

Annual Governance Report

Suffolk County 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.
-

Ladies and Gentlemen

2008/09 Annual Governance Report

I am pleased to present the report on the results of my audit work at Suffolk County Council for 2008/09.

A draft of the report was discussed and agreed with the Head of Strategic Finance on 17th September 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider based on my work and before I complete the audit. This report has been prepared in advance of the Council's Statement of Accounts Sub-Committee on 30 September 2009. I have now completed my audit and the report sets out the matters which have arisen. I plan to issue my financial statements opinion, value for money conclusion and audit closure certificate before 30 September 2009.

It asks you to:

- consider the matters raised in the report regarding the financial statements (pages 7 to 10);
- take note of the adjustments to the financial statements identified which are set out in this report (Appendix 2);
- agree to adjust the error in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the error; (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

Neil A Harris
District Auditor
30th September 2009

Key messages

This report summarises the findings from the 2008/09 audit which is complete. It includes the messages arising from my audit of your financial statements and the conclusions drawn from the work I have undertaken to assess how well you use and manage your resources and how those impact on my VFM conclusion

Financial Statements	Results	Page
Unqualified audit opinion	Yes	7-10
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	8
Use of resources	Results	Page
Use of resources judgements	Yes	11
Arrangements to secure value for money	Yes	11

Audit opinion

- 1 Subject to the satisfactory conclusion of our work, I plan to issue an unmodified auditor's report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft auditor's report.

Financial statements

- 2 My audit of the financial statements, which incorporate the Pension Fund Accounts, is complete. Those areas where work was yet to be concluded (fixed assets, debtors, creditors, government grants deferred, reserves and revenue income and expenditure) have now been finalised.
- 3 The financial statements submitted for audit were complete. The statements contained some errors; however none of those identified by our work to date are either material or significant. The Council's management have agreed to all amendments that we have recommended other than an adjustment to correct an impairment reversal, which is not material. Details of the adjusted and non-adjusted items are shown in Appendices 2 and 3.

Key messages

- 4 The arrangements for the closure of accounts and production of the financial statements continue to be robust and have been enhanced further this year. Improvements have been made to the disclosures within the financial statements. As a result, the financial statements remain of good quality, with improved clarity from the perspective of the user.
- 5 My audit team were provided with a good set of well structured working papers that enabled us to progress our audit efficiently. My audit team, the Authority's finance team and the team at CSD have developed a good working relationship which to date has ensured that only minor delays have been experienced in officers providing responses to our audit queries.

Use of resources

- 6 I have now completed my 2008/09 use of resources scored judgements for both Suffolk County Council and Suffolk Fire and Rescue Service across three assessment themes of managing finances, governing the business and managing resources.
- 7 We have shared our scores with the Council and Fire Service prior to and following the Audit Commission's national quality assurance process. We are having further discussions with officers on our findings prior to both the Council and Fire Service receiving their organisational assessment scores, including use of resources assessments, on 19th October 2009. We will provide more detailed use of resources reports that will be issued to the Council and Fire Service in November 2009.
- 8 I am satisfied that the use of resources assessments undertaken have not identified any areas of concern that impact on my responsibility to conclude on the Council's arrangements to secure economy, efficiency and effectiveness, which is now aligned with the use of resources assessment. As a result, I propose issuing an unqualified opinion value for money conclusion.

Audit Fees

- 9 In December 2008 I re-visited the risk assessment relating to the 2008/09 audit, and as detailed in our supplementary fee letter no additional fee was proposed at that time. I am not anticipating any additional audit fees to reflect the work required to complete our 2008/09 audit but will revisit this prior to issuing my financial statements opinion, value for money conclusion and audit closure certificate.

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.

10 I ask the Statement of Accounts Sub-Committee to:

- consider the matters raised in the report regarding 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 my proposed VFM Conclusion;
- 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).

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

11 My audit of the financial statements, which incorporate the Pension Fund Accounts, is complete. I plan to issue audit reports including unqualified opinions on the financial statements, including the pension fund accounts, and the Pension Fund Annual Report. Appendix 1 contains a copy of my draft audit report on the financial statements.

Errors in the financial statements

12 We have identified four immaterial errors in the financial statements in our work and reported these to management. Management have agreed to adjust for three amendments that we have recommended, but not to adjust to correct an impairment reversal, which is not material. Details of the adjusted and non-adjusted items are shown in Appendices 2 and 3, and these are further detailed below.

Suffolk County Council

13 Maintenance expenditure of £1.436m relating to the schools broadband contract does not meet the definition of capital expenditure and should be written off to the Income and Expenditure Account in the year it is incurred.

14 There is no requirement to depreciate land. However, an adjustment within the revaluation reserve and capital adjustment account for depreciation on the revalued element of property assets has been overstated by £4.986m, as it incorrectly incorporated depreciation for the land element of those assets.

15 In 2007/08, the impairment of an asset was correctly charged to the Income and Expenditure Account. When the impairment was reversed in the current year, the amount of that reversal taken to the Income and Expenditure Account exceeded the original charge by £234k. The excess amount should have been credited to the Revaluation Reserve. Management have declined to adjust for this error within the Financial Statements as it is not material. We have therefore noted this matter as an unadjusted item in Appendix 3.

Suffolk County Local Government Pension Scheme

- 16** Investments in property unit trusts, for both number 1 and number 2 pension funds, were valued incorrectly on the basis of mid-market price, instead of bid price as required by the SoRP. This resulted in the net assets of both funds being over-stated, by £2,008k and £35k respectively. The accounts have been amended to correct this error.

Recommendation

- R1** Review expenditure incurred and capitalised during the year to ensure that it meets the definition of capital expenditure provided within the Statement of Recommended Practice (SoRP).

Material weaknesses in internal control

- 17** We have not identified any weakness in the design or operation of internal controls that might result in a material error in your financial statements.

Letter of representation

- 18** 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 4 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

- 19** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>The Council is implementing a number of major procurement projects including:</p> <ul style="list-style-type: none"> ● Building Schools for the Future ● Residential accommodation ● Waste - interim and long term solutions ● Fire PFI ● Public Service Village at Bury St Edmunds ● The Waveney Campus Project 	<p>We monitored the Council's major procurement projects and where relevant their accounting treatment as disclosed within the financial statements. No `PFI 'accounting view' considerations were required during 2008/09.</p> <p>Assessment completed. No issues to report.</p>

Financial statements

Issue or risk	Finding
<p>Implementation of the 'Securing the Future' savings programme. From 1 April 2008, this resulted in new organisational structures, including a new Strategic Centre and specialist support functions.</p>	<p>We monitored progress on implementation of the 'Securing the Future' programme through regular liaison meetings with key officers.</p> <p>No issues to report.</p>
<p>The Council's internal financial control environment will be subject to significant change through the forthcoming Oracle 12 upgrade to the general ledger system. The maintenance of key financial systems and reconciliations during the transitional period represents a significant risk.</p>	<p>As part of our pre-statements work we have reviewed key reconciliations to ensure that they are up to date, have been performed on a regular basis and have been subject to independent review and sign off.</p> <p>This work identified that control procedures did not operate effectively between August 2008 and March 2009 due to problems arising from the Oracle 12 upgrade process which impacted on the timeliness of control accounts reconciliations. In addition, changes to journal procedures combined with a revised coding structure resulted in a high number of journal input errors.</p> <p>Officers have worked to bring control procedures up to date and our post statements work has included testing of journals and reconciliations. This work has concluded that control procedures have been brought up to date and were operating effectively at the financial year end</p>

Accounting practice and financial reporting

20 I consider the qualitative aspects of your financial reporting. The issues identified are detailed below.

Suffolk County Council

- 21** Unapplied Government Grants and Capital Contributions totalling £24.510m have been aggregated with applied grants within the financial statements. This is not compliant with the SoRP, which states unapplied capital grants and applied grants being deferred should be disclosed separately on the face of the balance sheet.
- 22** The Council is required to obtain the fair values of its financial instruments for disclosure within the notes to the financial statements. This valuation process is undertaken on behalf of Suffolk County Council by the appointed financial advisor, Sector. The valuation exercise undertaken covered loans obtained from the Public Works Loan Board (PWLB), who provide their own fair valuation of all outstanding loans at the year end to the Council. The financial statements reflect the Sector report fair values of the PWLB loans at £141,287,595. PWLB placed a fair value on these loans at the year end at £146,629,459, the difference being £5,341,864. The reason for the differing valuations was not investigated by the Council.

Suffolk County Local Government Pension Scheme

- 23** The balances of cash temporarily lent to, or borrowed from, the Council by the Pension Fund are derived from calculations carried out at the financial year end which are based on transactions occurring during the year. Separate records have to be maintained on a daily basis of these inter LGPS/County Council transactions, as at present the Pension Fund does not have a separate bank account. However, officers have not been able to reconcile the year end balances produced by these separate records to those appearing in the financial statements of the County Council and Pension Fund. Procedures implemented to record and monitor inter LGPS/County Council transactions need to be strengthened to ensure reconciliation can take place.

Recommendation

- R2** Enhance compliance with SoRP requirements by disclosing unapplied capital grants and applied grants being deferred separately on the face of the balance sheet.
- R3** Investigate differences in the valuations obtained for financial instruments to ensure the most accurate valuation is disclosed within the financial statements.
- R4** Strengthen procedures to record and monitor inter LGPS/County Council transactions, pending separate pension fund bank accounts, so that the balances due at any one time are readily identifiable and to ensure reconciliation can take place.

Use of resources

I am required to consider how well Suffolk County Council and Suffolk Fire and Rescue Service are managing and using resources to deliver value for money and better and sustainable outcomes for local people, and give scored use of resources judgements.

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.

Use of resources judgements

- 24** 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.
- 25** 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.
- 26** I have completed my assessment of both the Council's and Fire Service's use of resources against three themes of managing finances, governing the business and managing resources. We have shared our scores with both organisations prior to and following the Audit Commission's national quality assurance process. We are having further discussions with officers on our findings prior to the Council and Fire Service receiving their organisational assessment scores, including use of resources assessments, on 19th October 2009. We will provide more detailed use of resources reports that will be issued to the Council and Fire Service in November 2009.

Value for money conclusion

- 27** 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.
- 28** Based on the findings of my work on the use of resources assessment 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 – Draft Independent auditor’s report to Members of Suffolk County Council

Independent auditor’s report to the Members of Suffolk County Council

Opinion on the accounting statements

I have audited the Authority and Group accounting statements, the firefighters’ pension fund accounting statements, and related notes of Suffolk County Council for the year ended 31 March 2009 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 Statement¹ and the related notes. The firefighters’ pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and the firefighters’ pension fund 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 Suffolk County 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 prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer’s responsibilities for preparing the financial statements, including the firefighters’ pension fund accounting statements and local government pension fund accounts, 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 Authority and Group accounting statements and the firefighters’ pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

¹ The description of the accounting statements only include those relevant to the local authority’s circumstances.

Appendix 1 – Draft Independent auditor’s report to Members of Suffolk County Council

I report to you my opinion as to whether the Authority and Group accounting statements and the firefighters’ pension fund 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; and
- the financial position of the Group and its income and expenditure for the year.
- the financial transactions of the firefighters’ pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme 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 Authority and Group accounting statements, firefighters’ pension fund accounting statements and related notes and consider whether it is consistent with the audited Authority and Group accounting statements, firefighters’ pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword¹. 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, firefighters’ pension fund accounting statements and related notes. 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, firefighters’ pension fund 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, firefighters’ pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

¹ The other information that is ‘read’ is the content of the Explanatory Foreword, the printed Annual Report (where one is produced) other than the financial statements. The description of the information that has been read needs to be tailored to reflect local circumstances.

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, firefighters’ pension fund 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, firefighters’ pension fund accounting statements and related notes.

Opinion

In my opinion:

- The Authority 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 and its Group as at 31 March 2009 and its income and expenditure for the year then ended;
- The Group 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 and its Group as at 31 March 2009 and its income and expenditure for the year then ended; and
- The firefighters’ pension fund accounting statements present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the firefighters’ pension fund during the year ended 31 March 2009 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Opinion on the pension fund accounts¹

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Suffolk County 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 prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer’s responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of

¹ If the authority publishes separate accounts in respect of more than one LGPS fund, this section will need to be replicated for each fund with a suitable reference in each to the fund to which the opinion relates.

Appendix 1 – Draft Independent auditor’s report to Members of Suffolk County Council

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 pension fund accounts and related notes 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 pension fund accounts 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 transactions of the pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. 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 pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts 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 pension fund accounts 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 pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund’s assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority’s Responsibilities

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

Auditor’s Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities and fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, in all significant respects, Suffolk County 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.

Neil A Harris
Officer of the Audit Commission
Crown House, Crown Street, Ipswich IP1 3HS
30 September 2009

Appendix 2 – Adjusted amendments to the accounts

The following 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 2

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Suffolk County Council	Correction to write off to revenue maintenance expenditure on schools broadband contract				
	Education and children's services expenditure	1197			
	Fixed assets				1197
	Correction to remove depreciation on land from reserve adjustment				
	Capital Adjustment Account			4986	
	Revaluation Reserve				4986

Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Suffolk County Local Government Pension Scheme	Amend valuation basis from mid to bid price.				
Number 1 Fund	Change in Market Value	2008			
	Property Unit Trusts				2008
Number 2 Fund	Change in Market Value	35			
	Property Unit Trusts				35

Appendix 3 – Unadjusted misstatements in the accounts

The following misstatement was identified during the course of my audit and the financial statements have not been adjusted by management. I bring this to your attention to assist you in fulfilling your governance responsibilities. If you decide not to adjust, please tell us why in the representation letter. If you believe the effect of the uncorrected error is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected error to the representation letter.

Table 3

Description of error	Accounts effected	Value of error £Million
Impairment reversal excess taken to the Income and Expenditure Account rather than the Revaluation Reserve.	Income and Expenditure Account and Balance Sheet	0.2

Appendix 4 – Draft letter of representation

To:

Neil A Harris
Officer of the Audit Commission
Crown House, Crown Street
Ipswich IP1 3HS

Suffolk County Council, Suffolk Pension Fund and Suffolk Firefighters Pension Fund - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the Council, the following representations given to you in connection with your audit of Suffolk County Council's financial statements for the year ended 31 March 2009.

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 effect of the uncorrected misstatement listed in the attached schedule is not material to the financial statements. This misstatement has been discussed with those charged with governance within the Council. The reason for not correcting this item is immateriality.

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.

Appendix 4 – Draft letter of representation

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 that the significant assumptions within the financial statements, that cover borrowing, investments, provisions, depreciation, and accruals are reasonable.

Specifically in relation to:

- the appropriateness of the measurement method;
- the basis used by management to overcome any presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to the fair value measurement.

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.

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 that have occurred which would require additional adjustment or disclosure in the financial statements, other than as disclosed.

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.

If adoption of the financial statements and the representation are on the same day this paragraph is not required.

Appendix 4 – Draft letter of representation

Signed on behalf of Suffolk County Council

I confirm that this letter has been discussed and agreed by the Authority on 30 September 2009.

Signed

Name

Section 151 Officer

Date

Signed

Name

Chairman of Statement of Accounts Sub-Committee

Date

Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2008/09 - Recommendations						
Suffolk County Council						
7	R1 Review expenditure incurred and capitalised during the year to ensure that it meets the definition of capital expenditure provided within the Statement of Recommended Practice (SoRP).	2	Chief Financial Officer	Yes	Annual training sessions for budget managers will be repeated in 2009/10 and even greater emphasis will be given to the definitions between Capital and Revenue, with this error being used to highlight the situation. CSD Finance will also review the processes around material capital spending to see if assessment reviews can be completed by Technical Accounting staff.	From now to March 2010

Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R2 Enhance compliance with SoRP requirements by disclosing unapplied capital grants and applied grants being deferred separately on the face of the balance sheet.	1	Chief Financial Officer	Yes	For the 2009/10 accounts this information will be presented separately on the face of the balance sheet.	June 2010
10	R3 Investigate differences in the valuations obtained for financial instruments to ensure the most accurate valuation is disclosed within the financial statements.	2	Chief Financial Officer	Yes	The differences have now been investigated. The valuation the County uses is acceptable under the SORP and is therefore an accurate disclosure to be used in the financial statements.	September 2009
Suffolk County Local Government Pension Fund						
10	R4 Strengthen procedures to record and monitor inter LGPS/County Council transactions, pending separate pension fund bank accounts, so that the balances due at any one time are readily identifiable and to ensure reconciliation can take place.	2	Chief Financial Officer	Yes	CSD Finance will review all processes in this area to ensure they are robust including improving the reconciliation process. The Council is also making plans to set up a separate pension fund bank account. When this is set up the issue will no longer arise.	From now to March 2010

The Audit Commission

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