

Annual Governance Report

September 2006



# **Annual governance report**

**South Derbyshire District Council**

**Audit 2005/06**

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 to the Authority**

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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2006

For further information on the work of the Commission please contact:

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

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

# Contents

<b>Purpose of this report</b>	<b>4</b>
Scope of the report	4
<b>Key messages</b>	<b>6</b>
Financial statements	6
Use of resources	6
<b>Financial statements</b>	<b>7</b>
Status of the audit	7
Matters to be reported to the Audit Committee	7
Next steps	10
<b>Use of resources</b>	<b>11</b>
Value for money conclusion	11
<b>Use of auditors' statutory powers</b>	<b>12</b>
<b>Closing remarks</b>	<b>13</b>
<b>Appendix 1 – Audit responsibilities and approach</b>	<b>14</b>
Audit objectives	14
Approach to the audit of the financial statements	15
Approach to audit of arrangements to secure value for money	15
<b>Appendix 2 – Audit reports issued</b>	<b>17</b>
<b>Appendix 3 – Fee information</b>	<b>18</b>
<b>Appendix 4 – The Audit Commission's requirements in respect of independence and objectivity</b>	<b>19</b>
<b>Appendix 5 – Independent auditor's report to the Members of South Derbyshire District Council</b>	<b>20</b>
Opinion on the financial statements	20
Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources	22
<b>Appendix 6 – Letter of representation</b>	<b>24</b>
<b>Appendix 7 – Action Plan</b>	<b>27</b>

## Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the Authority's Audit Sub-Committee is considered to fulfil the role of those charged with governance and references to the Audit Sub-Committee should be read as such.
- 2 We are also required by professional auditing standards to report to the Audit Sub-Committee certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the Authority for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principal purposes of the report are:
  - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Audit Sub-Committee;
  - to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
  - to provide the Audit Sub-Committee with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

## Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
  - the Authority's financial statements; and
  - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work. The results of our inspection work, and our separate grant claims' certification programme, will be reported in the Annual Audit and Inspection Letter in March 2007.

- 8 We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

## **Key messages**

### **Financial statements**

- 9 Our work on the financial statements is now substantially complete. We anticipate being able to issue an unqualified opinion soon after 27 September 2006, following consideration of this report by those charges with governance. A draft auditor's report including our opinion on the financial statement is attached at Appendix 5.

### **Use of resources**

- 10 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We anticipate being able to issue an unqualified conclusion on the use of resources soon after 27 September 2006. A draft auditor's report including our use of resources (VFM) conclusion is attached at Appendix 5.

## Financial statements

- 11 We are required to give an opinion on whether the Authority's financial statements present fairly the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

### Status of the audit

- 12 Our work on the financial statements is now substantially complete.

### Matters to be reported to the Audit Sub-Committee

- 13 We have the following matters to draw to the Audit Sub-Committee's attention.
- 14 On the basis of our audit work, we currently propose to issue an unqualified audit report. A draft audit report is attached at Appendix 5.

### Adjusted misstatements

- 15 To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material. We therefore draw your attention in Table 1 below to the list of material and significant misstatements that management has adjusted following our audit. None affects the reported surplus.

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

The following material and significant adjustments were made to the financial statements following our audit

Issue	Value of misstatement £	Impact on surplus/(deficit)
Both gross income and expenditure on the Consolidated Revenue Account had been overstated by £4.96 million because several internal recharges had not been removed from the accounts presented for audit.	4.96 million	None
The Council had not applied a change in the discount factor (applicable from 1 April 2005) which converts the value of its housing stock from market value to social use. The change was a reduction in the factor from 62 per cent to 50 per cent. The value of the	26.97 million	

Issue	Value of misstatement £	Impact on surplus/(deficit)
housing stock was overstated by £26.97 million.		
<p>As a consequence of the valuation error other capital entries in the accounts required amendment:</p> <ul style="list-style-type: none"> <li>- capital charges were overstated by £966,000;</li> <li>- depreciation was overstated by £230,000; and</li> <li>- the value of disposals was overstated by £1,055,000.</li> </ul>	<p>966,000</p> <p>230,000</p> <p>1,055,000.</p>	None
<p>The Council signed a Section 106 agreement with a developer in January 2006 which provided for a capital contribution of £2.5 million from the developer in May 2006. The signed agreement allowed three months should either party wish to challenge it. The Council received the £2.5 million on 2 May 2006. We have taken technical advice and considered in conjunction with officers the relevant financial reporting requirements. As a result, we have agreed with officers that the receipt of the money was an "adjusting post balance sheet event" and that debtors would be increased by £2.5 million in the 2005/06 accounts with a corresponding entry as a deferred credit. An explanatory note has also been added to the accounts.</p>	2.5 million	None

### Qualitative aspects of accounting practices and financial reporting

- 16 Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We wish to report the following matter to you.



- The format of both the Cash Flow Statement and the Statement of Total Movement in Reserves, both primary statements within the accounts, did not fully comply with CIPFA's 'Code of Practice on Local Authority Accounting in the UK 2005 - A Statement of Recommended Practice' (SORP 2005). Two material amendments were also made to figures in the cash flow statement relating to payments to the capital receipts pool and sales of fixed assets. Neither amendment affected the Council's general fund surplus.

**Recommendation**

*R1 Improve year end processes for producing the financial statements to ensure the accounts presented for approval are free from significant errors, meet the latest technical requirements and are supported by a full set of working papers.*

**Material weaknesses in internal control identified during the audit**

- 17 Our audit identified the following weakness in systems of accounting and financial control which we should report to you.
- The Council's arrangements for completing its bank reconciliation continue to be unsatisfactory. As reported in our 2004/05 Annual Audit and Inspection Letter the process is overly complex. The 2005/06 reconciliations had not been fully completed on a regular monthly basis throughout the year and the year end reconciliation was not fully completed until August 2006.

**Recommendation**

*R2 Review and simplify the bank reconciliation process and ensure reconciliations are completed promptly after the end of each month.*

- 18 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.

### **Matters specifically required by other auditing standards**

- 19 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.
- 20 We have no such matters to report.

### **Any other matters of governance interest**

Finally, we are required to report any other matters that we believe to be of governance interest. There are no matters that we wish to report.

### **Letter of representation**

- 21 We obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The text of the required letter of representation is included at Appendix 6 to be signed by the Chief Executive and the Director of Corporate Services.

### **Next steps**

- 22 We are drawing these matters to the Audit Sub-Committee's attention so that:
- you can consider them before we issue our opinion on the financial statements;
  - the representation letter can be signed on behalf of the Authority and considered by those charged with governance before we issue our opinion on the financial statements.

## Use of resources

### Value for money conclusion

- 23 The Code requires us to reach a conclusion on whether we are satisfied that the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of your resources (the value for money conclusion). In meeting this responsibility, we will review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment. The use of resources assessment is a qualitative assessment of the effectiveness of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are; financial statements, financial management, financial standing, internal control; and value for money.
- 24 We have completed our work in relation to the use of resources and there are no matters which we wish to draw to the attention of the Audit Sub-Committee.

## Use of auditors' statutory powers

- 25 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 5 below.

**Table 2 Use of statutory powers**

The District Auditor has not exercised his statutory powers in respect of the 2005/06 audit

Issue	Auditor responsibility	Impact
Section 8 reports	Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public.	There have been no section 8 reports in respect of the financial year 2005/06.
Section 11 recommendations	To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	There have been no s11 recommendations.
Best value	To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act.	Our work in respect of the Authority's 2005/06 Best Value Performance Plan (BVPP) was reported in the 2004/05 Annual Audit and Inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

## Closing remarks

- 26 This report has been discussed and agreed with the Director of Corporate Services and Head of Finance and Property Services. A copy of the report will be presented at the Audit Sub-Committee on 27 September 2006.
- 27 The report makes two recommendations. An action plan is included at Appendix 7, which includes responses from management and indicative target dates for the implementation of recommendations.

**Andrew Blackburn**  
**District Auditor**

September 2006

# Appendix 1 – Audit responsibilities and approach

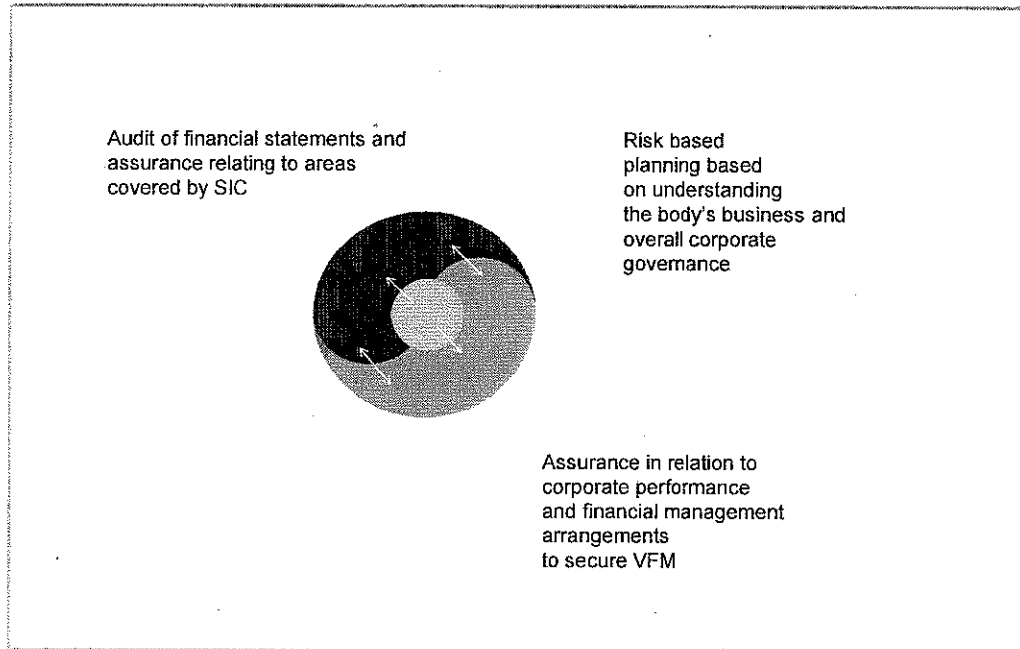
## Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

---

### Figure 1 Code of Audit Practice

Code of Practice responsibilities



## **Approach to the audit of the financial statements**

- 2 In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Authority which had most impact on our opinion. These included:
  - the standard of the overall control environment and internal controls;
  - reliance on internal audit;
  - the likelihood of material misstatement occurring from of material information systems; or a material error failing to be detected by internal controls;
  - any changes in financial reporting requirements; and
  - the effectiveness of procedures for producing the financial statements and supporting material.
- 3 The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements. The keys risks that we identified included:
  - as a result of the deadline for approval of the accounts being brought forward to 30 June 2006 the time available to produce the accounts has been reduced by one month;
  - weaknesses in your arrangements for the preparation of the bank reconciliation; and
  - a record of errors in the draft accounts in respect of fixed assets and capital accounting.

## **Approach to audit of arrangements to secure value for money**

- 4 The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
  - corporate performance management; and
  - financial management arrangements.
- 5 Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.

- 6 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, we considered and assessed relevant significant business risks. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 7 The potential sources of assurance when reaching the value for money conclusion include:
  - the Authority's whole system of internal control as reported in its statement on internal control (SIC);
  - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Audit Commission or other regulators), etc.;
  - work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
  - links to the financial statements' audit, including review of internal audit, the SIC and budgetary control arrangements; and
  - other work necessary to discharge our responsibilities.



## Appendix 2 – Audit reports issued

**Table 3**

<b>Planned output</b>	<b>Planned date of issue</b>	<b>Actual date of issue</b>	<b>Addressee</b>
Audit and inspection plan	April 2005	April 2005	Audit Sub-Committee
Auditor's report on the BVPP	December 2005	December 2005	The Authority
Baseline IT Risk Assessment	March 2006	January 2006	Management
Use of resources assessment	March 2006	March 2006	The Authority and Management
Use of resources feedback report	April 2006	April 2006	Management
Review of Internal Audit	July 2006	July 2006	Management
Annual governance report	September 2006	September 2006	Audit Sub-Committee
Opinion on financial statements	September 2006	September 2006	The Authority
Value for money conclusion	September 2006	September 2006	The Authority
Data quality feedback report	Not applicable	September 2006	Management
Opinion audit memorandum (includes interim audit findings)	October 2006	To be drafted	Management

## Appendix 3 – Fee information

**Table 4**

<b>Fee estimate</b>	<b>Plan 2005/06</b>	<b>Actual 2005/06</b>
Audit		
Accounts	60,515	60,515
Use of resources	23,534	23,534
Total audit fees*	84,149	84,189
Voluntary improvement work	Not applicable	Not applicable

\* The outturn on inspection and grant certification fees will be reported in the Annual Audit and Inspection Letter in March 2007.

## **Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity**

- 1 We are required by the standard to communicate following matters to the Audit Sub-Committee:
  - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors 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 team, and which are required to be disclosed under auditing and ethical standards.

## **Appendix 5 – Independent auditor's report to the Members of South Derbyshire District Council**

### **Opinion on the financial statements**

I have audited the financial statements of South Derbyshire District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to South Derbyshire 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 Director of Corporate Services (Chief Finance Officer) and auditors**

The Director of Corporate Services' 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 2005 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 2005.

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' published on 2 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 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Andrew Blackburn – District Auditor

Audit Commission,  
Littlemoor House,  
Littlemoor,  
Eckington,  
Sheffield  
S21 4EF

September 2006

## **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 I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, South Derbyshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

## **Best Value Performance Plan**

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 16 December 2005. 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.

Andrew Blackburn – District Auditor

Audit Commission,  
Littlemoor House,  
Littlemoor,  
Eckington,  
Sheffield  
S21 4EF

September 2006

## **Appendix 6 – Letter of representation**

Dear Sir

### **South Derbyshire District Council**

#### **Audit for the year ended 31st March 2006.**

We confirm to the best of my knowledge and belief, having made appropriate enquiries of other Corporate Directors and Heads of Service of South Derbyshire District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31st March 2006.

#### **Responsibility**

We acknowledge our responsibilities under the relevant statutory authorities for preparing the financial statements that present a true and fair view and for making accurate representations to you.

#### **Material Changes**

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.

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

#### **Supporting Records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records.

All other records and related information, including minutes of all Council meetings have been made available to you.

**South Derbyshire District Council**



### **Related Party Transactions**

We 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.
- 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.

In all material respects, the expenditure and income disclosed in the financial statements has been applied to purposes intended by Parliament and the financial transactions conform to the authorities that govern them.

### **Irregularities**

We acknowledge our responsibilities 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 statement.

- 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 the Council's Finance and Management Committee 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 South Derbyshire District Council

F.B. McArdle  
Chief Executive

P.J. Jones  
Director of Corporate Services (Responsible Chief Finance Officer)

## Appendix 7 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R1 Improve year end and qualitative processes for producing the financial statements to ensure the accounts presented for approval are free from significant errors and supported by a robust set of working papers. In particular changes to regulations and guidance need to be implemented.	3	Head of Finance and Property Services	Agreed	The Council does always strive to achieve this but acknowledges there is room for improvement. The Council will review its processes and work with the District Auditor ahead of the 2006/07 closedown process to ensure that any changes are minimal in number and not significant.	March 2007
10	R2 Simplify the bank reconciliation and ensure it is completed promptly after the end of each month.	3	Head of Finance and Property Services	Agreed	An action plan has already been instigated and in particular, a further separation of duties implemented together with a monthly target date being introduced into the Divisional Performance Monitoring framework.	Ongoing

28 Annual governance report | Appendix 7 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					Some additional training and in-house support has also been undertaken.	