

Annual Governance Report

September 2007



Annual Governance Report

South Norfolk Council

Audit 2006/07

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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.

Copies of this report

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Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance, in this case the Accounts & Audit Committee.
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
 - where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 2.
- 4 An interim report was presented to the Accounts & Audit Committee on 19 September 2007. This further report provides additional detail and finalises matters for the Committee's information prior to the issue of my audit opinion on the financial statements. A response is not required.
- 5 Our work during the year was performed in line with the plan that we confirmed with the Council in 2006. We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 3.

Key messages

- 6 Our work on the financial statements is substantially complete. We propose issuing an unqualified opinion by 28 September 2007 (a draft report is attached at Appendix 4).
- 7 In our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 8 Our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is substantially complete. We propose issuing a qualified conclusion on the use of resources by 28 September 2007.

Audit status

- 9 At the date of issue of this report our detailed audit is substantially complete.
- 10 The Council has taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation to your officers for their assistance and co-operation.

Accounts and Statement on Internal Control

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

Unadjusted misstatements

- 15 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial.
- 16 There is an unexplained credit balance of £185k in the balance sheet. This balance arose as a result of the reconciliation difficulties referred to in paragraph 27. The nature of the balance is unclear and it is also uncertain how much of the balance relates to the Council and how much to the Central Norfolk Consultancy (CNC).
- 17 We have considered the possibility that this balance represents the net impact of material errors. However we have satisfied ourselves that this risk is remote on the basis of assurance gained from the rest of our audit work and we have therefore concluded we are able to issue an unqualified opinion. Officers have taken steps to ensure that this situation will not recur in the 2007/08 financial statements.
- 18 There are no other unadjusted misstatements for us to bring to the attention of members.

Adjustments to the financial statements

- 19 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. These are recorded in full at Appendix 6 but we provide an analysis of the most significant items below for your attention.
- Short term investments were understated by £4m as a result of long term investments with maturity dates falling within a year not being reclassified as short term investments.
 - Cash and creditor balances were both understated by £524k due to errors in the consolidation of CNC.
 - The gain on disposal of fixed assets was overstated by £351k. Housing grant income was accounted for within the gain on disposal of fixed assets rather than unapplied government grants. It is not appropriate to include it in the calculation of gains/losses on disposals because the grant was not attributable to individual fixed assets. The appropriate treatment of this grant income is still the subject of discussion between officers and the audit team.
 - Gross expenditure and gross income in the income and expenditure account were overstated by £1.9m as not all internal recharges of income and expenditure were removed when preparing this statement.

Accounting practices

- 20 We are also required to report to you our view on the qualitative aspects of the Council's accounting practices and financial reporting and have set out below our observations on key issues affecting the Council.

Working papers/capacity

- 21 In our 2005/06 report to those charged with governance we highlighted the need to improve the quality of working papers to support the financial statements and expressed concern that the Council would experience problems with the production of the 2006/07 accounts.
- 22 We recognise that officers have undertaken work in this area to improve the quality of working papers, however there remains further scope for improvement. In particular there is a need to support working papers with more substantial evidence or clear cross references to where such evidence can be found. Providing supporting evidence will reduce the impact of the audit on the finance team and lead to a more efficient audit.
- 23 We are pleased to note that further resources are to be added to the financial accounts team. It will also be important to ensure, in future years, that officers responsible for the preparation of the accounts are available for the duration of our audit visit.

Building control partnership

- 24 One sided accounting entries between the Council and CNC have caused many of the difficulties faced by the financial services team and our audit team over the last couple of years. This was again the case in 2006/07 as described in paragraph 26 below. CNC is currently administered as a cost centre within the Council's main accounting system. We recommend that CNC be administered as a separate entity either within Integra or on another accounting software package to remove the possibility of one sided entries between the two organisations. The intercompany balances between the two organisations should then be reconciled monthly.

Year end accruals process

- 25 We estimate that the deficit for the year in the income and expenditure account was overstated by £175k. While the year end process used to identify accruals was generally sound we found errors in the estimates used when compared with actual data.

Recommendations
<i>R1 Audit working papers should be cross referenced to and supported by third party evidence wherever possible.</i>
<i>R2 Monitor accruals estimates for accuracy when actual costs are known.</i>
<i>R3 Administer the accounts of CNC as a separate entity in Integra or on another accounting package. Reconcile intercompany balances monthly.</i>

Systems of internal control

- 26 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified. We identified the following significant weaknesses in systems of accounting and financial control which we should report to you.

Reconciliation controls

- 27 Although there has been some progress in the income reconciliation there are still several issues surrounding reconciliation controls which are yet to be resolved.
- The unexplained £50k difference in the Council's income bank reconciliation that we reported on in our 2005/06 Annual Governance Report remains in the balance sheet.
 - We identified four different figures for Council tax payer debtors ranging from £1,401k to £1,381k. There was no reconciliation between the different figures. There were similar problems with NNDR debtors, the Giro Bank account and Council tax creditors.
 - The interface between the income system and the general ledger has still not been corrected. Large suspense account balances are built up during the year that are only reconciled at the end of the year. This led to an unexplained credit balance of £275k in the accounts approved by the Council.
 - One sided entries between the Council and CNC still occur. During the year this leads to an imbalance in the accounts of the Council. The imbalance is only addressed at the end of the year. This led to another unexplained credit balance in the balance sheet of £285k in the accounts approved by the Council.
- 28 In response to audit queries, officers investigated these two last two balances further and have made progress in reconciliation. However, as noted in paragraph 16, there remains an unexplained credit of £185k.

Journals

- 29 Ledger adjustment forms used to document journals still often have insufficient narrative to explain the nature or calculation of the journal. In order to ensure that we can verify the validity of journals it is essential that they have adequate explanation, transaction narrative and where necessary supporting documentation so that they can be easily understood and an adequate audit trail is maintained. Alternatively they can be cross referenced to supporting information.
- 30 This issue was also raised in our Annual Governance Report on the 2005/06 financial statements and in our final report on the 2004/05 financial statements.

Recommendations
<i>R4 Address the Spectrum/Integra interface to minimise suspense account entries.</i>
<i>R5 Reconcile suspense accounts daily or weekly to avoid the accumulation of unexplained differences at the year end.</i>
<i>R6 Reconcile and clear any imbalances in the accounts of the Council and CNC on a daily basis.</i>
<i>R7 Continue to improve the audit trail from journal forms to supporting documentation.</i>

- 31** We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.
- 32** We have also reviewed whether the SIC has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no matters arising.

Use of resources

Work performed

- 33 The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources - the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission. Our work to support our conclusion included the following elements:
- use of resources assessment;
 - data quality work, and
 - the best value performance plan.
- 34 Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 7.
- 35 We have issued a qualified conclusion in respect of criteria 5 (arrangements to maintain a sound system of internal control) as:
- the Council cannot demonstrate it has adequate arrangements in place to ensure that it has a sound system of internal financial control given the ongoing issues noted in paragraphs 27 to 29; and
 - at 31 March 2007 procedure notes/manuals were not in place for key financial systems. Procedure notes should be written to cover the reconciliation of intercompany balances between the Council and CNC and the elimination of suspense account balances.

Use of resources assessment

- 36 We are currently finalising our work arising from our use of resources assessment. When completed, we will discuss this with the relevant officers.

Data quality work

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

Best value performance plan

- 38 Our work in respect of the Council's 2006/07 best value performance plan (BVPP) was reported to the Council in December 2006. No recommendations were made to the Audit Commission or the Secretary of State.

Audit fee update

- 39 We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan.

Table 1

	Plan 2006/07	Actual 2006/07
Accounts and Statement on Internal Control	£62,500	£67,500 (to date)
Use of Resources	£30,000	£30,000
Total Audit Fees	£92,500	£97,500
Grants certification work	£36,000	Ongoing work

- 40 The analysis above shows that our audit fee was increased, in agreement with your officers, after re-assessing the time expected to be required for our 2006/07 accounts audit following completion of our 2005/06 work. There may be a need for us to charge further additional fees given the issues that have arisen during the audit as described above. We will liaise with the Head of Finance in this event. The actual fees for our inspection work will be reported in our Annual Audit and Inspection Letter.

Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated implementation date
9	R1 Audit working papers should be cross referenced to and supported by third party evidence wherever possible.	2	Principal Accountant	Yes	Further improvements will be made.	2007/08 Statements - June 2008
9	R2 Monitor accruals estimates for accuracy when actual costs are known.	1	Principal Accountant	Yes	Further improvements will be made.	2007/08 Statements - June 2008
9	R3 Administer the accounts of CNC as a separate entity in Integra or on another accounting package. Reconcile intercompany balances monthly.	3	Principal Accountant	Yes	Integra upgrade to go live 1 April 2008.	2008/09 Statements - June 2009
10	R4 Address the Spectrum/Integra interface to minimise suspense account entries.	3	Head of Finance and Property	Yes	Project to review Spectrum has been launched.	Short term improvements October 2007. Permanent solution March 2009.

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated implementation date
10	R5 Reconcile suspense accounts daily or weekly to avoid the accumulation of unexplained differences at the year end.	3	Senior Management Accountant	Yes		31 December 2007
10	R6 Reconcile and clear any imbalances in the accounts of the Council and CNC on a daily basis.	3	Management Accountant	Yes	CNC will be proven as being in balance on a monthly basis from 1 October 2007.	1 October 2007.
10	R7 Continue to improve the audit trail from journal forms to supporting documentation.	2	Principal Accountant	Yes	These have improved but acknowledge there is more to do.	2007/08 Statements - June 2008.

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

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

Appendix 3 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	March 2006	March 2006	Management
Annual governance report	September 2007	September 2007	Accounts and Audit Committee
Opinion on financial statements	September 2007	September 2007	Accounts and Audit Committee
VFM conclusion	September 2007	September 2007	Accounts and Audit Committee
Final accounts memorandum	October 2007		Management
BVPP report	31 December 2006	20 December 2006	Council
Annual audit letter	March 2008		Council

Appendix 4 – Proposed Auditor's Report

Independent auditor's report to the Members of South Norfolk Council

Opinion on the financial statements

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

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

Respective responsibilities of the Chief Finance Officer and auditors

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

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

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

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

Basis of audit opinion

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

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

Opinion

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

Andy Perrin
District Auditor

Audit Commission
1st Floor
Sheffield House
Lytton Way
off Gates Way
Stevenage,
Herts.
SG1 3HB

September 2007

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

Authority's responsibilities

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

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

Auditor's responsibilities

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

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

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

Qualified 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, South Norfolk Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007 except that it did not put in place arrangements to maintain a sound system of internal control.

Best value performance plan

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

Certificate

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

Andy Perrin
District Auditor

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September 2007

Appendix 5 – Management representation letter

Mr A Perrin
District Auditor
The Audit Commission
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Lytton Way
Stevenage
Herts SG1 3HG

South Norfolk Council - Audit for the year ended 31 March 2007

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

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.

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.

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 members' meetings, have been made available to you.

Related party transactions

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

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

Contingent liabilities

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

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- 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.

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.

Assets

The following have been properly recorded and when 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.

Irregularities

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

There have been no:

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

Post balance sheet events

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

Compensating arrangements

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

Signed on behalf of South Norfolk Council

Signed

Name

Position

Date

Appendix 6 – Summary of adjusted misstatements

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

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Description of misstatement					
Dr Short Term Investments Cr Long Term Investments	Short term investments were incorrectly misclassified as long term.			4,000	4,000
Dr Cash Cr Creditors	The Council's share of CNC's assets and liabilities were incorrectly consolidated.			524	524
Dr Gain on disposal of assets Cr Government grants unapplied Dr Capital financing account Cr Statement of movement on the general fund balance	Capital grant income was incorrectly classified as proceeds from the sale of fixed assets	351	351	351	351

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		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Dr Government Departments debtor Cr Sundry debtors	A VAT debtor was incorrectly classified as a sundry debtor.			200	200
Dr Debtors Cr Creditors	A debit balance due from Saffron Housing Trust was included within creditors understating other local authority creditors and debtors.			125	125
Dr Cash Dr Sundry debtors Cr Sundry creditors Cr Bank overdraft Cr CNC Intercompany	Entries required to reduce the unexplained credits of £275k and £285k to remaining unexplained credit of £185k.			285 275	187 57 316
Dr Housing gross income Cr Gross expenditure - other service areas	Remove internal recharges from income and expenditure.	1,858	1,858		

Appendix 7 – Value for money conclusion

- 1 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources.
- 2 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Authority has adequate arrangements in place for the purposes of the Code criteria.

Code criteria	Description	VFM conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	Inadequate
6	The body has put in place arrangements to manage its significant business risks.	Adequate
7	The body has put in place arrangements to manage and improve value for money.	Adequate

Code criteria	Description	VFM conclusion
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Adequate
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Adequate
10	The body has put in place arrangements for managing performance against budgets.	Adequate
11	The body has put in place arrangements for the management of its asset base.	Adequate
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Adequate