

# Annual Governance Report

Eden District Council

Audit 2008/09

September 2009

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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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Ladies and Gentlemen

## **2008/09 Annual Governance Report**

I am pleased to present the final version of my report on the results of my audit work for 2008/09. A draft of the report was discussed and agreed with the Director of Finance on 14 September 2009.

The 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 which are set out in this report (Appendix 2);
- either agree to adjust 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 in your letter of representation to me; (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 5).

Yours faithfully

Karen Murray

District Auditor

14 September 2009

# Key messages

This report summarises the findings from the 2008/09 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 how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

<b>Financial Statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
<b>Use of resources</b>	<b>Results</b>	<b>Page</b>
Use of resources judgements	Yes	11
Arrangements to secure value for money	Yes	11

## Audit opinion

- 1 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 auditor's report.

## Financial statements

- 2 No material errors were found in the statements but some changes had to be made due to other audit considerations. I did identify some errors in the financial statements (other than those of a trivial nature) and reported these to management. Some of these have been corrected in the 2008/09 financial statements and others will be addressed when compiling the 2009/10 accounts. The most significant, other than those referred to in paragraph 3, were that:
  - some of the retirement benefit disclosures were not consistent with the Actuary's report; and
  - a prior period adjustment had been made for pensions liabilities even though the amounts involved were not material. The decision to make a prior period adjustment was therefore not in accordance with Financial Reporting Standard (FRS) 3 - Reporting Financial Performance.

## Key messages

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### Accounting practice and financial reporting

- 3** The accounts were of a generally good standard given that no material errors were identified. However improvements are needed to prevent the errors that were identified within the financial statements and to ensure that the disclosures meet the requirements of CIPFA's Statement of Recommended Practice (SoRP) and Financial Reporting Standards. In particular improvements are needed in the following areas.
- Disclosure of related party transactions.
  - Approval of accounting policies.
  - Quality control of the final draft accounts to prevent typographical, inconsistencies and arithmetical errors.
  - Asset register.
  - Accounting for intangible and tangible fixed assets.

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### VFM conclusion

- 4** The outcome of our Use of Resources (UoR) assessment is contained with a separate report that will be discussed and agreed with the Chief Executive and reported to the Executive. The final report will also be presented to the Accounts and Governance Committee.
- 5** For 2008/09 all areas UoR have been assessed as at least meeting level 2 – meeting the minimum requirements. On this basis 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 the wording of my draft auditor's report.

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# 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.**

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**6** I ask the Accounts and 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);
- agree to adjust 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);
- take note of the VFM Conclusion and Use of Resources scores;
- 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 5).

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# 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.

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## Opinion on the financial statements

- 7 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.

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## Errors in the financial statements

- 8 I identified errors in the financial statements (other than those of a trivial nature) and reported these to management. No material errors were found but some changes had to be made due to other audit considerations.
- 9 Management has agreed to adjust the financial statements for some of the errors identified and these are set out in Appendix 2. Management decided not to amend the accounts for the errors set out in Appendix 3. However, the Director of Finance has agreed to make the necessary amendments when preparing the 2009/10 accounts.
- 10 The most significant errors are summarised in Table 1 together with whether or not they have been adjusted for in the financial statements.

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**Table 1 Summary of most significant errors**

Issue	Finding	Financial statements amended by management?
Accounting Policies	Two changes to accounting policies not disclosed.	Yes
Cash Flow Statement	Restatement of 2007/08 figures not disclosed.	Yes
Related Party Disclosures	Disclosure not consistent with financial reporting requirements and errors in the value and numbers of third parties disclosed.	Yes
Note 34 Retirement benefits	Some of the information contained within the note was not consistent with that provided by Actuary.	Yes

Issue	Finding	Financial statements amended by management?
Balance Sheet – Pensions Liability	A prior period adjustment was made despite the amounts involved not being material.	No
Balance Sheet – Intangible and Tangible Fixed errors	Various errors were identified that resulted in the mis-classification of assets or the under or over statement of depreciation, impairments and revaluations.	No

11 Any improvements that are required to the Council's accounting practice and financial reporting arrangements are considered below.

### Accounting practice and financial reporting

12 I consider the qualitative aspects of your accounting practice and financial reporting. Table 2 contains the issues I want to raise with you.

**Table 2 Improvements required to accounting practice and financial reporting**

A number of improvements are required

Issue	Finding
Related party transactions	<p>Disclosures were not sufficient to meet the requirements of Financial Reporting Standards and contained errors in some values and numbers of third parties. However the disclosures did follow the example provided in the SoRP guidance notes.</p> <p>Two further issues were identified.</p> <ul style="list-style-type: none"> <li>• The disclosures made of interests in related parties need to disclose the nature of the individual's involvement in the related party and whether they are in a position of influence.</li> <li>• The record of member disclosures on the Council's website, which is referred to in the financial statements, is currently only maintained for current councillors. It needs to include any councillors who were members during the financial period in question but who may not be at the time the accounts are prepared and adopted.</li> </ul>

## Financial statements

Issue	Finding
Approval of accounting policies	<p>Whilst the Director of Finance undertakes an annual review of the accounting policies to be applied in compiling the annual statement of accounts, this has not been reported to the Accounts and Governance Committee for approval.</p> <p>Consideration by, and the approval of, the Committee is important particularly where there have been changes in accounting policies. This year, there have been changes relating to the Pension (FRS17) and Cash Flow statement disclosures.</p>
Consistency and arithmetic errors	<p>The statements contained a number of arithmetic and consistency errors. Some of these were as a result of typographical errors.</p>
Asset Register format no longer appropriate	<p>The Vehicles, Plant and Equipment Asset Register does not allow for the identification of individual assets and the transactions relating to them. We raised this issue last year.</p> <p>The asset register software that is going to be used is being purchased in 2009 for use in compiling the 2009/10 accounts.</p>
Intangible and tangible fixed assets	<p>Various errors were identified that resulted in the mis-classification of assets or the under or over statement of depreciation, impairment and revaluation. The compilation of the new asset register will provide the opportunity to ensure that assets are properly classified and their value and any depreciation is being calculated correctly.</p>

**13** The key recommendations are shown below and summarised in the Action Plan at Appendix 5. More detail is shown in Appendix 3. We have also discussed our findings with the Director of Finance and the Financial Services Manager and will discuss any necessary improvements to the future audit process in early November 2009.

Recommendations	
<b>R1</b>	Members and officers should be asked to disclose the nature of their involvement in related parties so that the extent of their influence in such bodies can be assessed and disclosed appropriately.
<b>R2</b>	The record of member disclosures on the Council's website, that is referred to in the financial statements, needs to include any councillors who were members during the financial period in question but who may not be at the time the accounts are prepared and adopted. Alternatively, full disclosure must be made within the financial statements.

**Recommendations**

- R3** The Accounts and Governance Committee should review the Accounting Policies (including any proposed or required changes) and approve them prior to the compilation of the Annual Statement of Accounts.
- R4** More robust arrangements need to be put in place to ensure that the accounts presented for audit have been checked for typographical, arithmetic and consistency errors.
- R5** The new Asset Register should be introduced to provide the necessary records and evidence to underpin the fixed asset entries in the 2009/10 and future year's accounts.
- R6** The compilation of the new asset register should be used as an opportunity to ensure that assets are properly classified and their value and any depreciation is being calculated correctly.

**Letter of representation**

**14** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains a draft letter of representation I seek to obtain from you. I am not seeking any specific disclosures from you other than those that are standard.

**Key areas of judgement and audit risk**

**15** In planning my audit, as set out in the Opinion Audit Plan that I provided to you, I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 3.

**Table 3 Key areas of judgement and audit risk**

Issue or risk	Finding
Accounting for the Penrith New Squares and Frenchfield Developments is complex, particularly as a result of the impact of the economic downturn.	Entries in the Statement of Accounts are appropriate and are supported by the necessary evidence.
Impact of the economic downturn on the value of the Council's assets.	The Valuer is properly instructed, and is appropriately qualified. Valuations differ from those of our own valuers but are consistent with local knowledge.

## Financial statements

Issue or risk	Finding
Changes to the Council's Governance arrangements both during 2008/09 and after the financial year end may not be properly reported in the Council's Annual Governance Statement.	The Annual Governance Statement properly reflects the changes in the arrangements that have been made to the Governance framework.

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## Acknowledgements

- 16** I would like to take this opportunity to thank the Director of Finance, the Financial Services Manager and all of the other officers who have provided support and assistance to me and my staff during the course of the audit.

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# Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

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

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## Use of resources judgements

- 17 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 18 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 19 The outcome of our Use of Resources assessment is contained with a separate report that will be discussed and agreed with the Chief Executive and reported to the Executive. The final report will also be presented to the Accounts and Governance Committee.

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## Value for money conclusion

- 20 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 21 For 2008/09 all areas have been assessed as at least meeting level 2 – meeting the minimum requirements. On this basis 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 the wording of my draft report.

# Appendix 1 – Independent auditor’s report to Members of Eden District Council

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## Independent auditor’s report to the Members of Eden District Council

### Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Eden District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of 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 (*name of authority*) 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 prepared by the Audit Commission.

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### Respective responsibilities of the Director of Finance and auditor

The Director of Finance’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 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 accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 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 only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information. I am not required to consider, nor have I considered, information regarding future projections included with the statement of accounts.

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### 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 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 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 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.

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### Opinion

In my opinion the Council’s financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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

#### **Council’s Responsibilities**

The Council 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 Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council’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 February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Eden District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

**Certificate**

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

Karen Murray

District Auditor

Audit Commission .....

September 2009

# Appendix 2 – Adjusted amendments to the accounts

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

**Table 4**

Item of account	Nature of error	What was the reporting consequence of amendment?
Explanatory Foreword	Some rewording to provide necessary clarification regarding impact of Penrith New Squares.	Improved clarity and consistency with the Statement of Accounts.
Accounting policies	The accounting policies were amended to show that there had been two changes to the accounting policies regarding Pensions (FRS 17) and Cash Flow statement disclosures. Whilst these had not been disclosed in the Accounting Policies that relating to pensions was disclosed in both the explanatory foreword and a note to the accounts.	To provide clarity to the reader of the accounts as to the accounting policies that had been applied in the compilation of the accounts and highlighting changes in accounting policies to those applied in previous years.
Cash Flow Statement	As a result of the change in accounting policy referred to above some of the 2007/08 figures in the cash flow statement had been restated in accordance with the SORP Guidance. The Cash Flow Statement did not however explain to the reader that the figures had been restated. The Cash Flow statement was amended to clarify this.	To provide clarity that the 2007/08 comparative figures had been restated.

## Appendix 2 – Adjusted amendments to the accounts

Item of account	Nature of error	What was the reporting consequence of amendment?
Note 10 Related party disclosures	<p>The related party disclosures note was expanded to provide the information that is required by FRS8 for significant payments to related parties.</p> <p>Errors were also found in both the value and numbers of related parties that were disclosed.</p>	To provide the necessary clarity for significant payments to related parties and to ensure its accuracy.
Note 18 Basis of Valuation of Fixed Assets	<p>One category of asset was omitted in error from the Table contained within the note that explains the basis of valuation used. This was added.</p> <p>Four categories were also missing from the table detailing the Council's programme of valuation. These were added.</p>	To provide the necessary information in support of the accounts and in compliance with the SORP.
Note 23 Debtors	All payments in advance were included within the "other debtors" line of the note. However these incorrectly included a payment in advance of £7,000 to a local authority. The note was amended to include this payment in advance within the "other local authorities".	To ensure that "other local authorities" payments in advance were disclosed correctly.
Note 27 Financial Instruments	The settlement of debtors section was amended as the debt disclosed as past its due date was understated by £33,000. This was identified because of inconsistencies within the note.	To ensure that the level of debt disclosed as past its due date is accurate and consistent with other figures within the note.
Note 34 Retirement benefits	A number of changes were required to the note to ensure that the information contained in the actuary's FRS17 return was correctly reflected in Note 34.	To ensure that Note 34 provided an accurate reflection of the information provided by the Actuary.

## Appendix 2 – Adjusted amendments to the accounts

<b>Item of account</b>	<b>Nature of error</b>	<b>What was the reporting consequence of amendment?</b>
Collection Fund Note 1	The financial information contained within paragraph 2 of the note had not been updated for the figures for 2008/09.	Provided the correct financial information for 2008/09.
Annual Governance Statement	A number of amendments were made to ensure consistency with our understanding of the governance arrangements.	Improved clarity of Annual Governance Statement.

# Appendix 3 – Unadjusted misstatements in the accounts

The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities as you must consider whether you are content with management's view that the accounts do not require amendment. If you decide not to amend the accounts, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

**Table 5**

Item of account	Nature of error	Action required if accounts not amended
Explanatory Foreword	The Foreword contains financial projections regarding the impact of the economic downturn on future interest rates on which we are unable to comment.	The auditor's report has been amended to clarify that I am not required to consider, nor have I considered, information regarding future projections included with the statement of accounts.
Balance Sheet - Intangible Fixed Assets	The Council's Accounting Policies state that intangible assets will normally include purchased software. No intangible assets are shown on the balance sheet or the notes to the accounts. Our testing of Tangible Fixed Assets identified software licences relating to an upgrade of an IT system with a value of £19,500.	During 2009/10 the Financial Services Manager needs to review the Asset Register and identify any intangible fixed assets, such as software licences, and ensure that these are disclosed correctly in the 2009/10 Statement of Accounts.

## Appendix 3 – Unadjusted misstatements in the accounts

Item of account	Nature of error	Action required if accounts not amended
Balance Sheet – Tangible Fixed Assets – Other land and buildings	There were incorrect asset lives and incorrect formulas contained within the asset register resulting in the value of land and building being overstated by £191,000.	During 2009/10, and with the implementation of the new Asset Register, the Financial Services Manager must ensure that assets lives are correct and that the formula used in any automated calculation is correct.
Balance Sheet – infrastructure assets	Infrastructure assets have not been depreciated. Whilst this may be correct we will require more detailed supporting evidence in future years to support this accounting treatment	The Financial Services Manager needs to review infrastructure assets and ensure that depreciation is charged where appropriate in 2009/10 and future years.
Balance sheet – Community Assets	Community assets includes the Chapel at the Cemetery, with a value of £221,000. This is an operational asset and, as such, should be classed as “Other land and buildings”.	The Financial Services Manager needs to review the Community Assets and ensure that operational assets, such as the Cemetery Chapel, are classified correctly.
Balance Sheet – Vehicles, Plant and Equipment	Depreciation of vehicles, plant and equipment is understated by a net £15,344 due to errors in its calculation. This error reflects five assets that should have been fully depreciated by 31 March 2009 but have not and three assets that have been over depreciated.	The Financial Services Manager needs to review the approach taken to depreciate assets and ensure that depreciation is being calculated correctly.

### Appendix 3 – Unadjusted misstatements in the accounts

Item of account	Nature of error	Action required if accounts not amended
Balance Sheet – pensions Liability	<p>Under the 2008 SORP the Council has adopted the amendment to FRS17 retirement benefits. This is a change in accounting policy as quoted securities held as assets in the defined benefit pension scheme are now valued at bid price, rather than mid-market value. As a result a prior period adjustment was made resulting in a number of changes to 2007/08 figures, the largest being a £46,000 increase in the pension fund deficit shown on the Balance Sheet.</p> <p>A prior period adjustment should not have been made as the value of the change is not material.</p>	<p>Prior period adjustments must only be made when they comply with the criteria set out in the Financial Reporting Standards. Given their significance they should also be reported to the Accounts and Governance Committee for consideration and approval.</p>
Note 18 Basis of Valuation of Fixed Assets	<p>The disclosure of the timing of valuations of other land and buildings did not reflect the valuations that have taken place since that last full revaluation, other than those undertaken in 2008/09.</p>	<p>For 2009/10 and future years ensure that the timing of valuations of other land and buildings reflect the valuations that have taken place.</p>
Note 23 Debtors	<p>The sundry debtors provision had been reduced by £29,000 but no explanation was provided as to why this had been done.</p>	<p>Ensure that the calculation of provisions are fully documented.</p>

# Appendix 4 – Draft letter of representation

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To:  
Karen Murray  
District Auditor  
Audit Commission  
2<sup>nd</sup> Floor Aspinall House  
Middlebrook  
Bolton  
BL6 6QQ

## **Eden District Council - Audit for the year ended 31 March 2009**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Eden District Council, the following representations given to you in connection with your audit of the *Council's* financial statements for the year/period ended 31 March 2009. 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* which *present fairly* the financial position and financial performance of the *Council*] and for making accurate representations to you.

## **Uncorrected misstatements**

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the *Council* and the reasons for not correcting these items are as follows.

- Reason 1 etc.
- Reason 2

### 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.

### Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

### 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 financials 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, in particular, the fair value of assets and liabilities.

## Appendix 4 – Draft letter of representation

### 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.
- Assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

### 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 other than that which has now been made regarding the action taken against the lead developer of Penrith New Squares.

Signed on behalf of *Eden District Council*

I confirm that this letter has been discussed and agreed by the Accounts and Governance Committee, on behalf of the Council, on 24 September 2009.

Signed

Name: David Rawsthorn

Position: Director of Finance

Date

# Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R1 Members and officers should be asked to disclose the nature of their involvement in related parties so that the extent of their influence in such bodies can be assessed and disclosed appropriately.	3	Director of Finance	Yes	The approach to be adopted for 2009/10 will be considered and determined, in consultation with the Director of Corporate and Legal Services.	October 2009
9	R2 The record of member disclosures on the Council's website, that is referred to in the financial statements, needs to include any councillors who were members during the financial period in question but who may not be at the time the accounts are prepared and adopted. Alternatively, full disclosure must be made within the financial statements.	3	Director of Finance	Yes	The approach to be adopted for 2009/10 will be considered and determined, in consultation with the Director of Corporate and Legal Services.	March 2010
9	R3 The Accounts and Governance Committee should review the Accounting Policies (including any proposed or required changes) and approve them prior to the compilation of the Annual Statement of Accounts.	3	Financial Services Manager	Yes	Will be put in place prior to the production of the 2009/10 accounts.	March 2010
9	R4 More robust arrangements need to be put in place to ensure that the accounts presented for audit have been checked for typographical, arithmetic and consistency errors.	3	Financial Services Manager	Yes	Will be put in place prior to the production of the 2009/10 accounts.	May 2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R5 The new Asset Register should be introduced to provide the necessary records and evidence to underpin the fixed asset entries in the 2009/10 and future year's accounts.	3	Financial Services Manager	Yes	Will be put in place prior to the production of the 2009/10 accounts.	March 2010
9	R6 The compilation of the new asset register should be used as an opportunity to ensure that assets are properly classified and their value and any depreciation is being calculated correctly.	3	Financial Services Manager	Yes	Will be put in place prior to the production of the 2009/10 accounts.	March 2010

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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.

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.

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