



East Hertfordshire District Council

Annual Audit Letter 2008/09

November 2009

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1 Introduction and key messages

Purpose of this Letter

- 1.1 This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at the East Hertfordshire District Council ('the Council') during our 2008/09 audit. The Letter is written in an accessible style, designed to communicate our key messages to the Council and external stakeholders, including members of the public. The Letter will be published on the Council's website.

Responsibilities of the external auditors and the Council

- 1.2 This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).
- 1.3 We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.
- 1.4 Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our Code conclusions.
- 1.5 In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission to review and provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies.
- 1.6 It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

What this Letter covers

- 1.7 This Letter covers the audit work we have carried out in respect of 2008/09, including key messages and conclusions from our work in:
- auditing the 2008/09 year end accounts (Section 2)
 - assessing the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources (Section 3)
 - certifying claims and returns (Section 4).

- 1.8 We have not repeated recommendations agreed with the Council during the year in this Letter. A list of the reports issued can be found at Appendix A. Appendix B sets out our actual and budgeted fees for 2008/09. New recommendations arising since the issue of our detailed reporting during the year are at Appendix C.
- 1.9 The findings of our work in 2008/09 contribute towards the Audit Commission's Organisational Assessment of the Council and the Comprehensive Area Assessment for Hertfordshire. The results of this work will be reported separately to the Council by the Audit Commission.

Key areas for Council action

- 1.9 We highlight the following key areas, where the Council should take action in 2009/10:
- Preparations for the introduction of accounting under International Financial Reporting Standards ("IFRS") should continue, including ensuring that asset valuation procedures are sufficiently robust to take account of the revised requirements.
 - The Council should review the areas where a level 2 score was achieved within the Governing the Business theme to assess where outcomes could be more clearly demonstrated to improve the Use of Resources scores in this theme and overall.
 - The Council should further develop the improvements that they are making in the processes for reviewing and setting members' allowances ensuring that the views of all key stakeholders are taken on board.
 - Ensure that there are robust and transparent communications plans in place throughout key projects such as " Changing the Way we Work".
 - Take action to improve training and further develop the effectiveness of member groups, in particular the Audit Committee and Scrutiny functions.
- 1.10 The context for these key messages can be found in this Letter.

2 Audit of accounts

Introduction

- 2.1 We issued an unqualified opinion on the Council's 2008/09 accounts on 30 September 2009, ahead of the statutory certification deadline. Our opinion confirms that the financial statements 'present fairly' the financial position of the Council. We did, however, not certify the audit closed at this time as we received a number of formal questions in respect of the accounts which were not resolved prior to 30 September 2009.
- 2.2 Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to "those charged with governance" (for the purposes of accounts approval, the Audit Committee is designated as "those charged with governance"). We presented our Annual Report to those Charged with Governance to the Audit Committee on 2 September and summarise only the key messages in this Letter.

Audit of the accounts

- 2.3 We were presented with the draft statement of accounts on 19 June 2009. Closedown was well managed by the Council this year and there is clear corporate commitment to producing good quality accounts. This resulted in a relatively smooth audit process and a consistently low level of proposed adjustments. Additionally, the Council has already engaged with us in planning for accounting under International Financial Reporting Standards ('IFRS').
- 2.4 Our audit identified four misstatements, as follows:
- Investments - £5,114k of investments were reclassified from long term investments to current investments as they fall due within 12 months.
 - Borrowings - £401k of borrowings were reclassified from long term borrowings to current borrowings as they fall due within 12 months.
 - The auditors of the pension fund noted that the net assets used by the actuary to calculate the pensions liability was significantly less than that recorded in the Hertfordshire County Council pension fund. This has led to a reduction in the pensions liability and reserve of £1,099k. The Council was notified of this amendment after the date of approval of the accounts.
- 2.5 Management agreed to process all accounting adjustments including amendments to classification and to increase disclosures to improve presentation.
- 2.6 The correction of the accounting errors identified in our Annual Report to those Charged with Governance had no impact on the General Fund balance or charges to Council tax payers.

Financial performance

- 2.7 The Council has reported a deficit on the Income and Expenditure account of £15,543,000 (2007/08 £899,000). The main reason for the increase in this deficit is the recognition of impairments on the value of land, buildings and investment properties. Land values in particular have fallen in all sectors due to the economic downturn. There is no impact on General Fund balances as impairments are reversed out through the Capital Adjustment Account.
- 2.8 The Council under spent against the budget by £1,736,000 (2007/08 £2,714,000). As a result of this the Council has added £1,627,000 (2007/08: £2,394,000) to balances, specifically an additional £1,026,000 has been added to the interest equalisation reserve, in anticipation of lower yields expected on investments in the short to medium term. Given the creation of this reserve and other actions taken, the Council is in a good position to counter short and medium term challenges facing all councils due to the economic downturn.
- 2.9 Linking with the Council's "Changing The Way We Work" initiative the Council has begun its preparations for the anticipated funding reductions from 2011. £1.2m of efficiency savings have been agreed with members and will be linked into the updated medium term financial strategy. The robustness of these savings will form a key part of our use of resources assessment in 2010.
- 2.10 The Council is experiencing some financial pressures in 2009/10, and is expecting to over spend against the budget. The main risks that could lead to a projected over spend are noted as follows:
- Collective agreement has yet to be reached by all district councils in Hertfordshire on how to handle exceptional variations in the share of the cost of concessionary fares attributable to each Council.
 - Lower than expected staff turnover suggests that the vacancy rate built into the budget may not be met, leading to increased staff costs than budgeted.
 - The impact of the economic downturn has led to reduced income in development control, building control and car parks.
- 2.11 The Council is pursuing plans for mitigating the impact of the financial pressures in these areas and continue to closely monitor the position each month.

Financial systems

- 2.12 We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the statement of accounts audit. Our evaluation of the Council's key financial control systems did not identify any control issues presenting a material risk to the accuracy of the statement of accounts.
- 2.13 We reviewed the work of internal audit and concluded that the scope and conduct of internal audit work was appropriate to support our work in auditing the Council's 2008/09 accounts.

- 2.14 We performed a high level review of the general IT control environment as part of the overall review of the internal control system and concluded that there were no material weaknesses within the IT arrangements that could adversely impact on the accuracy of financial statements and hence our audit of the accounts.

Annual Governance Statement

- 2.15 We examined the Council's arrangements and process for compiling the Annual Governance Statement ('AGS'). In addition, we read the AGS and consider whether the statement is in accordance with our knowledge of the Council. As the AGS must be reviewed and, as necessary, updated as at the date of signing our audit opinion, we reviewed the final version of the AGS as part of our audit completion procedures.
- 2.16 We concluded that the AGS was consistent with our knowledge of the Council. We are pleased to note that the Council has reflected on arrangements in place to manage risks in respect of treasury management and members' allowances in the AGS. As well as this the Council has noted actions to improve the effectiveness of the Audit Committee, refreshed HR policies and procedures, governance and ethical arrangements. It will be important for the Council to ensure timely and robust action is taken to implement the required control improvements identified in the AGS.

Elector questions on the accounts

- 2.17 The appointed day for electors to ask the auditor questions on the statement of accounts this year was 21 August 2009. We received questions from four electors relating to asset valuations (including impairment accounting), members allowances and transparency of presentation of the Statement of Accounts. These are considered in turn below, with separate commentary on members' allowances below.
- 2.18 In addition, we received questions from electors over the Council decision to move from two administration centres to one. The questions related as to whether or not this decision represented value for money for the taxpayer, the transparency of decision making, including Scrutiny of this decision and the adequacy of the financial analysis to support the decision making process. We have identified this as an audit risk to be reviewed as part of our 2009/10 audit, and therefore do not comment on these questions in this Letter. We will report back to the Council on our findings in these reviews in due course.
- 2.19 The Statement of Accounts incorporated impairments of £15m to the income and expenditure account relating to land and buildings, including an impairment of The Causeway offices of £5.9m. The latter item was treated as an exceptional item as the impairment was due to recording the difference between the capitalisation value of the asset on initial recognition as a finance lease and that vacant possession value of the offices. The vacant possession value would take account factors such as dilapidation costs that would be incurred in exiting the lease.
- 2.20 In addition, we were asked to review the valuation of Council owned car parks, as significant impairments were recorded against these assets.

2.21 Our investigations into these questions identified that:

- For all car parks, excluding Jackson Square, the Council's valuer has assumed that the Council has a continuing requirement for the use of the asset for the provision of the service; that the asset has been designed for a specific purpose which cannot be readily adapted and that there is no recognised market for such assets. This assessment is formally documented by the Council's valuer.
- In the context of past policy and when compared to common treatment by other councils, we are satisfied that treating the car parks as specialised assets as defined in Appendix 1 of FRS 15 and that the depreciated replacement cost basis for valuing these car parks is appropriate.
- We note that the valuation method for the Jackson Square car park is different to the other car parks owned by the Council. The reason for the different method of valuation for this car park is that the Council receives a secured level of income from this car park, and therefore a market value can be attributed to this asset, hence an existing use valuation is appropriate. Again, this complies with the definition of a non-specialist asset in Appendix 1 of FRS 15.
- The accounting policies contained within in the 2008/09 Statement of Accounts were updated to include reference to the Jackson Square car park being valued on a different basis to other multi storey car parks to improve the clarity of disclosure of these valuations.
- The Council amended their accounting policies to reflect the valuation method used in valuing the Causeway building, being that existing use value has been compared against the net realisable value of the asset when reviewing carrying values for impairment in situations where the value in use cannot be readily obtained and the reasons why a value in use was not obtained. We would note that our views reflect only the fact only the accounting basis of this transaction and not whether or not the £1.1m "sale price" represents value for money. We further note that the value of £1.1m was the only one that the Council's valuer could sign off as complying with professional valuation standards.

2.22 We have written to the Director of Internal Services in more detail explaining the process used to evaluate the values of these assets, which we have not re-produced in this letter. Additionally, we would note that in 2010/11 local authorities will adopt International Financial Reporting Standards ("IFRS"). Guidance issued to local authorities states that depreciated replacement cost as a valuation method should be used as a last resort, and this has been interpreted that car parks should not be valued at depreciated replacement cost as there should be sufficient information on income streams available to form the basis of the valuation. In addition, RICS valuation guidance note 10 should be followed in the valuation of assets.

2.23 To summarise we raised three recommendations to the Director of Internal Services that have been reproduced in Appendix C.

- 2.24 In addition to questions in relation to fixed asset valuations we received a number of questions on the format of, and presentation of disclosure notes within the Statement of Accounts.

Members' expenses and allowances

- 2.25 Due to the high profile coverage of Parliamentary expenses during 2008/09, we looked at members' and senior officers' allowances and expenses in greater detail than in previous years.
- 2.26 In addition to this, we received two questions in respect of the accounts in relation to the legality of allowances paid to elected members and whether or not good value for money was obtained in the value of allowances paid.
- 2.27 We note that the Council has taken some action in relation to these questions on the level of member allowances. In particular, the Director of Internal Services has written to members requesting repayment of the portion of members' allowances that were indexed from 1 April 2007. Increases in member allowances from 1 April 2007 have not been approved by the Independent Remuneration Panel and therefore doubt was cast over the legality of this element of members' allowances.
- 2.28 Reviewing whether or not payment of members' allowances represents good value for money by the taxpayer is a difficult and judgemental area as it involves making an objective and evidenced based assessment of the performance of members. It also involves a degree of judgement which could be construed as being political in nature. External auditors must not comment on political decisions, but have a role in commenting on process or the service outcomes of political decisions. Therefore, we have reviewed the process that the Council undertakes in reviewing and setting the level of members' allowances.
- 2.29 In reviewing these processes we have noted that there are areas for improvement in reviewing the level of members' allowances. In particular:
- The frequency of benchmarking of the level of member allowances against other local authorities when it determines whether or not the level of member allowances is appropriate could be increased. We note that the last benchmarking exercise completed by the Council was in 2003, in advising the Independent Remuneration Panel ("IRP") in making their recommendation for indexed linked increases in the same year. Benchmarking should be one of the pieces of information used in reviewing the level of members allowances.
 - The Council did not have sufficient number of members of the IRP for the entire 2008/09 financial year to allow a quorate meeting to take place. Although the Council had not intended to convene a meeting of the panel, should there have been reason for the IRP to have met quickly during those times, it could not have done so. However, the Council have asserted that the IRP did not need to meet in the financial year ended 31 March 2009. The Council should consider the potential benefits from maintaining a quorate panel at all times.

- We understand that the Council has considered how it can assure itself that the recruitment of independent members is not potentially undermined by particular campaign groups and issued a post-application questionnaire with a view to addressing these concerns. Unfortunately the questionnaire did not effectively context the Council's concerns and the document appeared to imply concerns if potential applicants came from a particular campaign group.
- 2.30 We have raised recommendations to improve the governance arrangements in this area and have included these in Appendix C.
- 2.31 In addition, we note the work of the Shadow Independent Remuneration Panel and the prominence that this panel has in the local press. Whilst ultimately any decisions in respect of members' allowances (within the statutory framework) rest with the Council alone, the Council should consider how to best respond to the impact that the work of the Shadow Panel could place on the work of the Independent Remuneration Panel. The Council needs to ensure that the views of all stakeholders are considered when the Panel come to review members allowances in due course. In our view it is important that Members allowances are based on a reasonable level of member and community consensus.

Treasury Management

- 2.32 The Council did not have any investments in Icelandic banks at the time of collapse of these banks. Officers continue to closely monitor credit ratings and future prospects of financial institutions that the Council is authorised to invest in to minimise the risk of losses, whilst securing competitive returns. In 2008/09, the Council reviewed its treasury management arrangements in response to the Audit Commission report on Icelandic investments. The Corporate Business Scrutiny Committee has recognised the need to ensure greater Member oversight on treasury management issues and this should be taken forward by the Council.

Looking ahead

- 2.33 We would like to draw to the attention of the Council further significant changes that will happen to the statement of accounts in future years, the most significant of which is the full implementation of IFRS into the 2010/11 accounts. Although this may seem a long way off, it is important that authorities start planning now, as there will be significant changes to the accounts. Our experience in other sectors shows that audited bodies that are well planned for the transition to IFRS have fewer amendments to their accounts and are less likely to be charged additional audit fees, than those who are not well prepared.
- 2.34 We recognise that the Council has already carried out a lot of work in starting to address IFRS and is reasonably placed to cope with the challenges that implementing a new accounting framework poses.

3 Use of resources

Introduction

- 3.1 We issued our annual VFM conclusion on 30 September 2009, at the same time as our accounts opinion, in line with the required deadline. We concluded that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.
- 3.2 Prior to giving our VFM conclusion, we summarised the basis of this conclusion in our Annual Report to those Charged with Governance, which we presented to the Audit Committee on 2 September 2009. We provided further detail and set out the results of our assessment of the Council against the use of resources framework in our Use of Resources 2009 report, which was presented to Audit Committee on 25 November. In this Letter we summarise the key messages from this work alongside relevant current findings, and look forward to forthcoming challenges for the Council.

2008/09 VFM conclusion and use of resources assessment

- 3.3 Our VFM conclusion was informed by our use of resources work which, in councils, is based on the Audit Commission's new use of resources ("UoR") assessment. The new framework emphasises **outcomes** over **processes**, and brings new areas into the assessment such as environmental management. It presents a more robust challenge than the old framework, based on different scoring criteria. It should be noted, therefore, that changes from prior year scores do not necessarily reflect an objective change in performance.
- 3.4 In order for us to provide an unqualified conclusion, the Council needed to achieve an 'adequate' assessment (score of at least 2) for each component of the UoR assessment. Failure to achieve an 'adequate' assessment in any one area results in an "except for" conclusion.
- 3.5 Our UoR assessment concluded that the Council had at least adequate arrangements in all areas.
- 3.6 Therefore, our VFM conclusion contained an unqualified opinion.
- 3.7 We would like to emphasise that the Council performed well to achieve a number of level 3 scores, as the prevailing score nationally is 2.
- 3.8 The 2008/09 scores by Key Line of Enquiry (KLoE) area are shown in the table overleaf.

Scoring scale:

1 - Below minimum requirements - inadequate performance
 2 - Only at minimum requirements – adequate performance
 3 - Consistently above minimum requirements – performing well
 4 - Well above minimum requirements – performing strongly

* Within the Managing Resources theme, in 2008/09, managing natural resources and asset management are not assessed.

Table 1: UoR scores 2008/09

Theme / KLoE		Score
Theme 1 - Managing finances		3
1.1	Financial planning	2
1.2	Understanding costs	3
1.3	Financial reporting	3
Theme 2 - Governing the business		2
2.1	Commissioning and procurement	2
2.2	Use of data	3
2.3	Good governance	2
2.4	Internal control	2
Theme 3 - Managing resources		2
3.1	Managing natural resources	N/A*
3.2	Asset management	N/A*
3.3	Workforce management	2*

- 3.9 We assessed the Council as performing well (level 3) in the area of managing finances. The Council has achieved a number of good financial outcomes in the year of audit and has a very strong process for preparing year end accounts that present fairly the financial position of the Council. There is however some work to do to ensure a consistent and robust approach to medium term financial planning and business case assessment.
- 3.10 We assessed the Council as meeting minimum requirements in governing the business. The Council has established processes for securing good quality performance and financial data and uses these processes to identify areas of under performance and/or areas where data quality is poor. Performance and data quality improvements have been achieved in the year of audit. Our judgements in the Governing the Business theme have also been informed by the results of our data quality spot-checking work. We reviewed two performance indicators and found no weaknesses in the audit trail to support the calculation of these indicators.
- 3.11 The overall score of 2 for managing resources is solely attributable to the underlying score of 2 for workforce management.
- 3.12 The high priority recommendations arising from our UoR assessment were for the Council to ensure that it:
- is able to demonstrate financial outcomes from key decisions taken by the Council across all services provided by the Council.
 - Identifies savings and puts in place actions plans to make sustainable savings for the medium to longer term. This is particularly important given expected future decreases in funding of public services and the need to demonstrate robust business planning in all areas of Council activity.

- Incorporates into current reporting processes the outcomes against specific initiatives that the Council has undertaken, e.g. delivering service improvements and cost savings in leisure management.
 - Takes action to improve training and further develop the effectiveness of member groups, in particular the Audit Committee and Scrutiny functions.
 - Improves reporting of counter fraud activity to members.
- 3.13 We agreed a number of recommendations with management to implement these improvements and we will review progress on implementation during the 2009/10 audit.

Local Value for Money work

Leisure Management Contract

- 3.14 As part of our external audit, we carried out a risk based review of the tender process for the leisure management contract starting in January 2009, to support our use of resources conclusion.
- 3.15 In March 2009 we issued our report to the Audit Committee. Overall, the procurement of the Leisure Management contract was managed in such a way that EU legislation and the requirements of OJEU plus the council's own Contract Procedure Rules were complied with. The Council constructed a team to manage the procurement of the contract which drew experience from the Council's legal, procurement and leisure teams as well as from an external consultant with leisure services experience. This team was led by the Director of Customer and Community Services.
- 3.16 As well as the compliance benefit, this delivered several other benefits which included the design of the specification of the contract and learning from the experience gained from best practice seen elsewhere. There was potentially some scope to engage further with some of the Council's stakeholders and to further extend the Scrutiny process but in overall terms we have concluded that the contract was properly procured and let.
- 3.17 Three main recommendations were made for improvement. These findings, as well as the good practice identified within this report were taken into account when completing our Use of Resources audit work.
- 3.18 There were two challenges to the procurement of this contract. The first was from Unison in respect of compliance with Government guidance on Workforce Matters. We concluded that the challenge appears to come from a difference in interpretation of this guidance rather than and failure of the Council to comply with its legal duties.
- 3.19 Secondly the extent of the scrutiny of the process was challenged. We note that the terms of reference for the Scrutiny function is to consider matters of policy and strategy only, and that review of detail is not part of its brief. The Council's constitution explicitly states that examination of detail and contract award is a function delegated to officers and therefore a management function. Both are contained within the Council's Constitution which has been agreed by full Council.

- 3.20 The Council should consider whether it would strengthen the governance process if significant contracts were subject to more detailed scrutiny review, on a case by case basis, prior to the final award of the contract.

National Fraud Initiative

- 3.21 The Audit Commission are in the process of completing an assessment of how audited bodies have addressed the National Fraud Initiative ("NFI"). The first stage of this has been our completion of an initial risk assessment.
- 3.22 We have assessed the Council as performing well. Good progress is being made on following up NFI matches. We will continue to monitor the progress the Council makes with this work and report on any concerns to the Head of Internal Audit, Director of Internal Services and the Audit Committee as necessary.
- 3.23 The next stage of this process will be that the Audit Commission NFI team will monitor NFI progress, through management information and evaluation of auditor risk assessments to select bodies for site visits and will also review of a sample of bodies strategic approaches to using information from the NFI. The outcomes from this work will also inform our conclusions on your arrangements for preventing and detecting fraud and corruption and KLOE 2.4 of the UoR assessment in 2009/10.

Looking ahead

- 3.24 We agreed our indicative 2009/10 audit fee with the Council in March 2009. The letter set out our initial assessment of the local risk based use of resources work we plan to carry out to support our VFM conclusion. This comprised:
- reviewing progress in the Council's Changing the Way We Work process, which involves the Council moving from two administrative centres to one.
 - follow up of our recommendations on local value for money work in 2008/09.
 - review of the effectiveness of Scrutiny, through the three Scrutiny Committees and Audit Committee.
 - ongoing review of treasury management arrangements.
- 3.25 We confirm that these assumptions remain relevant and we will build these into the risk assessment for our 2009/10 plan, along with specific follow up of our 2008/09 recommendations and any new risks emerging between now and when we agree our full plan in December 2009.

4 Certification of claims and returns

Introduction

- 4.1 In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission to review and provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies.
- 4.2 The Audit Commission prescribes our work in this area. Each year, it agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instructions (CI).
- 4.3 Certification work provides important and valuable assurances to taxpayers over public funds:
- each year, auditors certify £43 billion of public funds
 - since 2004, auditors have found errors of over £0.5 billion in the claims and returns prepared by local authorities
 - the level of the errors found by auditors and corrected by authorities since the new arrangements were introduced, in 2004, is almost five times the cost of auditors' certification work
 - 10 per cent of claims and returns have been adjusted for errors and 37 per cent have been qualified over the past five years
 - significant amounts of overpaid subsidy are recovered from authorities by grant-paying bodies when action is taken to follow up auditors' qualifications – one grant-paying body has recovered over £63 million in the past three years.
- 4.4 In its national report, "Review of arrangements for certifying claims and returns" (September 2009), the Audit Commission identified that further improvements in performance in preparing and auditing claims and returns are achievable:
- local authorities need to attach greater importance to the preparation of claims and returns to reduce the volume and value of errors made
 - grant-paying bodies should improve their understanding of the certification process
 - auditors need to do more to raise the profile of certification work at the local level and encourage authorities to improve their use of resources.

Key messages

- 4.5 Each year, following certification of the programme of claims and returns we produce a summary report for the Council and agree an action plan in respect of any identified improvement areas. We presented our Grants Report 2007/08, to the Audit Committee in March 2009 and are nearing completion of the certification of 2008/09 claims and returns.
- 4.6 In March 2009, we reported that the Council has improved performance against key targets compared to the previous year:
- 2 of the 5 claims and returns were amended (40%) and none were qualified (0%). In 2006/07 there were 2 amendments (50%) and 1 qualification (25%).
 - All grants claims and returns that required certification were submitted on time, both in 2007/08 and 2006/07.
 - All claims were certified by the required deadline, as per the prior year.
 - The quality of working papers provided to auditors was strong, with the files being clearly referenced and easy to follow.
- 4.7 We will report comparative performance measures for 2008/09 along with our views on how well the Council has implemented previously agreed actions in our forthcoming Certification of 2008/09 claims and returns report.

5 Closing remarks

Introduction

- 5.1 This Letter was agreed with the Chief Financial Officer on 9th November 2009 and presented to Audit Committee on 25 November 2009.>
- 5.2 We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the audit. Our aim is to deliver a high standard of audit, which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support.

Grant Thornton UK LLP
November 2009

Appendix A 2008/09 reports issued

Report	Date issued
Audit Plan	March 2008
Grants Report 2007/08	March 2009
Review of Leisure Management contract	March 2009
Audit Strategy Document	June 2009
Annual Report to those Charged with Governance	September 2009
Use of Resources 2009	November 2009
Annual Audit Letter	November 2009

Appendix B Audit fees 2008/09

Audit area	Budget 2008/09	Actual 2008/09
Financial statements, including WGA	50,870	50,870
VFM conclusion/Use of resources/Data Quality	72,630	72,630
Electors questions and objections	0	9,500
Total Code of Practice fee	123,500	133,000
Certification of claims and returns (2007/08)	*20,000	26,988
Total fees	143,500	149,988

* Represents the initial estimate of the cost of certification work, which is billed on a cost incurred basis.

Appendix C New recommendations

No.	Recommendation	Priority	Management response	Implementation details
1.	In preparing IFRS accounts in 2010/11 the Council should follow RICS guidance note 10 in valuing tangible fixed assets. In particular, car parks should only be valued at depreciated replacement cost as a last resort.	Medium	Agreed.	Head of Property Services 31 March 2011
2	The accounting policies in the 2008/09 Statement of Accounts should be amended to reflect the different basis of valuation for multi storey car parks.	High	Agreed. 2008/09 accounting policies updated to reflect this.	Director of Internal Services Implemented.
3	The accounting policies in the 2008/09 Statement of Accounts should reflect the actual valuation method of the Causeway asset.	High	Agreed. 2008/09 accounting policies updated to reflect this.	Director of Internal Services Implemented.
4	The Council should recruit sufficient members to the Independent Remuneration Panel so that it can hold meetings quickly, if required to do so.	Medium	Agreed. The meeting of full Council on 30 September agreed that the size of the Independent Remuneration Panel be increased to 5 members.	Chief Executive Implemented.

No.	Recommendation	Priority	Management response	Implementation details
5	The Council should encourage applications for members of the Independent Remuneration Panel.	Medium	Agreed. The meeting of full Council on 30 September considered a number of applications for membership of the Independent Remuneration Panel and appointed three new members.	Chief Executive Implemented.
6	The Council should review the frequency of meetings of the Independent Remuneration Panel to ensure the level of members allowances remain appropriate.	Medium	Agreed. The Council on 30 September agreed that the Independent Remuneration Panel be required to meet at least once a year.	Chief Executive Implemented.

The financial impact of implementing these recommendations is not expected to be significant.



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