

# Annual Governance Report

Nottinghamshire 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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Ladies and Gentlemen

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

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

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 10);
- 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 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Ian Sadd  
District Auditor

20 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.

<b>Financial statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	10
<b>Value for money</b>	<b>Results</b>	<b>Page</b>
Adequate arrangements to secure value for money	Yes	11

## Audit opinion

- 1 My work on the audit opinion is substantially complete. Subject to satisfactory clearance of the remaining issues I plan to issue an unqualified opinion on the Council's financial statements.

## Financial statements

- 2 The draft financial statements were produced before the required statutory date and we were able to complete the audit in line with the agreed timetable. We are grateful for the support and assistance provided by your officers in enabling us to complete our work.

## Value for money

- 3 I have concluded that the Council has put in place satisfactory arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Audit fees

- 4 The planned audit fee for 2009/10 has proved sufficient to obtain the assurance that I need to assess your arrangements to secure value for money and to cover the cost of my work on the financial statements.

### Independence

- 5 I can confirm that there were no relationships giving rise to 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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**6** I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 10);
- 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 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

# Financial statements

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

## Opinion on the financial statements

- 7 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.

## Errors in the financial statements

- 8 Management do not plan to amend the statements to correct three non-trivial errors identified in the course of the audit. These are summarised at Appendix 2.

## Key areas of judgement and audit risk

- 9 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
At the 2008/09 audit there were initial delays in the Council providing sufficient information to support its impairment review of land and buildings.	We identified an error in the processes followed resulting in the impairment of capital expenditure on buildings in the year. This is described further in table 2 of this report.
At the 2008/09 audit we reported that improvements were needed to better comply with the SORP disclosure requirements in relation to fixed assets.	The SORP disclosure requirements have been met for 2009/10.
At the 2008/09 audit we reported that the Government Grants Deferred balance was overstated by around £6m as the asset lives used to write down the balances needed to be updated.	The asset lives used in 2009/10 are consistent with the valuer's advice and the balance is fairly stated.

Issue or risk	Finding
<p>The early implementation of IFRIC12 via SORP 2009 meant that existing PFI contracts were likely to be brought onto the balance sheet in 2009/10. These accounting adjustments were likely to be material and complex.</p>	<p>We did not identify any significant concerns in the Council's assessment under IFRIC12 of its existing PFIs and did not identify any material errors in the prior period adjustment and current year accounting entries made. We needed to carry out further work in relation to the Council's assessment under IFRIC12 of the WRG Eastcroft incinerator.</p>
<p>SORP 2009 introduced a change to the Council Tax accounting arrangements for precepting authorities. The Council would need to collect sufficient reliable evidence from the district councils to determine the required transactions and balances.</p>	<p>We did not identify any significant concerns in relation to the approach followed and did not identify any material errors in the prior period adjustment and current year accounting entries made.</p>

### Accounting practice and financial reporting

- 10** I consider the non-numeric content of your financial reporting. Table 2 contains the issues I want to raise with you.

**Table 2**

Issue or risk	Finding
<p><b>Estimated valuation of pension assets</b></p> <p>When preparing its financial statements the Authority, as in previous years, used the actuary's estimates of the value of the pension fund assets as at 31 March 2010 as provided by the pension fund administrator. The estimate was 0.43% less than the audited value of the assets at the end of the financial year. I am required to consider the appropriateness of accounting estimates and judgments, including the consistency of assumptions and degree of prudence reflected in the recorded amounts.</p>	<p>The variation between the final pension fund asset value and the value shown in the council's financial statements is not outside the bounds of what can be considered reasonable and no adjustment is required.</p>



Issue or risk	Finding
<p><b>WRG Eastcroft Incinerator</b></p> <p>The Council has implemented the International Financial Reporting Standard (IFRIC 12) that relates to service concessions for the first time in 2009/10. This has required a detailed review by the Council of its PFI schemes and other long-term contracts to determine whether the accounting treatment is 'on' or 'off' balance sheet. Officers needed to provide further evidence to support its initial assessment of the WRG Eastcroft waste disposal contract and its decision that the incinerator need not be on balance sheet. I have also queried the accounting treatment of the occasional payments under the contract towards the capital works on the incinerator. These payments are being met from revenue expenditure rather than capitalised. The amounts paid vary from year to year and the value of the expenditure in 2009/10 (£3.8m) in 2009/10 is not material.</p>	<p>I have decided, based on the information made available to me to date, that the Council's decision that the Eastcroft incinerator is off balance sheet is not unreasonable and I do not plan to challenge it. The Council should however make sure that its IFRIC12 assessment for this and other long term contracts is kept up to date, and that it has arrangements for identifying in the future any new arrangements which may fall within IFRIC12. The Council should also review its accounting treatment of the capital payments made under the WRG contract to ensure it complies with the SORP.</p>
<p><b>Impairment of Land and Buildings</b></p> <p>In 2009/10 the Council's valuation team carried out an impairment review of the developed land element of schools and updated the information held on their property asset register. The Finance Department have applied this information incorrectly in preparing the fixed asset register used in producing the draft financial statements and have processed the movements as a full revaluation of both land and buildings as at year end. This has resulted in the £15m capital spend on school properties in the year being written off as impairment.</p>	<p>The maximum value of capital spend incorrectly impaired is around £15m and it is likely that a significant portion of this spend is valid to impair as capital spend that does not add value. The council is though unable to provide a specific value as to how much of this would have fallen into this category, and so a reasonable adjustment cannot be made.</p>

<b>Recommendation</b>	
<b>R1</b>	Keep the IFRIC12 assessments for all current long term contracts up to date and ensure there are effective arrangements for identifying and assessing any new arrangements.
<b>R2</b>	Review the accounting treatment of the occasional capital payments made under the WRG Incinerator contract.
<b>R3</b>	Ensure the revaluation information provided by the Property team is in future years is correctly processed in the fixed asset register.

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### **Internal Control**

- 11** We have not identified any significant weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.
- 12** We have not provided a comprehensive statement of all weaknesses which may exist in internal control, or of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed.

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### **Audit Certificate**

- 13** The audit cannot be formally concluded yet for two reasons. Firstly, owing to a court case a local elector has been unable to exercise his rights in respect the Council's 2008/09 accounts. Secondly, objections made by another local elector as part of the 2008/09 audit have not been determined. The audit certificate for 2009/10 cannot be issued until both of these issues relating to the 2008/09 audit have been resolved and that year's audit has been formally concluded. I am satisfied that these matters do not have a material impact on the 2009/10 financial statements.

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### **Letter of representation**

- 14** 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.

# 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

- 15 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 areas in Appendix 4.
- 16 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

- 17** 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.
- 18** 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.
- 19** The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

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## Audit closure certificate

- 20** 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

- 21** 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

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

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## Unqualified

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

### Value for money conclusion

- 24** 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 Nottinghamshire County Council

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## Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements and related notes of Nottinghamshire 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 the 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 and the related notes. The Authority and Group 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 Nottinghamshire 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 Service Director (Finance) and auditor

The Service Director’s (Finance) 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 Authority and Group 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 Authority and 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 Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

## Appendix 3 – Draft letter of representation

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, and consider whether it is consistent with the audited Authority and Group 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 Authority and Group accounting statements. 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 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 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 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 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; and
- 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.

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## Opinion on the Nottinghamshire County Council pension fund accounting statements

I have audited the Nottinghamshire County Council Pension Fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The Nottinghamshire County Council pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The Nottinghamshire County Council 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 Nottinghamshire 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 Service Director (Finance) and auditor

The Service Director's (Finance) responsibilities for preparing the Nottinghamshire County Council 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 Nottinghamshire County Council 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 Nottinghamshire County Council 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 Nottinghamshire County Council 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 Nottinghamshire County Council pension fund accounting statements and related notes and consider whether it is consistent with the audited Nottinghamshire County Council pension fund accounting statements. This other information comprises the Explanatory Foreword published in the financial statements and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Nottinghamshire County Council 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 Nottinghamshire County Council pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the



## Appendix 3 – Draft letter of representation

Authority in the preparation of the Nottinghamshire County Council 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 Nottinghamshire County Council 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 Nottinghamshire County Council pension fund accounting statements and related notes.

### Opinion

In my opinion the Nottinghamshire County Council 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 Nottinghamshire County Council 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 Admission Agreement etc. Pension Fund accounting statements

I have audited the Admission Agreement etc. Pension Fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The Admission Agreement etc. pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The Admission Agreement etc. 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 Nottinghamshire 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 Service Director (Finance) and auditor

The Service Director's (Finance) responsibilities for preparing the Admission Agreement etc. 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 Admission Agreement etc. 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 Admission Agreement etc. 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 Admission Agreement etc. 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 Admission Agreement etc. pension fund accounting statements and related notes and consider whether it is consistent with the audited Admission Agreement etc. pension fund accounting statements. This other information comprises the Explanatory Foreword published in the financial statements and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Admission Agreement etc. 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 Admission Agreement etc. 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 Admission Agreement etc. 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 Admission Agreement etc. pension fund accounting statements and related notes.

### Opinion

In my opinion the Admission Agreement etc. 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 Admission Agreement etc. 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 the 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 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 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, Nottinghamshire 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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**Delay in certification of completion of the audit**

The audit cannot be formally concluded yet for two reasons. Firstly, owing to a court case a local elector has been unable to exercise his rights in respect the Council's 2008/09 accounts. Secondly, objections made by another local elector as part of the 2008/09 audit have not been determined. The audit certificate for 2009/10 cannot be issued until both of these issues relating to the 2008/09 audit have been resolved and that year's audit has been formally concluded. I am satisfied that these matters do not have a material effect on the 2009/10 financial statements.

Ian Sadd  
Officer of the Audit Commission

Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicester  
LE19 1SU

30 September 2010

## Appendix 2 – Unadjusted misstatements in the accounts

The following misstatements identified during my audit have not been adjusted by management. 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 affect 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.

**Table 3**

Description of error	Accounts affected	Value of error £ million
The accounts include a net accrual, and reserve, of £4.3m relating to performance reward grant which, following central government decisions made in June 2010 on grant reductions, is not now receivable. The issue has though been disclosed as a post balance sheet event in the notes to the financial statements.	Income and Expenditure Account, Balance Sheet (Debtors) and Statement of Movement on General Fund Balance	4.3
The contractor for the Waste PFI has provided information which indicates that the value of the relevant assets under construction is less than the value estimated in the draft financial statements.	Balance Sheet (Fixed Assets and Finance Lease Liability)	2.4

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# Appendix 3 – Draft letter of representation

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To:

Ian Sadd  
District Auditor  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire  
LE19 1SU

**Nottinghamshire County Council, Nottinghamshire County Council Pension Fund and the Admission Agreement etc. 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 Directors the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010. All representations cover the Council's accounts, the Group Accounts and the Nottinghamshire County Council and Admission Agreement etc. Pension Funds' Accounts included within the financial statements.

**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 the Pension Funds and for making accurate representations to you.

**Uncorrected misstatements**

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule (to be provided) are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are set out in the schedule.

### 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 and the Pension Funds have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Pension 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 and the pension Funds.

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 & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

### **Compensating arrangements**

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

### **Contingent liabilities**

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

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

### **Related party transactions**

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

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

### **Post balance sheet events**

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events 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:**

### **PFI schemes**

I confirm that for the Council's PFI schemes there have been no changes to existing schemes and contracts.

### **Service concessions IFRIC 12**

I have reviewed all contracts to identify any that involve both service provision and the use of assets. These have then been examined to determine whether any may fall within the scope of IFRIC 12 as service concessions. There are no contracts that fall within this scope other than those which have been properly recorded and disclosed within the financial statements.



### Appendix 3 – Draft letter of representation

In respect of the WRG Eastcroft incinerator scheme, I confirm that the Council's estimated residual interest of £9.6m at expiry of the contract between the Councils and WRG in 2030 is significant. I consider the accounting treatment as off balance sheet to be appropriate.

**Signed on behalf of Nottinghamshire County Council.**

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

Signed

Alan Sumbly  
Service Director (Finance)

# Appendix 4 – 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	<b>Yes</b>
Workforce	<b>Yes</b>

## 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	Keep the IFRIC12 assessments for all current long term contracts up to date and ensure there are effective arrangements for identifying and assessing any new arrangements.	2				
10	Review the accounting treatment of the occasional capital payments made under the WRG Incinerator contract.	2				
10	Ensure the revaluation information provided by the Property team in future years is correctly processed in the fixed asset register.	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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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

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