

# Annual Governance Report

**Hart District Council**

**Audit 2006/07**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **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.

### **Copies of this report**

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## Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in this case the Staff and General purposes Committee) at the time they are considering the financial statements.
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
  - where we suspect or detect fraud;
  - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
  - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 2.
- 4 This report has been prepared for presentation to the Staff and General Purposes committee on 25 September 2007. Members are invited to:
  - consider the matters raised in the report before the financial statements are approved;
  - approve the representation letter on behalf of the Authority and those charged with governance before we issue our opinion; and
  - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan.
- 5 Our work during the year was performed in line with the plan that was agreed during April 2006. We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 3.

## Key messages

- 6 Our work on the financial statements is substantially complete. We anticipate being able to issue an unqualified audit opinion by 30 September 2007 (a draft report is attached at Appendix 4).
- 7 In our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 8 Our assessment for 2006/07 of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources (the 'value for money conclusion') is now complete. We anticipate issuing a qualified value for money conclusion by 30 September 2007 (a draft report is attached at Appendix 4).
- 9 The Council has taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation for this assistance and co-operation.

## Accounts and Statement on Internal Control

- 10 Our work on the financial statements is substantially complete.

### Audit opinion

- 11 We anticipate being able to issue an unqualified audit opinion by 30 September 2007 (a draft report is attached at Appendix 4).

### Management representations

- 12 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal control to prevent and detect error.
- 13 The Auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 14 The final draft of the letter of representation has been attached as Appendix 5.

### Unadjusted misstatements

- 15 We are required to report to you if there are any non-trivial misstatements in the financial statements that management has decided not to adjust.
- 16 There is one non-trivial unadjusted misstatement for us to bring to the attention of members. This relates to the inclusion of Council tax write-offs totalling £205,483 within the Council tax income within the Collection Fund. This matter is immaterial to the Collection Fund and does not impact on the surplus for the year. Officers have also agreed that this practice will be changed within the 2007/08 financial statements.

### Adjustments to the financial statements

- 17 We are required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. These are recorded at Appendix 6 but we provide an analysis of the most significant items below for your attention. A full list of all of the amendments has been provided to officers.

**Table 1 Adjusted misstatements in the financial statements**

Details of material and/or significant adjustments made to the financial statements.

<b>Issue</b>	<b>Value of misstatement £000</b>	<b>Impact on General Fund Balance</b>
The Statement of Recognised Gains and Losses has been revised, following our re-analysis, prompted by a detailed review of 'other gains and losses'.	1,301	Nil
Earmarked capital reserves amounting to £2,594,000 have been reclassified as current liabilities within the balance sheet as part of these adjustments.	2,594	Nil
The transfer of fixed assets between Council Dwellings and Land and Buildings has been restated.	156	Nil
Adjustments have been made to the Council tax and NNDR debtor balances and receipts in advance.	302	Nil
The capital commitments note has been amended.	134	Nil

- 18** The standard of working papers that were provided at the start of the audit has improved which aided the completion of the audit. Officers were available to respond to issues that were raised as part of the audit in a timely manner.
- 19** We had to complete additional work in a number of areas, and in particular in relation to the use of the upgraded financial ledger to compile the 2006/07 financial statements, to gain adequate assurance over the Council Tax and National Non-Domestic Rates system and the audit of the statement of recognised gains and Losses.

## Accounting practices

- 20 We are also required to report to you our view on the qualitative aspects of your accounting practices and financial reporting and have set out below our observations on key issues affecting the Council.
- This year the deadline for members to approve the accounts remained fixed at 30 June. This deadline was achieved in good time, with the accounts being approved on 26 June 2007. The financial statements that were presented for audit were complete and were supported by an improved standard of working papers.
  - The audit led to the need for a significant number of changes to the draft financial statements approved by members. The Council will need to ensure that its preparation of the financial statements for 2007/08 builds upon the improvements that have been made during 2006/07.

## Systems of internal control

- 21 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified. Our audit identified the following weakness in key financial systems which we should report to you.
- We have been unable to rely on the key internal controls within the Council Tax and National Non-Domestic Rates systems and have, therefore, not obtained sufficient assurance that the controls identified reduce the risk of material misstatement. As a result, we have carried out additional substantive testing during our review of the Council's financial statements in order to obtain sufficient assurance for our opinion purposes.
- 22 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.
- 23 We have also reviewed whether the Statement on Internal Control has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no significant matters to be brought to your attention.

<b>Recommendations</b>
<i>R1 Continue to build in 2007/08 upon the improvements made in the year-end qualitative processes for producing the financial statements.</i>
<i>R2 Improve the operation of internal controls within Council Tax and National Non-Domestic Rates systems.</i>

## Use of resources

### Work performed

- 24 The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources - the value for money (VFM) conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission.
- 25 Our work to inform our overall value for money conclusion is closely integrated with our detailed use of resources (UoR) assessment. It also draws on other aspects of the audit.
- 26 Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 7. We have summarised below the key issues arising from our work that have directly influenced our assessment, particularly where a specific VFM conclusion criterion has not been met.

### Value for money conclusion

- 27 Our assessment for 2006/07 of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We anticipate issuing a qualified value for money conclusion by 30 September 2007 (a draft report is attached at Appendix 4).

### Corporate objectives (Criterion 1)

- 28 The Council does not have adequate arrangements for setting strategic objectives, cascading these to service level or having service plans which will enable it to meet its corporate objectives.
- 29 The Council has mapped its hierarchy of plans but weaknesses in current key plans mean that the arrangements in place in 2006/07 were not adequate. The 24 objectives underpinning these priorities are too broad and not outcome-focused and there are no high level targets for achieving them. We recognise that the Council understands the weaknesses in its corporate plan and the community strategy and is progressing revising both plans in 2007/08.
- 30 There were some specific, measurable, realistic, achievable and timebound (SMART) action plans in place in 2006/07 to help the Council meet its corporate plan objectives. Although some 2006/07 service plans were over-long and lacked SMART targets, the quality of service plans has since improved. The 2007/08 service plans which were all in place by April 2007 are more concise, identify key PIs and projects and have SMART targets.

- 31 There was inconsistency in the approach to community strategy action planning in 2006/07 as some crosscutting priorities lacked action plans, for example transport and health and wellbeing. This is starting to be addressed in 2007/08 as the Council develops its new sustainable community strategy. Other strategies and action plans such as the capital strategy, partnership framework and employee opinion survey action plan were also beginning to be developed in 2006/07 but these were not finalised until 2007/08.

### **Communication (Criterion 2)**

- 32 The Council did not have adequate arrangements for consulting with service users, key stakeholders and partners or for engaging with hard to reach groups in 2006/07, but had plans in place to address customer engagement through its 2007/08 service review programme. There were limited examples of effective use of customer feedback in 2006/07. Although a complaints procedure is in place, customer satisfaction with complaints handling was poor, and the follow up of complaints not consistently effective.
- 33 Key elements of the current consultation strategy (January 2006) were not implemented in 2006/07. The citizens' panel was not used until May 2007 and when setting up the panel the approach to engaging with hard to reach groups was not clear, either through ensuring representation on the panel and/or through other appropriate channels. The Council failed to meet the statutory deadline of publishing a disability equality scheme in 2006/07 (published August 2007), and did not meet its own target to achieve level 2 of the equality standard by April 2007. It is reviewing its consultation strategy in 2007/08, including its approach to engagement with hard to reach groups.
- 34 There is some evidence of the use of consultation feedback to improve services in 2006/07. Feedback was used to inform changes to the housing allocation policy, the drafting of local development framework and the introduction of the new waste collection service in autumn 2006. Evidence of the use of feedback from consultation to target hard to reach groups was however limited.
- 35 A complaints policy and related procedures are in place but in 2006/07 services were not consistently meeting the corporate standard of responding to customers within 10 days. The Council monitored the number of complaints and their resolution in 2006/07 but lacked a consistent system for using complaints to improve services. This has been recognised and is being put in place in 2007/08, together with staff training to improve the overall management of complaints.

### **Demonstrating and improving value for money (Criterion 7)**

- 36 The Council had some information on costs in 2006/07 but recognised from the results of the VFM challenge panels that more work was needed on benchmarking these. This information is being produced for the 2007/08 service reviews.

- 37 Initial work was undertaken in 2006/07 on reviewing VFM using the VFM challenge panels. Actions to improve VFM identified as a result of the panels were reported to members in March 2007 and are being progressed through the 2007/08 service reviews and other action plans. The service reviews are also being used as an opportunity to improve the Council's understanding of the relationship between costs and ensuring access to services for the wider community.
- 38 In 2006/07 the Council managed a reduction in its costs through securing savings of £1.5 million to achieve a balanced budget for 2007/08 and secured some efficiencies. Improving assessing the impact of cost reductions on customers is being addressed through the 2007/08 service reviews which involve service users.
- 39 The Council had some processes in place in 2006/07 for reviewing and improving VFM, for example the corporate performance improvement board and the VFM challenge panels.
- 40 The 2006/07 Gershon efficiency review target was achieved, and the Council aims to achieve at least the cumulative target of 7.5 per cent gains over three years. It intends to improve the monitoring arrangements for progress against its efficiency plans in 2007/08.
- 41 The Council achieved some savings from procurement in 2006/07. It is scheduled to make key decisions about the procurement of services and shared service delivery in 2007/08.
- 42 It did not achieve significant improvements to VFM in 2006/07 through internal reviews, as this is mainly being addressed through 2007/08 service reviews. Investment in a new waste collection service in 2006/07 resulted in some improvements to the service. These included improved customer satisfaction, reported in the May 2007 survey, which was a change to the deteriorating satisfaction reported in the Autumn 2006 survey.
- 43 The Council seeks external funding to support its action plans and intends to develop a more strategic approach to this in 2007/08.

### **Financial strategy (Criterion 8)**

- 44 Although the 2007/10 medium-term financial strategy is linked to the corporate themes set out within the Corporate Plan, at the 31 March 2007 the Council had still to make clear its priorities and non-priorities and to convert these themes into clear and measurable objectives. There is also no evidence that prudential indicators have been applied in assessing the affordability of capital projects in 2006/07.

## Financial management (Criterion 9)

- 45 The Council has taken action to address the significant weaknesses previously identified in its budget setting and budget monitoring, with improvement being demonstrated for the 2007/08 budget setting process. Further improvements to performance against budgets need to be demonstrated during the coming year if the significant revenue and capital under-spending experienced in 2006/07 is to be avoided. The need for a member-approved policy on the level and nature of financial reserves was not addressed in 2006/07, although we understand that this is to be addressed in 2007/08. This would enable more robust processes to ensure the monitoring and maintenance of reserve levels in the future.

## Asset management (Criterion 11)

- 46 The interim capital strategy 2007 was not approved by Cabinet until July 2007. This document will need to be linked to the Council's corporate objectives and key priorities when they have been defined. The Council did not have an annual programme of planned maintenance based on a rolling programme of property surveys in place by 31 March 2007, although maintenance work has historically been undertaken on a reactive basis.
- 47 An assessment of the level of backlog maintenance was carried out in early 2007/08, having not been assessed for a number of years.

### **Recommendation**

- R3 To improve arrangements the Council should implement its planned improvements to corporate arrangements, including:*
- establishing clear objectives and targets in the new corporate plan and community strategy and cascade these into service plans and the MTFs;*
  - improving consultation with hard to reach groups;*
  - improving performance on complaints including monitoring; and*
  - demonstrating VFM improvements from the 2007/08 service reviews.*

## Use of resources assessment

- 48 The 2007 use of resources assessment will be completed in October 2007 and the scores in relation to each of the five themes will be reported to the Council in December 2007.

## Best Value Performance Plan

- 49 Our work in respect of the Council's 2006 Best Value Performance Plan (BVPP) was reported in November 2006. We did not identify any matters to be reported to the Council and made no recommendations in relation to the plan.

## Review of 2007/08 budget and budget setting process

- 50 We have separately reviewed the budget setting process for 2007/08, and acknowledge that the Council has made a number of improvements over the previous year.
- 51 It has successfully closed its accounts for financial years 2004/05 and 2005/06, which enabled it to assess its underlying financial position more readily. The Council has involved service managers in preparing the budget for 2007/08. This, coupled with the implementation of a new financial management system from 1 April 2007, should facilitate improved budgetary control. There is scope to sustain this improvement through further revisions to the Council's medium-term financial strategy and by extending the planned service reviews to include an examination of expenditure levels.

## Your business @ risk survey

- 52 The Audit Commission has developed an online self-assessment tool, which is designed to help organisations to:
- raise awareness of the risks associated with their increasing use of technology;
  - gauge the level of knowledge within their organisation of such risks;
  - highlight areas where risks are greatest; and
  - facilitate positive action to reduce risks.
- 53 In partnership with the Council we conducted the online self-assessment survey in March 2007. One ICT specialist and 71 users responded. The limited number of ICT staff renders a statistical analysis invalid, and therefore the summary of findings was confined to users.
- 54 The overriding message from the self-assessment tool is that users are confident that systems, policies and procedures are generally in place to minimise IT risks. The responses in most areas covered by the survey are favourable when compared with other authorities and there were a number of recommendations made. The report and action plan have been passed to officers who are considering their response.

## Audit fee update

- 55 We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan.

	<b>Plan 2006/07</b>	<b>Actual 2006/07</b>
Financial statements and Statement on Internal Control	63,922	66,922*
Use of resources	33,783	33,783
Whole of government accounts (WGA)	-	2,870**
Total audit fees	97,705	103,575
Voluntary improvement work	-	-

\* An additional fee has been sought for the 2006/07 following the completion of the audit as discussed at the Staff & General Purposes Committee on 25 September 2007.

\*\* The audit of the WGA returns is a requirement of the Treasury and the National Audit Office. This fee was excluded from the initial plan because the required work had not been determined by the Audit Commission at that time.

- 56 The outturn on inspection and grant certification fees will be reported in the Annual Audit and Inspection Letter.

## Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated implementation date
9	R1 Continue to build in 2007/08 upon the improvements made in the year-end qualitative processes for producing the financial statements.	3	Head of Finance	Yes	All opportunities will be used to provide training for staff, particularly on the changes in the 2007 Sorp to ensure the 2007/08 closedown process improves on the process for 2006/07.	April to September 2008
9	R2 Improve the operation of internal controls within Council Tax and National Non-Domestic Rates systems.	3	Head of Finance	Yes	A great deal of progress has already been achieved in terms of implementing high and medium risk Internal Audit recommendations on Council Tax and Non-Domestic rates systems. The implementation of the remaining items is being steadily undertaken and the issues remain under constant review.	Now to March 2008

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated implementation date
13	<p>R3 To improve arrangements the Council should implement its planned improvements to corporate arrangements, including:</p> <ul style="list-style-type: none"> <li>• establishing clear objectives and targets in the new corporate plan and community strategy and cascade these into service plans and the MTFS;</li> <li>• improving consultation with hard to reach groups;</li> <li>• improving performance on complaints including monitoring; and</li> <li>• demonstrating VFM improvements from the 2007/08 service reviews.</li> </ul>	3	Chief Executive	Yes	-	2007/08

## Appendix 2 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required to communicate the following matters to those charged with governance:
  - the principal threats, if any, to objectivity and independence identified by the Auditor, including consideration of all relationships between the Council, officers and the Auditor;
  - any safeguards adopted and the reasons why they are considered to be effective;
  - any independent partner review;
  - the overall assessment of threats and safeguards; and
  - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the audit team and which are required to be disclosed under auditing and ethical standards.

## Appendix 3 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	March 2006	18 April 2006	The Council
Opinion audit plan	August 2007	24 August 2007	Chief Executive
Interim audit memorandum	June 2007	August 2007	Chief Executive
Annual governance report	September 2007	25 September 2007	The Council
Opinion on financial statements	September 2007	To be issued	The Council
Use of resources conclusion	September 2007	To be issued	The Council
Final accounts memorandum (if necessary)	October 2007	To be issued if necessary	Chief Executive
BVPP report	December 2006	23 November 2006	The Council
Review of 2007/08 budget setting process	June 2007	22 June 2007	Chief Executive
Your business @ risk survey	July 2007	July 2007	Chief Executive
Annual audit and inspection letter	31 March 2008	To be agreed	The Council

## Appendix 4 – Proposed Auditor’s report

### Independent Auditors’ report to the members of Hart District Council

#### Opinion on the financial statements

I have audited the financial statements of Hart District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, the financial statements comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the 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 financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Hart District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

#### Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer’s responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial 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 financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the Statement on Internal Control reflects compliance with CIPFA’s guidance *‘The Statement on Internal Control in local government: meeting the requirements of the Accounts and Audit Regulations 2003’* issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not 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 financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, 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 financial statements 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 financial statements.

### **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

**Martin Robinson**  
**District Auditor**  
Audit Commission  
2nd Floor,  
50 South St,  
Dorchester,  
DT1 1 DQ

Date

## **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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor’s responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. 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.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority’s best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## 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 December 2006, I am not satisfied that, in all significant respects, Hart District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007, in that it did not put in place:

- arrangements for setting, reviewing and implementing its strategic and operational objectives;
- channels of communication with service users and other stakeholders including partners, and monitoring arrangements to ensure that key messages about services are taken into account;
- arrangements to manage and improve value for money;
- a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities;
- arrangements to ensure that its spending matches its available resources; and
- arrangements for the management of its asset base.

## Best Value Performance Plan

I issued my statutory report on the audit of the Authority’s Best Value Performance Plan for the financial year 2006/07 on 23 November 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

## 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.

**Martin Robinson**  
**District Auditor**  
Audit Commission  
2nd Floor,  
50 South St,  
Dorchester, DT1 1 DQ

Date

## Appendix 5 – Management representation letter

Mr. M Robinson  
District Auditor  
Audit Commission  
50 South Street  
Dorchester  
DT1 1DQ

Dear Martin

### **Hart District Council - Audit for the year ended 31 March 2007**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of the Chief Executive, Directors and officers of Hart District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which presents fairly and for making accurate representations to you. I acknowledge my responsibilities under the relevant statutory authorities to prepare the Council's accounts in accordance with proper practices as defined in relevant legislation or guidance.

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**

Sufficient controls have been established, and have operated, to identify, classify and record correctly transactions processed via the Council's bank account.

There are no other 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. I confirm that the data used by the actuary to calculate FRS 17 disclosure information on a roll-forward basis continues to be appropriate and representative of the membership profile for Hart District Council as at 31 March 2007.

#### **Supporting records**

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

### **Related party transactions**

I confirm the completeness of the information provided 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.

### **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.

### **Law, regulations 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.

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

### **Post-balance sheet events**

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

Signed on behalf of Hart District Council

Signed

**Declan Mooney,**  
**Head of Finance and S151 Officer**

Signed

**Hugo Eastwood,**  
**Chair of the Staff and General Purposes Committee**

## Appendix 6 – Summary of adjusted misstatements

- 1 The following misstatements were identified during the course of our audit and the financial statements have been adjusted by management. We bring them to your attention to assist you in fulfilling your governance responsibilities.
- 2 These adjustments are primarily presentational and have no impact upon the Council's General Fund Balance at 31 March 2007.

		Other		Income and Expenditure Account		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000	CR £000	Dr £000	Cr £000	Dr £000	Cr £000
The Statement of Recognised Gains and Losses has been re-analysed.	Other gains and losses Income and Expenditure Account	1,301			1,301		
	Earmarked reserves					2,594	
	Current liabilities						2,594
The disclosure of the brought forward and carried forward balances on the 'Capital Financing' note have been amended.	Disclosure only -reduce balance brought forward 1 April 2006 £21,822k	-	-	-	-	-	-

		Other		Income and Expenditure Account		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000	CR £000	Dr £000	Cr £000	Dr £000	Cr £000
The transfer of fixed assets between Council Dwellings and Land & Buildings had been understated.	Dr Increase in Land & Buildings  Cr Council Dwellings					156	156
There have been adjustments made to the Council tax and NNDR debtor balances and Receipts in advance.	Debtors  Receipts in advance					302	302
The cash flow statement has been amended to ensure that it complies with the SORP and agrees the financial statements.	Disclosure only - the reconciliation of net (surplus)/deficit on the Income and Expenditure Account needing to start with the (Surplus)/Deficit on the I&E not the Movement on the General Fund Balance.	-	-	-	-	-	-

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		Other		Income and Expenditure Account		Balance Sheet	
Adjusted misstatement	Nature of Adjustment	Dr £000	CR £000	Dr £000	Cr £000	Dr £000	Cr £000
Separate disclosure of the pension fund charges for retirement benefits in accordance with FRS17.	Disclosure only -These costs have been amended within the break down of the reconciling items in the statement of general fund balances.  Dr contributions payable to the pension fund £836k.  Cr charges for retirement £1,370k.	-	-	-	-	-	-
The capital commitments note has been amended.	The disclosure note included in the draft accounts related to 2005/06.	-	-	-	-	-	-
Net Effect on General Fund Balance		Nil	Nil	Nil	Nil	Nil	Nil

## Appendix 7 – Value for money conclusion

- 1 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources.
- 2 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Authority has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are show in the table below.

Code criteria	Description	Associated UoR KLoE	Adequate arrangements in place for 2006/07?
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	N/A	No
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	N/A	No
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	N/A	Yes
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Local Government Data Quality KLoEs	Yes

Code criteria	Description	Associated UoR KLoE	Adequate arrangements in place for 2006/07?
5	The body has put in place arrangements to maintain a sound system of internal control.	4.2	Yes
6	The body has put in place arrangements to manage its significant business risks.	4.1	Yes
7	The body has put in place arrangements to manage and improve value for money.	5.2	No
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	2.1	No
9	The body has put in place arrangements to ensure that its spending matches its available resources.	3.1	No
10	The body has put in place arrangements for managing performance against budgets.	2.2	Yes
11	The body has put in place arrangements for the management of its asset base.	2.3	No
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	4.3	Yes