

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 27 SEPTEMBER 2010

Report of the Strategic Director, Shirlene Adam

Executive Summary

This short covering report introduces the Annual Governance report prepared by our external auditors the Audit Commission.

The report, which will be presented by our external auditors, summarised the findings from the 2009/10 audit.

The report has been accepted by officers and is a fair reflection of the audit findings.

1. Background

- 1.1 The Council has received an “unqualified” opinion, subject to satisfactory clearance of outstanding matters on the 2009/10 accounts.
- 1.2 The arrangements for securing the economy, efficiency, and effectiveness in the use of resources received an unqualified opinion.
- 1.3 The preparation and audit of accounts has been particularly challenging this year due to the implementation issues with the SAP system. This has meant significantly more time has been spent by both officers and external auditors on this than normal. This has been necessary to provide sufficient assurance that the internal controls that protect the organisations accounting systems are in place and working.
- 1.4 Significant progress has been made in ensuring the SAP system is working effectively and we are confident that future years accounts preparation and audit will be less resource intensive.

2. Key Messages

- 2.1 There are several issues that have emerged from the audit process that will help us improve our procedures for future years. These are captured in the action plan set out in Appendix 6. The Strategic Director, Shirlene Adam will take responsibility for ensuring this is progressed.
- 2.2 The completed action plans for the Annual Governance Report and the Value for Money Report will be presented to the next meeting of this committee.

3. Financial Issues / Comments

- 3.1 The unadjusted misstatements in Appendix 3 are not of material value.
- 3.2 The additional external audit fee of £15,000 will have to be met from existing approved budgets as part of the budget monitoring process.

4. Legal Comments

- 4.1 There are no legal implications of this report.

5. Links to Corporate Aims

- 5.1 No direct implications.

6. Environmental and Community Safety Implications

- 6.1 No implications.

7. Equalities Impact

- 7.1 No implications.

8. Risk Management

- 8.1 The issues flagged in the action plan will be reviewed and if appropriate, entered in service risk registers.

9. Partnership Implications

- 9.1 The financial services team within Southwest One have worked hard to ensure the accounts preparation and audit went as smoothly as possible. Despite best efforts, there have been some difficulties in terms of working papers, and source documentation not being available.
- 9.2 The Financial Services Manager, Paul Fitzgerald has already put in place significant improvements to processes, and has committed to running a lessons learned exercise in the autumn for all involved in the process (including external audit). This is welcomed and will hopefully allow a more streamlined approach for the audit of 2010/11 accounts.

8. Recommendations

- 8.1 Members are requested to:
- Consider matters raised in the report and take note of the unadjusted misstatements in the Accounts set out in Appendix 3.
 - Approve the letter of representation on behalf of the Council as set out in Appendix 4.
 - Note the action plan as set out in Appendix 5.

Contact Officers:

Shirlene Adam
Strategic Director
01823 356310
s.adam@tauntondeane.gov.uk

Maggie Hammond
Strategic Finance Officer
01823 358698
m.hammond@tauntondeane.gov.uk

Paul Fitzgerald
Financial Services Manager
01823 358680
p.fitzgerald@tauntondeane.gov.uk

Annual Governance Report

Taunton Deane Borough Council

Audit 2009/10

September 2010

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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.
-

Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the responsible Strategic Director on 15 September 2010 and updated it as issues have been resolved.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 10);
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- consider adjusting the errors in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the errors; (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Yours faithfully

Brian Bethell
District Auditor

September 2010

Key messages

This report summarises the findings from the 2009/10 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.

Financial statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	8
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	11

Audit opinion

- 1 I expect to issue an unqualified audit opinion on the financial statements.

Financial statements

- 2 No significant amendments have been made to the financial statements since they were approved by the Corporate Governance Committee on 28 June 2010.

Value for money

- 3 I expect to issue an unqualified conclusion on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Audit fees

- 4 In my Audit Opinion Plan for the 2009/10 audit presented to the Corporate Governance Committee on 24 May 2010 I highlighted the likelihood that our fee previously notified to the Council on 21 April 2009 may need to be increased. This was because of widespread failure to operate key controls in significant financial systems run on the new SAP platform introduced during 2009/10.
- 5 The fee notified to the Council in April 2009 was £105,600 with £74,200 relating to the audit of the statement of accounts. Because of significant additional testing required at audit as a result of systems weaknesses in SAP based systems it has been necessary to increase the fee by £15,000 to £120,600 in total.

Key messages

Independence

- 6 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It 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.

7 I ask the Corporate Governance Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 10);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- consider adjusting the errors in the financial statements I have identified that management has declined to amend or set out the reasons for not amending the errors (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

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

- 8 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 audit report.
-

Errors in the financial statements

Creditors

- 9 Included within the creditors balance, we identified that the amount due to HMRC for March of £350,000 has been incorrectly classified in the supporting notes to the accounts. This has no impact upon the reported revenue outturn.
- 10 Initial testing on April 2010 payments identified items of expenditure amounting to £20,000 which related to 2009/10 which had not been accrued. As a result of this error, additional testing was carried out and from which we conclude that the creditors balance is understated in total by £215,000. This understatement relates to capital expenditure. It has no impact upon the General Fund balance reported in the statements.

Debtors

- 11 My testing of debtors found that a credit balance of £223,000 was included representing the balance on the DWP Housing Benefit Subsidy return. This is in fact repayable to the Department and so should be included in creditors rather than debtors. The impact of this error is that both debtors and creditors are understated by £223,000 but this had no impact upon the reported revenue outturn.
- 12 As part of my review of the debtor balance, I identified two amounts totalling £151,000 that are not now collectable. However, I am satisfied that the provision for doubtful debts is not materially misstated. This has no impact upon the reported revenue outturn.

Income and Expenditure Account

- 13** As a result of a number of duplicate payments during March 2010 the Income and Expenditure Account net cost of services is overstated by £20,000. The General Fund balance is understated by the same amount. Debtors are understated by this amount as the balance does not recognise the repayments due to the Council at 31 March 2010.

Collection Fund

- 14** I reviewed the year end journal postings of the council tax and business rates systems to SAP as part of the accounts audit. It was identified that there were significant differences between the information derived from these systems to that posted into SAP. There was a net difference of £340,000 for business rates and £289,000 for council tax. The Council have been unable to provide an evidenced explanation for these differences and should ensure that in future it maintains a proper audit trail to demonstrate that the systems fully reconcile.

Recommendations	
R1	As part of the year end process the Council should instigate a robust review of its accruals to ensure that expenditure is accounted for in the correct period.
R2	The Council should review its debtor balances to ensure that the amounts included are receivable and whether the amounts should be considered for write off.
R3	Update the master data file for suppliers to remove duplicate entries for the same suppliers.
R4	A proper audit trail should be maintained to demonstrate that the council tax and business rates systems fully reconcile to the general ledger.

Important weaknesses in internal control

- 15** I assessed the controls for each of the financial information systems within SAP. As a result of problems implementing SAP, many of the key controls have not operated effectively for the whole year. Internal audit's work on the key financial systems confirms this view. The systems affected were the general ledger, accounts payable, accounts receivable and fixed assets.
- 16** Consequently I was unable to rely on system controls for my audit assurance. Therefore I carried out a substantive audit testing approach. This involves testing a sample of individual transactions, to gain assurance that the balances in the accounts are not materially misstated.
- 17** In addition I assessed the risk of material misstatement of figures in the accounts resulting from weaknesses in system access controls. These controls were not fully effective throughout 2009/10. However, my substantive testing approach has provided assurance that the accounts are not materially misstated.

Financial statements

- 18 Walkthrough testing carried out on housing benefit, business rate, council tax and rent systems confirmed that the systems have not changed significantly during the year. I am therefore able to rely on controls testing to provide appropriate audit assurance for figures derived from these systems.

Recommendation

- R5** Sufficient system access controls should be operated to identify and address any unauthorised access. Evidence of review of this control should be documented to provide assurance that it is working effectively.

Letter of representation

- 19 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation.

Key areas of judgement and audit risk

- 20 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Following the introduction of the new financial system, SAP, there has been a widespread failure to operate key controls in the system and failures to undertake reconciliations with the feeder systems throughout the year.	To support my opinion, additional substantive testing of year end transactions has been completed. I have not identified any material misstatement of the financial statements.

Accounting practice and financial reporting

- 21 I consider the non-numeric content of your financial reporting. Table 2 contains the issues I want to raise with you.

Table 2

Issue or risk	Finding
Collectability of debtors	<p>As part of my review of the debtor balance, I identified two amounts totalling £151,000 that are not now collectable.</p> <p>However, I am satisfied that the provision for doubtful debts is not materially misstated.</p> <p>This has no impact upon the reported revenue outturn.</p>
Valuer Terms of Reference	My review of the fixed assets, and particularly the valuations determined that there are no formal terms of reference or instructions passed to the valuer.
Limited narrative attached to transactions in SAP provides insufficient assurance to the viewer that the transaction is correctly posted in the accounts.	My work found that there is limited or no narrative attached to a significant number of transactions within SAP. Additional audit time has been spent tracing the source of the transaction and obtaining assurance that the transaction has been correctly recorded.
Loan Authorisation	I was unable to locate supporting documentation for the authorisation of a loan with the Public Works Loan Board (PWLB). Agreement to notification from the PWLB provided assurance that the loan was taken out on behalf of the Council and that it was outstanding at the 31 March 2010.
Related Party Transactions	<p>My review of the registers of interests did not provide us with conclusive evidence that the registers were up to date and complete.</p> <p>I do not have complete assurance that the disclosure for related party transactions is entirely accurate.</p>

Recommendations

- R6** All transactions on the SAP financial systems should contain sufficient narrative to identify the purpose of the transaction, timing and source.
- R7** The arrangements between the Council and the Valuer should be formalised. This is important given the move to IFRS, and the additional work that the Valuer will be instructed to complete in order to assist the Council prepare its accounts under IFRS.
- R8** All loans and investments taken out on behalf of the Council should be supported by appropriate documentation.
- R9** All registers of interest should be kept up to date.

Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. I have based my conclusion on my work on the use of resources judgement.

Value for money conclusion

- 22** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.
- 23** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

Glossary

Annual governance statement

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

Audit closure certificate

25 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 certificate.

Audit opinion

26 On completion of the audit of the accounts, auditors must give their 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;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.
-

Qualified

27 The auditor has some reservations or concerns.

Unqualified

28 The auditor does not have any reservations.

Value for money conclusion

29 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.

Appendix 1 – Independent auditor’s report to Members of Taunton Deane Borough Council

Opinion on the accounting statements

I have audited the Authority and Group accounting statements and related notes of Taunton Deane Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, 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 Taunton Deane Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Responsible Financial Officer (Strategic Director) and auditor

The Responsible Financial Officer’s (Strategic Director) responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group 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 accounting 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 Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group 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 and Group 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 and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group 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 and Group 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 Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- the Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority’s responsibilities

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

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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Taunton Deane Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

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.

Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring these to your attention to aid you in fulfilling your governance responsibilities.

Table 3

		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Creditors - Sundry Creditor/ Govt Depts	HMRC Creditor for March 2010 was incorrectly classified in the supporting note as Sundry Creditor when it should be classified as a Government Department creditor.			350	350
Debtor - DWP Subsidy	A credit balance of £223,000 was incorrectly included in the debtor balance. This is in fact repayable to the Department and so should be included in creditors rather than debtors. The impact of this error is that both debtors and creditors are understated by £223,000 but this had no impact upon the reported revenue outturn.			223	223

Appendix 3 – Unadjusted misstatements in the accounts

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. If you decide not to amend, please tell us why in the representation letter. If you believe the affect 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.

Table 4

Description of error	Accounts affected	Value of error £'000
<p>Duplicate payments</p> <p>As a result of a number of duplicate payments during March 2010 the Income and Expenditure Account, net cost of services, is overstated by £20,000 and the General Fund balance understated by the same amount. Debtors are understated by this amount as the balance does not recognise the repayments due to the Council at 31 March 2010.</p>	<p>Income & Expenditure Account</p> <p>Bank</p> <p>Debtors</p>	20
<p>Allocation of expenditure between financial years.</p> <p>Initial testing on April 2010 payments identified items of expenditure amounting to £20,000 which related to 2009/10 which had not been accrued. As a result of this error, additional testing was carried out and from which I conclude that the creditors balance is understated in total by £215,000.</p> <p>This understatement relates to capital expenditure. It has no impact upon the General Fund balance reported in the statements.</p>	<p>Fixed Asset Additions</p> <p>Creditors</p>	215

Appendix 4 – Draft letter of representation

Brian Bethell
District Auditor
Audit Commission,
Exchange House
12-14 The Crescent,
Taunton TA1 4EB

Taunton Deane Borough Council - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Taunton Deane 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 2010. All representations cover the Group 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 which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

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 note, 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 that subsequent events do not require adjustment to the fair value measurement.

Tone Leisure

I have provided you with all information regarding the relationship with Tone Leisure. There are no assets or liabilities relating to the Council other than those disclosed in the Council's Group Accounts.

Assets

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

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

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note **Rachel** to the financial statements 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, 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 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.

Specific representations:

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

Signed on behalf of Taunton Deane Borough Council

I confirm that the this letter has been discussed and agreed by the Council on 27 September 2010.

Signed

Name

Position

27 September 2010

Appendix 5 – Value for money criteria

KLOE	Met
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes
Strategic asset management	Yes
Workforce	Yes

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2009/10 - Recommendations						
8	R1 As part of the year end process the Council should instigate a robust review of its accruals to ensure that expenditure is accounted for in the correct period.					
8	R2 The Council should review its debtor balances to ensure that the amounts included are receivable, and if the amounts should be considered for write off.					
8	R3 Update the master data file for suppliers to remove duplicate entries for the same suppliers.					
8	R4 A proper audit trail should be maintained to demonstrate that the council tax and business rates systems fully reconcile to the general ledger.					

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R5 Sufficient system access controls should be operated to identify and address any unauthorised access. Evidence of review of this control should be documented to provide assurance that it is working effectively..					
10	R6 All transactions on the SAP financial systems should contain sufficient narrative to identify the purpose of the transaction, timing and source.					
10	R7 The arrangements between the Council and the Valuer should be formalised. This is important given the move to IFRS, and the additional work that the Valuer will be instructed to complete in order to assist the Council prepare its accounts under IFRS.					
10	R8 All loans and investments taken out on behalf of the Council should be supported by appropriate documentation.					
10	R9 All registers of interest should be kept up to date.					

The Audit Commission

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

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

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

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

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

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