


Annual Governance Report

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Last saved: 19/09/2007 13:54:00



Annual Governance Report

Carlisle City Council

Audit 2006/07

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Mark Heap

Filename Carlisle - ISA260 report 2006-07 - FINAL

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- any third party.

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Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in this case the Audit Committee) at the time they are considering the financial statements.
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
 - where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 2.
- 4 This report has been prepared for presentation to the Audit Committee on 27 September 2007. Members are invited to:
 - consider the matters raised in the report before the financial statements are approved;
 - approve the representation letter on behalf of the Authority and those charged with governance before we issue our opinion; and
 - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan.
- 5 Our work during the year was performed in line with the plan that we presented to you in September 2006. We have issued separate reports during the year having completed specific aspects of our programme, and these are listed in Appendix 3.

Key messages

- 6 Our work on the financial statements is substantially complete although there are still outstanding issues to be resolved. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them initially with the Director of Corporate Services, and the Head of Financial Services, and will report them verbally to the Audit Committee if necessary. Subject to the completion of all audit work, we propose issuing an unqualified audit opinion before 30 September 2007, (a draft report is attached at Appendix 4). Meeting the 30 September deadline would represent a significant improvement for the Authority on the position for the previous four years when we did not issue our opinion by the due date due to unresolved issues on the accounts.
- 7 In our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 8 Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources will be completed shortly. We anticipate issuing an unqualified conclusion on the use of resources before 30 September 2007, (a draft report is attached at Appendix 4). This would represent a significant improvement for the Authority compared with the 2005/06 position when the VFM conclusion was qualified.

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Audit status

- 9 At the date of issue of this report our detailed audit is substantially complete although there are still outstanding issues to be resolved.
- 10 The Authority has taken a constructive approach to our audit and we would like to take this opportunity to express our appreciation for the Authority's assistance and co-operation.

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Accounts and Statement on Internal Control

- 11 Our work on the financial statements is substantially complete, although we are continuing to address some outstanding issues.
- 12 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal controls to prevent and detect error.
- 13 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 14 The final draft of the letter of representation has been attached as Appendix 5.

Adjustments to the financial statements

- 15 We are required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. These are recorded in full at Appendix 6 for 2006/07 and Appendix 6A for 2005/06 but we provide an analysis of the most significant items below for your attention:

Material errors in the 2006/07 accounts

- There was a £3.5m error on Central Services gross expenditure. This arose primarily because the Authority failed to properly account for direct services costs (£2.66m) in accordance with the Best Value Accounting Code of Practice (BVACoP) and did not correctly allocate depreciation charges to services (£560k). For consistency purposes an adjustment of £1.98m was required to the 2005/06 comparator figure;
- There was also a £1.71m error on Central Services gross income. This arose because the Authority failed to properly account for direct services income of £643k and the business growth initiative grant LABGI of £859k, which should have been shown as a general grant. For consistency purposes an adjustment of £938k was required to the 2005/06 comparator figure;

- Short term investments in the balance sheet included an amount of £2m which had no provision for early recall. Having a maturity date of more than 12 months after the balance sheet date, this item was incorrectly shown as a short term investments. The SORP guidance notes comments that an investment not capable of realisation within a year of the balance sheet date should not be shown as a current asset. Therefore, £2m of the current investment balance has been reclassified as long term. For consistency purposes a £5m adjustment is required for the 2005/06 comparator;
- The calculation of the gain / loss on the disposal of fixed assets for 2005/2006 was overstated by £726,976. The main reason is an understatement of the net book value of assets disposed. There was also a similar problem in 2006/07 requiring an adjustment of £250k.

Other adjusted errors

- Archaeology costs of £659k were transferred from Infrastructure to Community Assets during 2006/07. Our work has identified that only £104k met the SORP definition of a community asset. The remaining balance has been shown under Infrastructure (£69k) and Operational Land and Buildings (£486k). Revaluations of the Millennium Gallery and Tullie House last year will mean that archaeology costs will no longer be an issue;
- Although to a lower degree than the previous year there were still a number of adjustments required to the Cashflow Statement. The key items related to classification of investment balances between cash, liquid resources and other (long term) investments, as a result of the adjustment to the classification of investment balances;
- A total of £632k of sundry debtors required reclassification as amounts due from other local authorities within the notes to the accounts;
- Our review of note 5.17 - fixed assets summary - identified that fully depreciated assets with a total gross book value of £1.26m had been included in the balance sheet note despite having been scrapped, sold or transferred outside of the Authority's control. Although we have amended the note to the accounts members should be aware that this has no impact on the balance sheet which showed the correct net position;
- There were also a number of other amendments made to the notes to the accounts and the accounting policies.

Amendments to the accounts have reduced the Income and Expenditure Account surplus for 2006/07 by £554k to £511k. Amendments in respect of 2005/06 have reduced the I&E account surplus for 2005/06 by £801k to £4,808k.

Accounting practices

- 16 We are also required to report to you our view on the qualitative aspects of the Authority's accounting practices and financial reporting and have set out below our observations on key issues affecting the Authority. Recommendations made are shown in the Action Plan at Appendix 1.
- 17 The draft financial statements were supported by referenced working papers, which were provided in both hard copy and electronically. Although revenue and capital outturn reports were produced with the accounts, no analytical review working papers relating to the figures disclosed in the accounts, were available at the start of the audit and were only provided on 14 August 2007. The use of analytical review is a useful tool for management in developing their own internal quality review processes and should therefore be completed to inform the review of the accounts prior to submission for audit.
- 18 One of the most significant material errors in the accounts related to the Authority's failure to ensure that the Service Expenditure Analysis (SEA) in the Income and Expenditure (I&E) Account was in accordance with the Best Value Accounting Code of Practice (BVACoP). The Authority needs to review its arrangements for extracting the figures from the ledger and ensuring that the SEA disclosed in the accounts is in accordance with BVACoP.

Recommendations

- R1 Produce analytical review working papers for all major statements at the close down stage, to improve the management review process prior to presentation of the accounts for audit.*
- R2 Review the arrangements for extracting the figures from the ledger and ensuring that the SEA disclosed in the accounts is in accordance with BVACoP.*

Systems of internal control

- 19 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified.
- 20 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.
- 21 In previous years we have been critical of the Authority's failure to put in place a balanced bank reconciliation. During 2006/07 the Authority has continued its work in this area and we are pleased to report that a balanced bank reconciliation, as at 31 March 2007, was presented for audit and we are satisfied that this issue has now been resolved.

Use of resources

Work performed

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

Value for money conclusion

- 23** Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion) will be completed shortly. Details of the criteria specified by the Audit Commission and an indication of our indicative scores against these criteria are set out in Appendix 7. Should any issues arise out of our ongoing work in this area we will report this verbally to members at the Audit Committee.

Data quality work

- 24** We are currently finalising our data quality review and will report our findings to the relevant officers.

Best value performance plan

- 25** Our work in respect of the Council's 2006/07 Best Value Performance Plan (BVPP) was reported in the 2006 Annual Audit and Inspection Letter. No recommendations were made to the Audit Commission or the Secretary of State.

Audit fee update

- 26** We reported our fee proposals as part of the audit plan for 2006/07. The table below reports the outturn fee against that plan.

Table 1

	Plan 2006/07 (£)	Actual 2006/07 (£)
Accounts and Statement on Internal Control	87,714	87,714
Use of Resources	24,631	24,631
Total Audit Fees	112,345	112,345
Grants certification work	49,000	35,000 (Estimate)
Relationship Management	4,140	4,140
Total Fees	165,485	151,485

- 27** The analysis above shows that our audit fee has been contained within the totals you have already agreed.
- 28** There will be an additional charge for work completed on Whole Government Accounts. This amount was not included in the fee agreed as part of the Annual Audit and Inspection Plan as the detail of the work required had not been specified at the time when the plan was prepared.

Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
	R1 Produce analytical review working papers for all major statements at the close down stage, to improve the management review process prior to presentation for audit	High	Head of Financial Services	Yes	To be produced as part of the working papers in the future – by 30 June. A ledger report is being developed to assist with this process. Comparisons with other authorities' approaches are also to be considered.	30/06/08
	R2 Review the arrangements for extracting the figures from the ledger and ensuring that the SEA disclosed in the accounts is in accordance with BVACoP.	High	Head of Financial Services	Yes	The process of correcting the classifications attributed to the ledger codes used in the ledger reports has commenced. Impact on the Revenue Outturn Return and any Performance Indicators to be corrected where necessary.	31/12/07 31/10/07

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
					Improvements to the quality control aspect of the final accounts process to be considered and implemented.	31/3/08

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

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

Appendix 3 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	September 2006	September 2006	Audit Committee
BVPP report	December 2006	December 2006	Town Clerk & Chief Executive
Annual governance report	September 2007	September 2007	Audit Committee
Opinion on financial statements	September 2007	September 2007	Audit Committee
Use of resources - VFM conclusion	September 2007	September 2007	Audit Committee
Final accounts memorandum	September 2007	September 2007 (Planned)	Head of Financial Services
Data quality report	October 2007	TBC	To be agreed
Annual audit and inspection letter	March 2008	TBC	Audit Committee

Appendix 4 – Proposed auditor's report

Independent auditor's report to the Members of Carlisle City Council

Opinion on the financial statements

I have audited the financial statements of Carlisle City Council for the year ended 31st March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Chief Finance Officer and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31st March 2007 and its income and expenditure for the year then ended.

Mark Heap, District Auditor
Audit Commission, Aspinall Close, Middlebrook, Horwich, Bolton BL6 6QQ

XX September 2007

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

Authority's Responsibilities

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

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

Auditor's Responsibilities

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

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

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

Conclusion

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

Best Value Performance Plan

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

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.

Mark Heap, District Auditor

Audit Commission, Aspinall Close, Middlebrook, Horwich, Bolton BL6 6QQ

XX September 2007

Appendix 5 – Management representation letter

Mark Heap
District Auditor
The Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ

Carlisle City Council - Audit for the year ended 31 March 2007

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officers of Carlisle City Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly the financial position of the Council at 31 March 2007 and for making accurate representations to you.

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.

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

Specific representations:

- **Interests in companies** - A comprehensive review of the Council's interests in corporate and other outside bodies was updated during 2006/07. A full list of all identified interests is included in Appendix A to this letter. Based on this assessment and except for items disclosed in the financial statements, the Council held no other interests at 31 March 2007 or at any time during the year ended 31 March 2007, requiring disclosure in the financial statements and / or the preparation of supplementary group accounts.

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 relevant committee meetings, have been made available to you.

Related party transactions

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

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

Contingent liabilities

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

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

Law, regulations, contractual arrangements and codes of practice

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

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

Assets

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

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

Irregularities

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

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;

- irregularities involving other employees that could have a material effect on the financial statements, or;
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

Post balance sheet events

Since the date the financial statements were authorised for issue on 20 June 2007, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of Carlisle City Council.

Signed:

Name: Angela Brown, CPFA

Position: Director of Corporate Services

Date: 27 September 2007

Appendix A – interest in companies

Appendix 6 – Summary of adjusted misstatements for 2006/07

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

Adjusted misstatements	Nature of Adjustment	Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Description of Misstatement					
SEA - Central Services	Reclassification of gross expenditure which should have been shown against Cultural, Environmental and Planning services rather than Central services.	2,492	2,664		
SEA - Central Services	Reclassification of gross income which should have been shown against Cultural, Environmental and Planning services rather than Central services.	643	471		
General grant - LABGI	The SORP guidance is that LABGI is a general grant and not a specific grant as shown in the accounts.	859	859		
Investment classification	£2m of investments have a maturity date beyond 12 months at 31 March 2007 and should be disclosed as long term investments.			2,000	2,000
Gains and losses on disposal of fixed assets	Correction to the calculation of gains and losses on the disposals of fixed assets in 2006/07.	250			250

		Income and Expenditure Account		Balance Sheet	
Community assets	£555k of Archaeology costs do not meet the SORP definition of a community asset and should be shown under land and buildings / vehicles and plant.			555	555
SEA - depreciation charge	£560k of depreciation charges were incorrectly shown within Central Services but should have been charged against the relevant service area.	560	560		
Debtors classification	Reclassification of £632k of sundry debtors as Other Local Authorities in Note 5.27 on debtors.			632	632
Fixed assets - revaluations	Understatement of fixed asset balances re. deposits deducted in arriving at asset valuations.			111	111
Revaluation - accumulated depreciation	Failure to reverse accumulated depreciation on assets revalued in 2006/07.			229	229
Fixed asset - additions	Reclassification of fixed asset additions	11		383	394
Fixed asset - classification	Potential mis-statement of multi games area costs.			166	166
Fixed assets - depreciation	Overstatement of depreciation on operational land and buildings due to Authority's error in estimation of asset lives.		216	216	
Fixed assets - depreciation	Understatement of depreciation on the	94			94

		Income and Expenditure Account		Balance Sheet	
	Irthing Centre.				
Investment in Kingmoor Park Properties (KPP)	The Authority was in discussions, prior to the year end, on the sale of KPP which was completed in April 2007. At the balance sheet date this would no longer be a long term investment i.e. to be held for more than 12 months, and should be shown as a short term investment.			400	400
Revenue financing error	To correct error in respect of capital costs (cavity wall and loft insulation) being incorrectly written off to revenue and associated amendment to financing.	303			303
Planning Delivery grant	£205k of Planning Delivery grant incorrectly shown as income on Central Services rather than Cultural, Environmental and Planning services.	205	205		
Credit balances on Council Tax and NNDR arrears	Grossing up Council Tax and NNDR arrears for credit balances previously netted off.			101	101
Deferred charges	Adjustment for incorrect capitalisation of expenditure.	112			112
Trust Funds	Removal of Trust Fund balances which should not form part of the Authority's accounts.			85	85

		Income and Expenditure Account		Balance Sheet	
SEA - Central Services	Reclassification of gross expenditure which should have been shown against Planning services rather than Central services.	276	276		
Net Effect	The net effect of all the amendments is that the Income and Expenditure surplus is reduced by £554k.	5,805	5,251	4,878	5,432

Appendix 6A – Summary of adjusted misstatements for 2005/06

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

Adjusted misstatements	Nature of Adjustment	Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Description of Misstatement					
SEA - Central Services	Reclassification of gross expenditure which should have been shown against Cultural, Environmental and Planning services rather than Central services.	1,984	1,984		
SEA - Central Services	Reclassification of gross income which should have been shown against Cultural, Environmental and Planning services rather than Central services.	516	516		
Investment classification	£5m of investments have a maturity date beyond 12 months at 31 March 2006 and should be disclosed as long term investments.			5,000	5,000
General grant - LABGI	The SORP guidance is that LABGI is a general grant and not a specific grant as shown in the accounts.	422	422		
Gains and losses on disposal of fixed assets	Correction to the calculation of gains and losses on the disposals of fixed	801			801

		Income and Expenditure Account		Balance Sheet	
	assets in 2005/06 (£727k) and recognition of impairment loss (£74k).				
Net Effect	The net effect of all the amendments is that the Income and Expenditure surplus is reduced by £801k.	3,723	2,922	5,000	5,801

Appendix 7 – Value for money conclusion

- 1 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources.
- 2 This work is still to be completed but we include indicative scores on the basis of work completed to date.

Code Criteria	Description	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	Adequate
6	The body has put in place arrangements to manage its significant business risks.	Adequate
7	The body has put in place arrangements to manage and improve value for money.	Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Adequate
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Adequate

Code Criteria	Description	VFM Conclusion
10	The body has put in place arrangements for managing performance against budgets.	Adequate
11	The body has put in place arrangements for the management of its asset base.	Adequate
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Adequate

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