

# Annual Governance Report

Test Valley Borough Council

Audit 2009/10

Date **23 September 2010**

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## Status of our reports

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

- any director/member or officer in their individual capacity; or
  - any third party.
-

Ladies and Gentlemen

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

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

I discussed and agreed a draft of the report with the Chief Executive and Head of Finance on 17 September 2010 and have updated it as I have resolved issues.

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

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 8);
- take note of the adjustments to the financial statements 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);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Yours faithfully

Patrick Jarvis  
District Auditor

September 2010

# Key messages

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

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

## Audit opinion

- 1 The work on the Council's Statement of Accounts is substantially complete and I have not identified any material errors. I expect to issue an unqualified audit opinion by 30 September 2010.
- 2 If any matters arise between the date of this report and signing the audit opinion that require reporting to those charged with governance, I will communicate them direct to the Leader.

## Financial statements

- 3 I did not identify any significant misstatements in my audit this year and the Council had addressed the matters I raised last year about property valuations. I experienced some problems with the accessibility of supporting evidence, which slowed down the progress of my audit, and I identified several minor misstatements but most of these did not impact on the core statements.
- 4 The appendices to this report show more information on the adjustments required.

## Value for money

- 5 My work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is complete and I will issue an unqualified value for money conclusion by 30 September 2010. I noted several improvements since my

## Key messages

previous assessment and in my first assessment of the Council's use of natural resources I judged the Council to be among the best performers In Hampshire.

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### Audit fees

- 6 Once my audit work is complete I will calculate the final fee and discuss this with the Head of Finance.
- 

### Independence

- 7 I can confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

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# Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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**8** I ask the Audit Committee and the Cabinet to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 8);
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified that management has declined to amend or set out the reasons for not amending the errors (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

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# Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

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## Opinion on the financial statements

- 9 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

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## Errors in the financial statements

### Unadjusted misstatements

- 10 I have identified no misstatements that impact on the Council's financial position at 31 March 2010. However, I have identified two misstatements above our triviality threshold of £15,000.
- A balance of £55,000 remains on the year-end cheque payments control account, which should have a nil balance. This item is in the balance sheet as a creditor and officers plan to resolve it in 2010/11.
  - The double counting of a sales ledger balance has led to overstatement of the bad debt provision by £86,000.
- 11 Officers regard these items as de minimis and decided not to adjust them.

Recommendation
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- |   |
|---|
| <p>R1 Consider the unadjusted misstatements and whether to ask officers to adjust them before authorising the financial statements for issue.</p> |
|---|

### Adjusted misstatements

- 12 I identified several other misstatements above our triviality threshold of £15,000 that your officers have adjusted, as listed below. None of these is above our materiality level for opinion purposes of £1.6 million.
- The Council received a sum of £0.517 million from the government late in the financial year but included this as a debtor in the balance sheet. In looking into this, officers found other items similarly misstated, amounting to £0.764 million in total. They have now adjusted these, except for some minor items that your accountants will adjust in 2010/11.

- Invoices for £0.540 million issued in March but relating to 2010/11 were paid before the year end. The income was mistakenly netted from debtors rather than being shown as receipts-in-advance.
- The Council bought computer software in the year for £0.477 million. It was in the balance sheet as a tangible fixed asset and is now correctly shown as intangible assets.
- Short-term debtors in the balance sheet included an item of £0.325 million which is now correctly shown under long-term debtors.
- All councils in Hampshire owe money to bus service providers as part of the concessionary fares scheme. The estimate of the Council's share of this is £177,000. This was in the balance sheet as a creditor, but because the amount and the timing are uncertain it is now shown as a provision.
- Sums in the cash-flow statement for the parts of NNDR and Council Tax relating to other bodies were in the 'revenue inflows' part of the statement and are now under 'other liquid resources'.
- The financial statements contain this year for the first time disclosures of senior officers' emoluments. I identified a few errors in the note. In particular, the pension fund actuary supplied an inappropriate figure for the employers' contribution rate which led to an understatement of the pension benefit by £37,000 in total. The statement did not include comparative figures for 2008/09.
- There were several other amendments to the notes to the accounts, as detailed in the second table in Appendix 2. These had no net impact on any figures appearing in the core financial statements or on the Council's financial position.

**13** I followed-up the issues that I raised in my report for 2008/09:

- Last year I reported there was an unexplained difference of £0.141 million identified in reconciling the benefits system and the general ledger. The Head of Finance believed this to be because of differences in timings of the two systems. We agreed the accountants should look into this, and make any necessary adjustments in the 2009/10 accounts. Your accountants could not find out the reasons for the difference and have made a reconciling adjustment for this sum and another £0.115 million difference that arose in 2009/10.

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### Important weaknesses in internal control

- 14** My work on your financial systems enabled me to decide that those systems were effective in ensuring the correct financial information feeds into the general ledger and the financial statements. However, there should be a process for signing-off control account reconciliations and keeping evidence to prove sign-off.
- 15** My review of the Annual Governance Statement (AGS) showed that it covers all the areas required by guidance and is consistent with our knowledge and understanding of the Council. In addition, in compiling the Statement, the Council has taken account of the issues I raised in my 2008/09 report.

## Financial statements

16 However, there are areas I wish to point out where you could further improve your control environment.

- The annual effectiveness review of Internal Audit required by Regulation 6(3) of the Accounts and Audit Regulations 2006 should be part of the evidence considered when members agreed the AGS.
- Internal Audit's Annual Report should cover fully all the areas in the CIPFA guidance. In particular, their opinion should be stronger and clearer, and there should be a statement of whether audit work has identified any areas of concern the AGS should cover.
- I suggest that during the current year the Audit Committee should carry out a self-assessment review of its own performance using the checklist in the CIPFA publication "Audit Committees: practical guidance for local authorities".

### Recommendation

**R2** Ensure that Internal Audit's Annual Report and the annual review of Internal Audit's effectiveness feed into the Council's consideration of the Annual Governance Statement.

**R3** Consider asking the Audit Committee to assess its own effectiveness after its first year of operation, making use of the CIPFA self-assessment checklist.

**R4** Ensure that control account reconciliations are signed-off and evidence kept of the sign-off.

## Key areas of judgement and audit risk

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

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

Issue or risk	Finding
Capacity of the finance team	While the working papers provided to support the statement of accounts were similar to those in previous years, I had problems in gaining ready access to some of the evidence behind these. My audit work has taken longer as a result and I may need to charge an extra fee.
Internal Audit's delivery of planned work on key financial systems	Although resourcing difficulties had threatened delivery of key audits, action taken by the Head of Finance enabled completion of all 41 core systems reviews.
Financial pressures and impact on reserves and balances	The Council is managing the pressures and has been able to add to balances at the end of 2009/10.

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### Letter of representation

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

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### Adoption of International Financial Reporting Standards

- 19** From 2010/11, local government bodies have to prepare their financial statements to meet International Financial Reporting Standards (IFRS). This will change how the Council calculates some figures in the accounts and the format of some of the core statements.
- 20** The Audit Commission is undertaking a national study on the transition to IFRS in local government. This study aims to assess councils' progress towards preparing IFRS-based accounts and has two phases. I completed phase one at Test Valley Borough Council in October 2009 and assessed the Council as a 'red' risk. This was because it had no formal project plan, uncertain capacity to complete the work and lack of engagement of non-finance officers and members.
- 21** In July this year I carried out the phase two work to assess the Council's progress since phase one, and I have decided the Council is an 'amber' risk.
- 22** The Council has made significant progress since October 2009. A project plan is now in place. Officers have told members about the changes and are reporting progress against the plan. Other essential staff are now engaging with the project. There remain some risks to the successful completion of the transition at this stage because
- there has been slippage in delivering the project plan;
  - there is still work outstanding on component accounting and embedded leases;
  - work to restate the previous year's accounts and set out the framework for 2010/11 accounts and the associated accounting policies had not started, although I understand that this has recently started.
- 23** However, I remain confident that your officers will manage these risks successfully. They have a good understanding of the requirements, are committed and confident of being ready in time and the Council's affairs are less complex than many.

# 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.**

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## Value for money conclusion

- 24** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the criteria in Appendix 5.
- 25** Since last year the Council has made some notable improvements in its arrangements. In particular:
- a comprehensive Corporate Community Engagement Action Plan is in place, to ensure the Council has the right mechanisms to deliver community engagement through partnership;
  - a multi-agency citizens' panel is helping to coordinate consultation with local residents on key issues and priorities;
  - the Corporate Challenge process is helping to ensure the effective directing of resources to corporate objectives;
  - performance management is more effective after introducing Performance Management Boards to examine finance, performance, project and resourcing information, and Performance Improvement Plans to direct action towards areas that are underperforming; and
  - an Audit Committee is now overseeing and giving added authority to the Council's governance and audit arrangements.
- 26** This year I assessed for the first time your arrangements for managing natural resources. The Council is committed to protecting and improving the environment. It has set itself a target of a 20% decrease in carbon emissions from the baseline set in 2007 and has successfully reduced water and energy use. It has adopted a Sustainability Strategy, a Carbon Management Plan, a Biodiversity Action Plan and a Travel Plan. These are based on a good understanding of the Council's effect on its environment. I concluded the Council is among the best in Hampshire in ensuring effective use of natural resources.
- 27** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

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# Glossary

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## Annual governance statement

- 28** Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 29** It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 30** The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code. It includes how the Council checked the effectiveness of its governance arrangements in the year and any planned changes in the coming period.

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## Audit closure certificate

- 31** 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

- 32** 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.

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## Qualified

- 33** The auditor has some reservations or concerns.

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## Unqualified

- 34** The auditor does not have any reservations.

### Value for money conclusion

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

# Appendix 1 – Independent auditor’s report to Members of Test Valley Borough Council

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## Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Test Valley Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash-Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Test Valley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

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## Respective responsibilities of the Head of Finance and auditor

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

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

I report to you my opinion as to whether the 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 Council and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks

## Appendix 1 – Independent auditor’s report to Members of Test Valley Borough Council

and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

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### Basis of audit opinion

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

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

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### Opinion

In my opinion the 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 Council as at 31 March 2010 and its income and expenditure for the year then ended.

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

#### Authority’s Responsibilities

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

### **Auditor’s Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council 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 criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Test Valley Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### **Certificate**

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

Patrick Jarvis, District Auditor

Audit Commission, Collins House, Bishopstoke Road, Eastleigh SO50 6AD

September 2010

# Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities. This table only includes the most significant items. I have provided the Head of Finance with a full list of amendments.

Adjustments to the Core Financial Statements		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Debtors	Items wrongly included, relating to sums already received			764	764
Debtors and Creditors	Understatement of both balances because of inappropriate netting-off.			540	540
Fixed Assets	Software acquisitions shown as tangible fixed assets, now adjusted to intangible			477	477
Debtors	Debtor relating to Picket Twenty sale, adjusted from short-term to long-term			325	325
Creditors	Sum relating to concessionary fares, now disclosed as provision			177	177

## Appendix 2 – Amendments to the draft accounts

Adjustments to Notes to the Core Financial Statements	Accounts affected	Value of error £000s
Treatment of Council Tax and NNDR	Cash-flow Statement	
Prior period adjustment because of the change in method of accounting for Council Tax and NNDR debtors and creditors	Note 1 Prior Period Adjustments	N/A
Inappropriate factor used in calculating pension payments	Note 10 Officers' Emoluments	37
Senior officer remuneration 2008/09 comparative figures	Note 10 Officers' Emoluments	N/A
Various adjustments to the Capital Adjustment Account for items omitted	Note 14 (ii) Capital Adjustments Account	3,750
Expansion of note to support the intangible fixed assets balance	Note 16 Intangible Fixed Assets	N/A
Expansion of note to give details of s106 items, which form the largest creditor item	Note 25 Creditors	N/A
Addition of note to support the provision created by the adjustment above relating to provision for Concessionary Fares	Note 26 Provisions	177
Post Balance Sheet events to be added	Note 34 Post Balance Sheet Events added	N/A
Omission of creditors from Financial Instruments notes	Note 38 Credit Risk added	1,102

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# Appendix 3 – Unadjusted misstatements in the accounts

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I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities. If you decide not to amend, please tell us why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

<b>Description of error</b>	<b>Accounts affected</b>	<b>Value of error £000</b>
A difference in reconciling cheques has been carried forward as a creditor and officers plan to resolve it in 2010/11.	Balance Sheet: Creditors and Cash	55
The bad debt provision for sales ledger debts has been overstated	Balance Sheet: Debtors and Income and Expenditure Account	86

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# Appendix 4 – Draft letter of representation

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Patrick Jarvis  
Audit Commission  
Collins House  
Bishopstoke Road  
Eastleigh  
SO50 6AD

September 2010

## **Test Valley Borough Council - Audit for the year ended 31 March 2010**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Test Valley Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010.

### **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.

### **Uncorrected misstatements**

I confirm that I believe the effects of uncorrected misstatements identified during the audit are immaterial, both individually and in aggregate, to the accounting statements taken as a whole. Therefore given the nature of these issues, and the further work required, no amendments have been made to the accounts in relation to:

- Creditor balance of £55,000
- Bad Debt Provision £86,000

Both of these misstatements have been discussed with those charged with governance within the Council and they will be corrected during 2010/11.

## Appendix 4 – Draft letter of representation

### Supporting records

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

### Irregularities

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

There have been no:

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

I also confirm that I have disclosed:

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

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

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

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

### Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For these assumptions, I confirm:

- the appropriateness of the measurement method;
- the basis used by management is reasonable and is consistent with the financial reporting framework;

- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to the fair value measurement they have been made.

### 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; 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, other than those already disclosed in the financial statements.

### 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's Audit Committee, no additional significant post balance sheet events 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.

### Specific representations

I am not aware of any contracts the Council has with the private sector that include public to private service concession arrangements.

## Appendix 4 – Draft letter of representation

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

### Signed on behalf of Test Valley Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 28 September 2010.

Signed:

Name: Mr W Fullbrook

Position: Head of Finance

Signed:

Name: Councillor I Carr

Position: Leader of the Council

Date: 29 September 2010

# Appendix 5 – Value for money criteria

<b>KLOE</b>	<b>Met</b>
<b>Managing finances</b>	
Planning for financial health	<b>Yes</b>
Understanding costs and achieving efficiencies	<b>Yes</b>
Financial reporting	<b>Yes</b>
<b>Governing the business</b>	
Commissioning and procurement	<b>Yes</b>
Use of information	<b>Yes</b>
Good governance	<b>Yes</b>
Risk management and internal control	<b>Yes</b>
<b>Managing resources</b>	
Natural resources	<b>Yes</b>
Strategic asset management <i>[not specified for assessment in 2009/10]</i>	<b>N/A</b>
Workforce	<b>Yes</b>

## Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2009/10 - Recommendations</b>						
7	R1 Consider the unadjusted misstatements and whether to ask officers to adjust them before authorising the financial statements for issue.					
9	R2 Ensure that Internal Audit's Annual Report and the annual review of Internal Audit's effectiveness feed into the Council's consideration of the Annual Governance Statement.					
9	R3 Consider asking the Audit Committee to assess its own effectiveness, making use of the CIPFA self-assessment checklist.					
9	R4 Ensure that control account reconciliations are signed-off and evidence retained of the sign-off.					

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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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