

# Annual Governance Report

Suffolk County Council

Audit 2009/10

September 2010

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## **Status of our reports**

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

- any director/member or officer in their individual capacity; or
  - any third party.
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Members of the Audit Committee

## **2009/10 Annual Governance Report**

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

During September 2010, I discussed issues and agreed my report with the Head of Strategic Finance.

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

My report asks you to:

- consider the matters raised in my report before approving the financial statements (pages 7 to 9);
- note adjustments to the financial statements set out in this report (Appendix 2);
- approve the letter of representation for the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the action plan (Appendix 5).

Yours faithfully

Neil Harris  
District Auditor

30th September 2010

# Key messages

This report summarises findings from the 2009/10 audit which is substantially complete. It includes messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

<b>Financial statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	7-9
Financial statements free from material error	Yes	7-9
Adequate internal control environment	Yes	7-9
<b>Value for money</b>	<b>Results</b>	<b>Page</b>
Adequate arrangements to secure value for money	Yes	10

## Audit opinion

- 1 My audit covers both the County Council and Pension Fund accounts. My audit of the financial statements is substantially complete. I plan to issue my unqualified financial statements opinion, unqualified value for money conclusion, and audit closure certificate on 30 September 2010. Appendix 1 contains a copy of my auditor's report.

## Financial statements

- 2 My audit of the financial statements is substantially complete. We have completed all audit procedures. We are now following up on some outstanding issues, most of which cover fixed assets and capital accounting.
- 3 I received a complete set of financial statements before the audit. Although the financial statements contained some errors, none of those identified by our work are either material or significant. The Council's management agreed to amend the financial statements for these errors, shown at Appendix 2.
- 4 Council has robust financial reporting and accountability. You have robust arrangements for closing accounts and producing financial statements. Officers have addressed all our past recommendations and continue to improve disclosures in the financial statements. Council financial statements remain of good quality, with improved user clarity.

## Key messages

- 5 My audit team received a good set of working papers and prompt replies to queries, which led to an efficient and effective audit. My audit team, the Council's finance team and the team at CSD have a good working relationship.
- 

## Value for money

- 6 I assess your arrangements for value for money. I do this using criteria specified by the Audit Commission. Based on my work, I intend to issue an unqualified value for money conclusion stating the Council has adequate arrangements to secure economy, efficiency and effectiveness in your use of resources.
- 

## Audit fees

- 7 My opinion audit plan report in June 2010 set out my 2009/10 audit fees. I have looked at my costs and fees at the end of this audit. I do not intend to change my 2009/10 fees.
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## Independence

- 8 I have carried out my audit under the Audit Commission's policies on integrity, objectivity and independence.

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# Next steps

**This report identifies the key messages 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. My audit is not designed to identify all matters that might be relevant to you.**

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**9** I ask the Audit Committee to:

- consider the matters raised in my report about the financial statements (pages 7 to 9);
- note the adjustments to the financial statements set out this report (Appendix 2);
- approve the letter of representation for the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the 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 authorise for issue the financial statements and the annual governance statement.**

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## Opinion on the financial statements

**10** I audit both the County Council's and the Pension Fund Accounts. My audit is substantially complete. I plan to issue 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.

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## Errors in the financial statements

**11** We found two immaterial errors in the financial statements which management agreed to adjust. Appendix 2 shows the amendments to the financial statements.

## Suffolk County Council

**12** In 2009/10 the CIPFA Statement of Recommended Practice (SoRP) requires Council's to assess concession contracts and similar arrangements to see if they fall within the scope of IFRIC 12. IFRIC12 is an interpretation note that forms part of international generally accepted accounting practice. Where assets do not fall within the scope of IFRIC 12 the expectation is that the Council would not account for assets and liabilities in its accounts. £4.4million of Voluntary-Aided (VA) schools, currently within fixed assets disclosed at note 13 to the accounts, do not fall within IFRIC 12, as the Council does not control who uses the service delivered through the asset or the residual value of the asset at the end of the arrangement. Specifically, the Council does not control admissions as the governing body is the admissions body. Officers have now removed all VA school assets from the balance sheet.

**13** We found a £1.465million difference between actuary's report and the Council's accounts for value of employer contributions payable for Suffolk County Council and Suffolk Fire and Rescue Service. This variance should be charged to actuarial gains and losses in the Statement of Recognised Gains and Losses (see page 20 of the accounts) as opposed to net cost of services within the Income and Expenditure Account (see page16 of the accounts).

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## Important weaknesses in internal control

**14** 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.

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### Letter of representation

- 15** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

### Key areas of judgement and audit risk

- 16** My June 2010 opinion audit plan set out specific audit risks and areas of judgement. Table 1 shows my findings against each audit risk.

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

Issue or risk	Finding
SoRP changes to the accounting requirements for Private Finance Initiative contracts and similar arrangements from 2009/10.	We have assessed whether the Suffolk Fire Service PFI contract meet the requirements of IFRIC12. No issues arising.
SoRP changes the way that both collection and precepting authorities now account for their share of the collection fund debtor and creditor balances within the financial statements. This represents a material change in accounting policy and therefore the 2008/09 comparative disclosures need to be restated.	We reviewed the restated 2008/09 and 2009/10 disclosures for compliance with the SoRP. We assessed consistency across all Suffolk Councils. No issues arising.
The current economic climate places pressure on the financial health of the Pension Fund creating a risk that inappropriate valuation methods are employed.	We did monitor and assess the valuation method. No issues arising.

### Accounting practice and financial reporting

- 17** I consider the qualitative aspects of your financial reporting, findings shown below.

#### Suffolk County Council

- 18** Last year, we found that unapplied government grants and capital contributions were incorrectly aggregated with deferred grants and contributions. Again, this year £22.123million of unapplied grants and contributions are disclosed as part of the Government Grants Deferred and Capital Contributions Deferred balances. However, note 26 to the accounts analyses the balance between the applied and unapplied

## Financial statements

elements. We have requested that the descriptions on the face of the balance sheet for government grants and capital contributions are changed to reflect this, and now consider that the disclosures are sufficiently compliant with SoRP requirements.

- 19 VAT of £10.699million and National Insurance and PAYE tax of £10.715million have been disclosed in Loans and Receivables and Financial Liabilities respectively within the financial instrument disclosure notes on pages 61 to 66 of the accounts. These debts are statutory and do not meet the financial instruments definition. They should be excluded from these disclosure notes.
- 20 From April 2011, HM Treasury confirmed that pension liability calculations will be linked to the Consumer Price Index (CPI) rather than Retail Prices Index (RPI). Historically, the CPI has usually been lower than RPI and it is likely that under FRS17 the Council's pension liability will reduce. Council has reflected this in a post balance sheet event disclosure note which clarifies the nature of the event and estimates the financial impact.
- 21 Testing highlighted that the Fund Account of the Firefighter Pension Scheme on page 106 of the accounts only disclosed eleven months of pension benefits payable. The issue occurred when a year end adjustment that was not required was processed in error which removed £0.327million from the benefits payable item. The disclosure note has now been amended to correct for this error but there was no impact on any primary financial statements.

### Suffolk County Local Government Pension Scheme

- 22 In reconciling annual returns from scheduled and admitted bodies we found significant differences in pension fund membership figures disclosed in Note 2 to the Number 1 Pension Fund. Reason for this is the Pension Department completing membership reconciliation after preparing the accounts. This means the draft accounts suggest that active membership has fallen whereas membership has increased during 2009/10. Both the prior and current year figures have been updated to reconcile to membership figures.
- 23 The draft Pension Fund accounts disclosed the economic exposure value for derivatives at Note 3 to the Number 1 Pension Fund at the market value for derivatives as disclosed in the Net Assets Statement and at Note 6. Further work, including consulting the Custodians to the Pension Fund, concluded that the exposure values within Note 3 were misstated and officers have now amended the note to correct this disclosure.

#### Recommendation

- R1 Review the financial instrument disclosures to ensure that all items meet the SoRP financial instruments definition.
- R2 Bring forward the pension fund membership reconciliation process to ensure that the latest membership figure is reflected in the financial statements.

# Value for money

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

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## Value for money conclusion

- 24** I assess annually your value for money arrangements. I do this using Audit Commission specified criteria. My assessment covers Suffolk County Council and Suffolk Fire and Rescue Service. Appendix 4 shows my combined conclusions for each specified criteria.
- 25** I plan to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

# Glossary

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## Annual governance statement

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

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## Audit closure certificate

**27** A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

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## Audit opinion

**28** On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
  - whether they have been prepared properly, following the relevant accounting rules; and
  - for local probation boards and trusts, on the regularity of their spending and income.
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## Qualified

**29** The auditor has some reservations or concerns.

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## Unqualified

**30** The auditor does not have any reservations.

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## Value for money conclusion

**31** The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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## Opinion on the Authority and Group 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 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement<sup>1</sup> 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 published by the Audit Commission in April 2008.

## Respective responsibilities of the Head of Strategic Finance and auditor

The section 151 officer’s responsibilities for preparing the accounting statements, including the firefighters’ pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the 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).

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<sup>1</sup> The description of the accounting statements should only include those relevant to the local authority’s circumstances.

I report to you my opinion as to whether the Authority and Group accounting statements and the firefighters' pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of :

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.
- 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 accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority and Group accounting statements, 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 Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements, 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.

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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended;
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended; and
- The firefighters’ pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the firefighters’ pension fund during the year ended 31 March 2010 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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### Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The 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 published by the Audit Commission in April 2008.

### Respective responsibilities of the Head of Strategic Finance and auditor

The section 151 officer’s responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounting statements 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial 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 accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. 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 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 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 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 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 accounting statements and related notes.

### **Opinion**

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, 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 published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities and fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in October 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 ended 31 March 2010.

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#### 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, Suffolk IP13 3HS

Xx September 2010

# Appendix 2 – Amendments to the draft accounts

During my audit, I identified the following misstatements. Managers have made the necessary adjustments. I bring them to your attention to aid 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
<b>Restate the opening fixed asset balance to remove the Voluntary Aided Schools.</b>	Capital Adjustment Account			5200	
	Revaluation Reserve			200	
	Fixed assets				5400
<b>Removal of pension contribution variance from Net Costs of Services</b>	Income and Expenditure Account: Net cost of services	1465			
	Statement of Movement on the General Fund Balance		1465		

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# Appendix 3 – Draft letter of representation

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

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## **Suffolk County Council, Suffolk Pension Fund and Suffolk Firefighters Pension Fund - Audit for the year ended 31 March 2010**

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 the Council's financial statements for the year ended 31 March 2010.

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

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

### **Supporting records**

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

### **Irregularities**

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

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or

- communications from regulatory agencies concerning non-compliance with or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

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

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

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

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

### **Fair Values**

I confirm the reasonableness of the significant assumptions within the financial statements.

### **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**

**Pension Fund move from Retail Price Index to Consumer Price Index for future public sector pension increases.**

I confirm that the profile for Suffolk County Council's membership of the Pension Fund is not inconsistent with the overall pension fund member profile giving rise to the estimated reduction of Employers FRS 17 liabilities (6-8%).

**Other post balance sheet events**

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

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

Signed on behalf of Suffolk County Council

I confirm that the this letter has been discussed and agreed by the Council on [date]

Signed

Name

Position

Date

## Appendix 4 – Value for money criteria

KLOE	Met	Theme assessment
<b>Managing finances</b>		
Planning for financial health	Yes	<p>There is robust and extensive evidence that financial and strategic planning continue to be integrated and resources are effectively directed towards the delivery of both corporate and community priorities. The budget book details the process which joint Cabinet and Corporate Management Board (CMB) undertake to arrive at budget proposals, which they then recommend to Council for approval. Financial planning, and in particular the budget setting process, is effectively informed by extensive consultation with a wide range of stakeholders. The council also places strong importance on effective communication around its financial plans with external stakeholders.</p> <p>The Council understands its costs and cost pressures. Benchmarking of costs and performance informs decision making and service redesign. The Council is proactive in working with partner organisations to understand total spend in services areas and using this to reduce cost pressures. It is using its understanding of the potential impact of future budget reductions to inform medium term plans The Council continues to deliver significant efficiency and cost savings, in the region of £6 million in 2009/10 whilst investing in its priority areas. Savings are delivered through improved procurement; partnership working and the redesign of service delivery. Council tax increases are low.</p>
Understanding costs and achieving efficiencies	Yes	
Financial reporting	Yes	

KLOE	Met	Theme assessment
		<p>The Council continues to have sound arrangements in place and implements further improvements where required across the financial reporting focus areas. Budget monitoring reports are produced on a monthly basis and include forecasts to the end of year, clear summary of the reasons for any variances against budgets and actions proposed to correct these variances. In 2009/10 the Council prepared accounts that met statutory requirements and financial reporting standards. Statutory deadlines were met and working papers were of a very good quality. Both the audit opinion and Value for Money conclusion were unqualified.</p>
<b>Governing the business</b>		<b>Theme assessment</b>
Commissioning and procurement	Yes	<p>The Council’s corporate vision and priorities underpin procurement and commissioning decisions. They focus on priorities for the public and robust needs analysis. Public and partner engagement in the commissioning process is improving but not yet consistent and corporate procurement systems are being embedded but their impact has not been fully evaluated. Procurement is delivering some cost savings for example by influencing the energy supply market. Opportunities for joint commissioning are not fully exploited, although procurement and commissioning decisions have a positive impact on both environmental sustainability and social capital.</p>
Use of information	Yes	
Good governance	Yes	
Risk management and internal control	Yes	

KLOE	Met	Theme assessment
		<p>The Council has made significant investments in improving data quality in a number of directorates but, despite improvements, a number of issues remain. Data, particularly that relating to finance and performance directly informs decision making and data sharing with partners, is being enhanced. Data security is improving but recent developments in data security are not fully embedded across the organisation. There is clear evidence that performance monitoring is increasingly robust.</p> <p>The Council promotes and demonstrates the principles and values of good governance. Governance arrangements support a clear and challenging vision for Suffolk. The vision is underpinned by corporate priorities which form an explicit focus for the work of the Council. Ethical governance is strong. Robust policies and procedures are in place with demonstrable impact. The Council is playing an influential role in developing partnership working to meet the needs of Suffolk. Progress uptake of training including key aspects such as safeguarding is variable despite in year improvements.</p> <p>The Council is taking action to further embed risk management across the organisation. Risk registers are in place and risks are monitored effectively. The Council continues to risk assesses all of its saving proposals. Systems are in place to monitor and manage risks associated with partnership working. The audit committee is challenging directorate risks although this has not yet been fully rolled out. Those partnerships identified as high risk are entered on to JCAD but a proportionate approach is being applied based on the level of financial risk and likely impact on the delivery of corporate priorities.</p>

KLOE	Met	Theme assessment
		<p>The Head of Strategic Finance is responsible for the development and maintenance of an anti-fraud and anti-corruption policy, with Directors responsible for ensuring that this policy is implemented within their Directorates. Key controls continue to be in place to ensure implementation of the policy, which include a Code of Conduct for Councillors, a register of interests for both staff and councillors a register of gifts and hospitality and a whistle blowing policy.</p>
<b>Managing resources</b>		<b>Theme assessment</b>
Natural resources	Yes (SFRS only)	<p>The Council, and specifically Suffolk Fire and Rescue Service is performing well in making effective use of its natural resources. It has a good understanding of its use of natural resources. It has a strong track record of using the outcomes of environmental impact assessments to improve; environmental performance, environmental protection and control the use of hazardous materials. It implements a robust strategic approach to environmental sustainability. It is delivering challenging annual targets for reduction in carbon footprint, and use of natural resources in properties.</p>
Strategic asset management	Yes (SCC only)	
Workforce	Yes (SCC only)	

KLOE	Met	Theme assessment
		<p>The Council has invested to improve the way in which assets and property are managed. Plans are in place to embed this new approach during 2010/11 but progress is variable. It has invested additional resources to deal effectively with some parts of its maintenance backlog. Plans to introduce a new asset data management system are in place for 2010/11. A partnership approach to managing and making best use of a single public sector estate is being established with good examples of shared assets already in place. Consultation with community groups is at an early stage but some early outcomes are emerging.</p> <p>The Council continues to implement robust arrangements in the management of its workforce. Workforce planning is integral to directorate plans and supports the delivery of corporate priorities. An effective multi agency approach to workforce planning and development is in place for example in children's services. The Council is driving leadership development across public services in Suffolk.</p> <p>Human resource management is improving for example with improved monitoring of sickness absence. Performance development reviews are well embedded. Robust action is being taken to manage staff costs. Effective action is taken to deal with capacity issues both in the short and longer term through additional investment and a strong commitment to apprenticeships. Staff are consulted on and engaged with extensive organisational change. The Council maintains a strong focus on equalities.</p>

## Appendix 5 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2009/10 - Recommendations</b>						
10	<b>R1</b> Review the financial instrument disclosures to ensure that all items meet the SoRP financial instruments definition.	2				
10	<b>R2</b> Bring forward the pension fund membership reconciliation process to ensure that the latest membership figure is reflected in the financial statements.	2				

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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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