosure and consistency errors within the accounts. All of these have been amended by management. Overall, the accounts presented for audit were high quality.

There are no specific matters that I wish to bring to your attention.

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements.

Value for money

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

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out in the table below. Overall, the Council's arrangements are sound and, although the current financial position is finely balanced, this is being proactively managed. Over 50 per cent of the savings identified in the 2011/12 budget have already been delivered. The Council continually challenges spending on delivery of services, identifying areas where effective action can be taken and ensuring they provide best value for money, and has a good track record of delivering savings through Fundamental Service Reviews and other initiatives.

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I intend to issue an unqualified conclusion stating the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for money criteria and our findings

Criterion	Findings
1. Financial resilience The organisation has proper arrangements in place to secure financial resilience. Focus for 2010/11: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	The Performance Management Board and member scrutiny panels (FASP and SOS) continue to provide the framework for making and reviewing financial decisions. The budget is a standing item on the Leadership Team's monthly agenda. There is also a Budget Group which has an agreed project plan to manage the budget and schedules areas for consideration through the year. The Group provides the opportunity to explore issues in more detail including linkages with the strategic plan and other areas of work. There is good understanding and routine challenge of financial assumptions and performance. Cabinet are provided with a clear budget strategy, Medium Term Financial Forecast (MTFF) and financial monitoring reports on a regular basis. There is a clear budget timetable which

involves all necessary groups.

Good systems, processes and controls are in place, including effective risk management systems and a clear fraud and corruption strategy. The Council fosters an environment of understanding difficult financial matters through providing officers and members with suitable training, for example on risk management and the wider financial climate.

One of the Council's key corporate objectives is to 'shift resources to deliver priorities'. The budget and MTFF are underpinned by the Strategic Plan priorities and seek to preserve and shift resources where needed to these priorities. The Council continues to face significant financial pressures from cuts in government funding and the continuing difficult economic climate

For 2010/11, there was a clear savings and efficiency plan to deliver the balanced budget. The final out-turn position shows a net underspend of £25,000. In addition, through Council challenge, a VAT refund of £672,000 was obtained.

The Council is projecting an overspend on the 2011/12 budget of £972k (which would reduce to £572k after the use of the £400k contingency). This mostly reflects forecast shortfalls in various income budgets, with the most significant being car parks and net interest earnings. Management are reviewing all budgets to identify actions to reduce the gap. This is being done alongside the development of the 2012/13 budget strategy. The Council's general fund balances are forecast to be £350,000 above the minimum £1.5 million at the end of 2011/12. This could be used to support any budget shortfall. The Council has historically been able to achieve financial balance through robust monitoring and challenge of overspends on budgets or non-delivery on agreed savings, however the financial position for 2011/12 remains challenging and needs to be kept under review.

The Council has a consistent track record of delivering savings through Fundamental Service Reviews (FSRs) and other initiatives. The 2011/12 budget is based on making savings or increased income of £3.6 million of which £1.78 million has already been fully delivered. Management have assessed the risk and are monitoring delivery of the remaining savings, of which it is expected a significant element will be delivered.

2. Securing economy efficiency and effectiveness
The organisation has proper arrangements for

The Council continually challenges spending on delivery of services, identifying areas where effective action can be taken and ensuring best value for money is being achieved. This is

challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

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

done through the FSR process and detailed consideration of the MTFF. The FSR process analyses why and how a service is provided, identifies the scope for making efficiencies and then tracks how these are achieved. Recent FSRs have included:

- Street services – This review is currently in progress. This is looking at innovative functions which will improve services, for example organising street service staff in to 7 zones, so they can better get to know their community and be more multiskilled. There will also be more local ability to respond to changes. A four day bin collection has also started. This has been welcomed by operatives and has resulted in the Council no longer having to pay overtime for bank holidays and no need to change collection days for residents because of bank holidays. This also frees up vehicles to be serviced on their day off or used for other activities. Savings of £400,000 are expected in 2011/12, with further recurring savings of £371,000 identified over the following 2 years;
- Revenues and benefits – Review complete and final structure agreed and recruitment completed. Revenue savings of £118,000 in 2010/11 have been identified with an extra £185,000 agreed in the 2011/12 budget (which has already been delivered). For 2012/13, further revenue savings of £150,000 are expected. In addition, the new service will deliver shorter benefits processing time and an improved customer service;
- Housing - Ongoing savings for the general fund for the next three years are estimated at £225,000 per year. The new service went live on 14 June 2010, and the savings have already been delivered for 2011/12.

There are more plans to undertake FSRs on sports and leisure, customers and support services. One of the key elements of the FSR process is the involvement of stakeholders. The Council also consulted widely on the strategic plan which drives the approach to the budget.

A range of services are delivered through shared services or joint arrangements where these arrangements can deliver savings or service improvements.

The procurement strategy stresses partnership and collaboration, local trade, equality and diversity and sustainability. The Council is a member of the Essex procurement hub, which enables them to access specialist support and knowledge and increased buying powers. Several procurement exercises achieved savings in 2010/11.

Appendix 1 – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COLCHESTER BOROUGH COUNCIL

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Colchester Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Colchester Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Colchester Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Colchester Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

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Certificate

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

Debbie Hanson

Officer of the Audit Commission
3rd Floor
Eastbrook
Shaftesbury Road
Cambridge
CB2 8BF

28 September 2011

Appendix 2 – Amendments to the draft financial statements

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

Adjusted misstatement	Comprehensive income and expenditure statement		Balance sheet	
	Dr £000s	Cr £000s	Dr £000s	Cr £000s

The Council originally accounted for pensions past service gains, amounting to £9,833k, within the Non-Distributed Costs (NDC) line on the face of the Comprehensive Income and Expenditure Statement (CIES). This past service gain has been recognised in 2010/11 because of the change made relating to the change in public service pensions to be in line with the Consumer Price Index rather than the Retail Price Index. This should have been treated as an exceptional item, which requires separate disclosure on the face of the CIES to comply with Accounting Standards. The past service gain was therefore reclassified from NDC to a separate line on the CIES. This adjustment did not result in a change to the bottom line. Note 5 to the accounts has also been expanded on to include details of the exceptional items disclosed within the CIES.

Non-Distributed Costs line	9,833	9,833	-	-
Exceptional items line				

	Comprehensive income and expenditure statement	Balance sheet
<p>In notes 1 and 2 to the Housing Revenue Account (HRA), the Council had disclosed the Balance Sheet and Vacant Possession comparative values as at 31 March 2010. The Code requires this disclosure to be the value as at 1 April 2010 and, because of the revaluation of HRA assets as at 1 April 2010, the disclosed values were misstated. The Council has amended the notes accordingly, changing the values as follows:</p> <ul style="list-style-type: none"> ■ note 1: Council dwellings balance sheet value has been reduced from £390.415 million to £280.904 million; ■ note 1: HRA other land and buildings balance sheet value has increased from £9.005 million to 15.414 million; ■ note 2: Council dwellings vacant possession value has decreased from £767.654 million to £720.266 million and a new line about homeless properties has been added to the note totalling £10.172 million; and ■ the adjustments above affect only the disclosure note, and do not impact the HRA bottom line or the balance sheet. <p>The foreword to the accounts included a value for total funds invested of £12.1 million. This has been amended to £8.6 million to match the investments value reported in the Financial Instruments note (note 15). The difference of £3.5 million relates to the investments which have been classified as cash equivalents in 2010/11.</p>	-	-

Appendix 3 – Unadjusted misstatements to the financial statements

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities and ask you to correct these misstatements.

If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

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Unadjusted misstatement	Comprehensive income and expenditure statement		Balance sheet	
	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Our testing on revenue accruals identified a creditor accrual amounting to £17,000 which had already been accounted for as an invoice in the correct year. This was therefore double counted. Extended testing performed did not identify any more errors. The extrapolated error, after considering the results of extended testing, was £46,000.	-	Expenditure 46	Short-term Creditors 46	-

Appendix 4 – Glossary

Annual governance statement

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

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any

individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

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

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and

- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.
- If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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0844 798 7070

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- any third party.



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September 2011

