

# Annual Governance Report

Carlisle City Council

Audit 2007/08

September 2008



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# Contents

<b>Summary</b>	<b>3</b>
<b>Financial statements and Annual Governance Statement</b>	<b>5</b>
<b>Value for money</b>	<b>9</b>
<b>Formal audit powers</b>	<b>10</b>
<b>Independence</b>	<b>11</b>
<b>Appendix 1 – Draft letter of management representations</b>	<b>13</b>
<b>Appendix 2 – Summary of amendments</b>	<b>16</b>
<b>Appendix 3 – Proposed independent auditor's report to the Members of Carlisle City Council</b>	<b>21</b>
<b>Appendix 4 – Value for Money criteria</b>	<b>25</b>
<b>Appendix 5 – Action plan</b>	<b>26</b>
<b>The Audit Commission</b>	<b>27</b>

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## Status of our reports

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

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

## Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is substantially complete. It identifies the key issues that you should consider before I issue our opinion, conclusion and certificate.
- 2 This report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

## Financial statements

- 3 I expect to issue an unqualified opinion on the financial statements.
- 4 A number of errors were identified in the financial statements but these have now been corrected. There were four material errors in the primary statements within the accounts, two in the Income and Expenditure Account, one on the Balance Sheet and one on the Cash Flow Statement. There was also an additional material error in respect of the disclosure on financial instruments. To minimise any future errors Officers will need to review again the Service Expenditure Analysis within the Income and Expenditure Account to ensure full compliance with Best Value Accounting Code of Practice (BVACoP), introduce more detailed consideration of unusual items and ensure that greater consideration is given to complying with technical guidance as part of the preparation process.
- 5 I have seen evidence of improvement in working papers and I will discuss further improvements with Officers' for next year's accounts. There have also been significant improvements in the response times to audit queries.
- 6 The Council's asset register is currently maintained on a spreadsheet. Officers are aware that, given the new accounting requirements, this is not sustainable in the future. Therefore, the Council will need to consider how and when it puts in place a new asset register to ensure that the information is collated in an appropriate format to enable future accounting entries to be determined.

## Value for money

- 7 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 2008 and I therefore propose to issue an unqualified VFM conclusion.

### Next steps

8 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements/recommend the financial statements for approval;
- agree to adjust the financial statements as set out in our recommendations;
- approve the representation letter on behalf of the Council before we issue our opinion, conclusion and certificate; and
- agree the proposed action plan.

# Financial statements and Annual Governance Statement

- 9 The Council's financial statements and Annual Governance Statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider my findings prior to the publication of the post audit version of the financial statements and the Annual Governance Statement.
- 10 In planning my audit I identified specific risks and areas of judgement that I have focused on during our audit. I report to you the findings of my work in those areas.
- 11 In addition, auditing standards require me to report to you:
- the draft representation letter which I am asking management and you to sign;
  - my views about the Council's accounting practices and financial reporting;
  - errors in the financial statements;
  - any expected modification to my report;
  - weaknesses in internal control; and
  - certain other matters.

## Key areas of judgement and audit risk

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

**Table 1 Key areas of judgement and audit risk**

Issue or risk	Finding
Financial Instruments - new accounting requirement for 2007/08	The Council correctly identified and included the required disclosure notes in the accounts. Unfortunately, the Council included a number of items within the disclosures for debtors, creditors and losses for the year which should be excluded. The investment of Kingmoor Park Properties (KPP) should have been classified as 'available for sale'. The accounts have been amended.

Issue or risk	Finding
Annual Governance Statement - new requirement for 2007/08.	The Council had suitable processes in place to produce and support the Annual Governance Statement for 2007/08.
In the previous year, the Council has had difficulty in extracting the figures from the ledger to ensure that the Service Expenditure Analysis has been disclosed in the accounts in accordance with BVACoP.	The Council reviewed the arrangements for extracting the figures from the ledger to ensure entries were in accordance with BVACoP. Unfortunately I identified that Council tax benefit had been incorrectly disclosed within Housing Services rather than in Central Services.

Recommendation
<b>R1</b> Review the arrangements for extracting the figures from the ledger and ensuring that the SEA disclosed in the accounts is in accordance with BVACoP.

### Draft representation letter

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

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

## Financial statements and Annual Governance Statement

- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate; and
- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

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

### Accounting policies and financial reporting

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

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**Table 2      Accounting practice and financial reporting**

Issue or risk	Finding
Quality of working papers and responding to queries	I have seen evidence of a general improvement in working papers and we will discuss further improvements with Officers' for next year's accounts. There have also been significant improvements in the response times to our queries.
Fixed asset register	The asset register is currently maintained on a spreadsheet. Officers are aware that, given the new accounting requirements, this is not sustainable in the future. Therefore, the Council will need to consider how and when it puts in place a new asset register to ensure that the information is collated in an appropriate format to enable future accounting entries to be determined.

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### Recommendation

**R2** The Council needs to consider how and when it puts in place a new asset register to ensure that the information is collated in an appropriate format to enable future accounting entries to be determined.

### Errors in the financial statements

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

- 17** Management has agreed to adjust the financial statements for all the errors identified. A summary of those errors that impact on the primary statements is shown in Appendix 2. I am reporting to you that I have identified four material errors in the primary statements, an additional material error in respect of the disclosure on financial instruments and other errors.
- 18** The errors identified are the result of various reasons including:
- failing to ensure the Service Expenditure Analysis within the Income and Expenditure Account was fully compliant with BVACoP;
  - incorrectly recording the gain from the sale of Kingmoor Park Properties Ltd within gains on the sale of fixed assets rather than as interest and investment income;
  - relying on the external valuer's expertise but not questioning unusual or unexpected impairments/gains;
  - incorrectly transferring usable capital receipts to an earmarked reserve;
  - incorrectly including goodwill in the accounts;
  - failing to identify a one off item affecting the cashflow statement; and
  - not fully complying with new disclosure requirements for financial instruments.
- 19** To minimise any future errors officers will need review again the Service Expenditure Analysis within the Income and Expenditure Account to ensure full compliance with BVACoP, introduce more detailed consideration of unusual items and ensure that greater consideration is given to complying with technical guidance as part of the preparation process.

### The audit report

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

### Material weaknesses in internal control

- 21** I have not identified any weakness 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.

### Other matters

- 22** There are no other matters that auditing standards require me to report to you.



# Value for money

- 23 I am required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. I assess your arrangements against twelve criteria specified by the Commission as shown in Appendix 4. My conclusion is informed by our work on Use of Resources, a scored judgement reported to the Audit Commission.
- 24 I have assessed the arrangements of the Council as adequate in all 12 areas and I therefore propose to issue an unqualified conclusion.

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# Formal audit powers

25 I have:

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

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

# Independence

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

### Relationships with the Council

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

### Audit fees

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

**Table 3      Audit fees**

	<b>Plan 2007/08 (£)</b>	<b>Actual 2007/08 (£)</b>
Financial statements and Annual Governance Statement	93,510	93,510
Use of resources	27,884	27,884
National Fraud Initiative	625	625
<b>Total audit fee</b>	<b>122,019</b>	<b>122,019</b>
<b>Total inspection fee</b>	<b>7,166</b>	<b>7,166</b>
<b>Total audit and inspection fee</b>	<b>129,185</b>	<b>129,185</b>
Certification of claims and returns	32,000	35,000 (estimate)

- 32 The analysis above shows that I contained the audit fee within the totals you have already agreed.

- 33 Under the Audit Commission's advice and assistance power it may provide non-audit services to the Council. We have not provided any such services in 2007/08.

#### Our arrangements to ensure independence and objectivity

- 34 I have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 4.

**Table 4 Arrangements to ensure independence and objectivity**

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> <li>do not hold a financial interest in any of our audit clients;</li> <li>may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and</li> <li>may not enter into business relationships with UK audit clients or their affiliates.</li> </ul> <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> <li>the general requirement to carry out work independently and objectively;</li> <li>safeguarding against potential conflicts of interest;</li> <li>acceptance of additional (non-audit) work;</li> <li>rotation of key staff;</li> <li>other links with audited bodies;</li> <li>secondments;</li> <li>membership of audited bodies;</li> <li>employment by audited bodies;</li> <li>political activity; and</li> <li>gifts and hospitality.</li> </ul>
Code of Conduct	The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.
Confidentiality	All staff are required to sign an annual undertaking of confidentiality as a condition of employment.

# Appendix 1 – Draft letter of management representations

To:

Karen Murray

District Auditor

Audit Commission

2nd Floor Aspinall House

Aspinall Close

Middlebrook

Bolton

BL6 6QQ

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## **Carlisle City Council - Audit for the year ended 31 March 2008**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officers of 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 2008. All representations cover the Council's accounts included within the financial statements.

### **Compliance with the statutory authorities**

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP), which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

### **Corrected misstatements**

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

### **Supporting records**

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

### Irregularities

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

There have been no:

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

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### Law, regulations, contractual arrangements and codes of practice

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

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

### Fair values

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

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

## **Appendix 1 – Draft letter of management representations**

### **Assets**

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

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

### **Compensating arrangements**

There are formal set off and compensating balancing arrangements with our cash accounts. Except as disclosed in Note 5.24a we have no other lines of credit arrangements.

### **Contingent liabilities**

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

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

### **Related party transactions**

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

### **Post balance sheet events**

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

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

### **Signed on behalf of Carlisle City Council**

I confirm that this letter has been discussed and agreed by the Audit Committee, on behalf of the Council, on 26 September 2008.

Signed

Name: Angela Brown

Position: Director of Corporate Services

Date: 26 September 2008

## Appendix 2 – Summary of amendments

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

### Amendments made to primary financial statements

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	Gross income and expenditure on Housing Services reduced. Gross income and expenditure on Central Services increased.	Expenditure on Council tax benefit and the associated grant income had been incorrectly disclosed within Housing Services rather than in Central Services as required by the Best Value Accounting Code of Practice (BVACoP).	5,851 (expenditure) 5,922 (income)
Income and Expenditure Account	Reduces gains on the sale of fixed assets. Increases interest and investment income.	The gain from the sale of Kingmoor Park Properties Ltd had been incorrectly disclosed within gains on the sale of fixed assets rather than shown within interest and investment income.	1,581



## Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	Reduces Expenditure on all services and therefore reduces I&E deficit.	The land at the Civic Centre was impaired in the accounts which meant that the cost was charged to the I&E Account. This was based on information from the valuer but unfortunately the valuer had made an error in apportioning the value between land and buildings. This £650k corrects that error.	650
Income and Expenditure Account	Increase in Central Services income. Increase in direct service expenditure.	Netting off of direct income prior to charging out overheads to services. This was primarily rental income from the Civic Centre building.	294
Balance sheet	Reduces Asset Investment Reserve. Increases Capital Adjustment Account.	The transfer of £2 million of usable capital receipts to the Asset Investment Reserve is not allowed as they cannot be earmarked for future capital expenditure. The £2 million has now been transferred to the Capital Adjustment Account which is allowable.	2,000
Balance sheet	Reduces CLL Reserve. Increases Renewal Reserve.	The creation of a Carlisle Leisure Limited (CLL) Reserve and the transfer of the £522k was only approved by Members from 1 April 2008 when the Renewal Reserve was closed. Therefore, CLL should not be a separate reserve in the 2007/08 accounts although this would be correct if the balance is unchanged at the end of 2008/09.	522

## Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Balance sheet Income and Expenditure Account	Reduces Intangible assets by £285k. Increased I&E deficit by £196k Reduces Revaluation Reserve by £89k	The Authority was carrying £285k of goodwill in the accounts for a purchase of an asset in respect of the Carlisle Renaissance scheme. Our view is that this should be written off directly to the I&E Account. The asset had already been revalued.	285
Cash Flow Statement	Reduces housing benefits paid. Increases other operating costs	These entries should reflect actual cash flows. The necessary adjustments had not been made for the week 53 housing benefit creditor.	978
Cash Flow Statement	Reduces paid on behalf of employees. Increases other operating costs	These entries should reflect actual cash flows. The necessary adjustments had not been made for the superannuation creditor.	254
Cash Flow Statement	Reduces purchase of fixed assets. Increases other operating costs	These entries should reflect actual cash flows. Capital creditors had been wrongly categorised and excluded from revenue expenditure.	145
Statement of Movement on the General Fund Balance (SMGFB)	Reduces deficit on I&E Account for the year. Increases the amount required by statute to be debited to the General Fund Balance	This relates to the writing back of the impairment error and the writing off of goodwill as mentioned above.	454

## Appendix 2 – Summary of amendments

Primary financial statement	Item of account	Description of error	Amendment made £000s
Statement Total Recognised Gains and Losses (STRGL)	Reduces the total recognised gains for the year.	This is a result of the removal of goodwill from the intangible fixed assets balance as mentioned above.	285

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

### Amendments made to disclosure notes

- Note 5.24a - Financial liabilities held at amortised cost incorrectly included statutory items within the creditors balance which should have been excluded and excluded some items which should have been included. Therefore, for 2007/08 the creditor disclosure is reduced by £1,051k, mainly as a result on including the week 53 housing benefit creditor. The 2006/07 creditor disclosure is increased by £39k.
- Note 5.24b - Loans and receivables held at amortised cost incorrectly included statutory items within the debtors balance which should have been excluded and excluded some items which should have been included. Therefore, for 2007/08 the debtor disclosure is reduced by £3,570k, mainly as a result on including NNDR and Council tax arrears. The 2006/07 debtor disclosure is reduced by £3,302k.
- Note 5.24c - Gains and losses on financial instruments incorrectly included, as an impairment loss, the bad debt provision. This has been removed with a value in 2007/08 of £1,624k and in 2006/07 of £1,641k. In addition the £1,581k in respect of the gain on the sale of Kingmoor Park Properties Ltd should have been classified as 'available for sale' rather than 'loans and receivables'.

- Note 5.20 on capital commitments included commitments for Belah Community centre (£310k) and a synthetic football pitch (£300k). No contracts were signed for these prior to 31 March 2008 so these have been excluded from the note.
- Note 5.22 on deferred charges incorrectly showed £506k of disabled facilities grants to Carlisle Housing Association in the 'Other' category rather than under the 'Disabled facilities grants'.
- Given the overall income received by the Council and the profit made on disposal of its interest in Kingmoor Park Properties Ltd an additional disclosure note should be included within the accounts and linked to Note 5.24c - Gains and losses on financial instruments.

# Appendix 3 – Proposed independent auditor's report to the Members of Carlisle City Council

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## Opinion on the financial statements

I have audited the accounting statements and related notes of Carlisle City Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 auditor

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

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

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

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

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

### **Basis of audit opinion**

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

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

### **Opinion**

In my opinion the Authority's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

#### **Authority's responsibilities**

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

#### **Auditor's responsibilities**

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

#### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice 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 2008.

#### **Best Value Performance Plan**

I have issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 in December 2007. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

## Appendix 3 – Proposed independent auditor's report to the Members of Carlisle City Council

### Certificate

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

Karen Murray  
District Auditor

Date:

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



# Appendix 4 – Value for money criteria

## The 12 VFM criteria assessed

<b>Carlisle City Council has put in place:</b>	Met
<ul style="list-style-type: none"> <li>• Arrangements for setting, reviewing and implementing its strategic and operational objectives</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• Arrangements to monitor the quality of its published performance information, and to report the results to members.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• Arrangements to maintain a sound system of internal control.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• Arrangements to manage its significant business risks.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• Arrangements to manage and improve value for money.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• A medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• Arrangements to ensure that its spending matches its available resources.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• Arrangements for managing performance against budgets.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• Arrangements for the management of its asset base.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• Arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.</li> </ul>	Yes

## Appendix 5 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Review the arrangements for extracting the figures from the ledger and ensuring that the SEA disclosed in the accounts is in accordance with BVACoP.	3	Head of Financial Services	Yes	A project plan will be produced and implemented to ensure that the accounts are prepared in accordance with BVACoP. Management Accounts will also be prepared in line with BVACoP to facilitate this process.	Implement by 31 December 2008
7	R2 The Council needs to consider how and when it puts in place a new asset register to ensure that the information is collated in an appropriate format to enable future accounting entries to be determined.	3	Deputy Chief Executive	Yes	The Council's Corporate Asset Management Group will consider the resource implications of developing the Fixed Asset Register and also consider the risks to the accounts, if progress is not made.	Review by 31 December 2008

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# The Audit Commission

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

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