

Draft Annual Governance Report

Milton Keynes Council

Audit 2008/09

Date

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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

2008/09 Annual Governance Report

We are pleased to present the draft version of our report on the results of our audit work for 2008/09.

The draft report was discussed with the Director of Finance on 14 September 2009 .

The report sets out the key issues that you should consider before we complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 4 to 25);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements we have identified, which management has declined to amend or set out the reasons for not amending the errors; (Appendix 3);
- approve the letter of representation on behalf of the Council before we issue our opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 5).

Yours sincerely

Mick West
District Auditor
XX September 2009

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	6
Financial statements free from error	No	7
Adequate internal control environment	Yes	7
Use of resources	Results	Page
Use of resources judgements	Yes	9
Arrangements to secure value for money	No	11

Audit opinion

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

Financial statements

- 2 This report summarises the position as at 17 September 2009 and identifies what work is outstanding and the key issues arising to date that you should consider before we issue our opinion, conclusion and certificate.

Use of resources

- 3 We assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the value for money conclusion at each type of audited body.
- 4 We have identified weaknesses in your arrangements. We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009, except for those areas highlighted in paragraph 34 below.

Next steps

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

5 We ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 25);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements we have identified which management has declined to amend or set out the reasons for not amending the errors (Appendix 3);
- take note of the value for money conclusion and use of resources score;
- approve the letter of representation on behalf of the Council before we issue our opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 5).

Financial statements

The Council's financial statements and annual governance statement are an 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

- 6 Subject to satisfactory clearance of outstanding matters, we plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
- 7 This report summarises the position as at 17 September 2009 and identifies what work is outstanding and the key issues arising to date that you should consider before we issue our opinion, conclusion and certificate.
- 8 The key areas of work outstanding are:
 - Letter of representation (attached at Appendix 4)
 - Annual Governance Statement
 - Statement of movement on the General Fund Balance
 - Fixed assets – see key issues below
 - Cash flow statement
 - Statement of total recognised gains and losses
- 9 The key issues that we are currently discussing with management are set out in the following paragraphs.

Writing out of in-year additions to council dwellings of £11.5m

- 10 The valuer, in assessing the value of the properties, assumes that all properties meet the decent homes standard. The Council spent £11.5m modernising its council dwellings in 2008/09, for example replacing kitchens and bathrooms. The valuer therefore needs to reflect in his valuation, both at the 1 April 2008 and 31 March 2009, the fact that some homes are not at decent homes standard. Should the expenditure attributable to the decent homes programme not impact on the valuation, this expenditure cannot be treated as capital expenditure and would be charged to revenue. The valuer has agreed to revisit his valuation at the two dates to assess the impact of some homes not being at decent homes standard and the change in valuation arising from the in-year expenditure on the decent homes programme.

Valuation of the proposed waste transfer station site (Collosus)

- 11 Land owned by the Council, earmarked for the proposed waste transfer station, was previously categorised under fixed assets as investment property. In 2008/09 £11.6m

Financial statements

has been transferred from investment properties to operational land and buildings and the site has been valued on the basis of existing use value. The Council has agreed this is an asset that is currently in the course of development, but not yet completed and occupied for the proposed service, and should be valued at market value. It is seeking a valuers opinion of the appropriate valuation.

Cash flow statement

- 12 A number of errors were identified within the cash flow statement and this is being reviewed by the Council.

Errors in the financial statements

- 13 During the audit, management have agreed to a number of amendments to the accounts. We have identified these (other than those of a trivial nature) in Appendix 3. Additional adjustments may be identified as the audit is completed.

Material weaknesses in internal control

- 14 We have not identified material weaknesses in internal control that might result in material errors in the financial statements in the course of our work that we wish to raise with you. We have identified a number of recommended actions following our review of the key financial systems and have provided a report to management to which they are responding.

Letter of representation

- 15 Before we issue our opinion, auditing standards require us to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation we seek to obtain from you.

Key areas of judgement and audit risk

- 16 In planning our audit we identified specific risks and areas of judgement that we have considered as part of our audit. Our findings are set out in Table 1.

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

Issue or risk	Finding
We have previously highlighted concerns about the Council's accounting for fixed assets and capital. This was again viewed as a risk area for 2008/09.	Whilst overall we have noted an improvement in terms of accounting practice and supporting working papers, a number of significant issues have arisen from the audit that need to be resolved.

Issue or risk	Finding
The timeliness and quality of responses to queries need to be further improved.	We have noted an improvement in the timeliness and quality of responses. 20% of queries led to further queries being raised. Whilst some of these were due to additional queries legitimately arising from the initial response, others were due to incomplete or unsatisfactory responses being provided initially.

Accounting practice and financial reporting

17 We consider the qualitative aspects of your financial reporting. Table 2 contains the issues we want to raise with you.

Table 2

Issue or risk	Finding
Capital accounting	Our work on fixed assets and capital accounting has identified a number of issues where accounting and disclosures are not consistent with our interpretation of the SoRP and Financial Reporting Standards. Although we have noted an improvement on previous years, further improvement is required to ensure the Council's capital accounting complies with relevant accounting standards. This will become even more critical with the introduction of International Financial Reporting Standards in 2010/11.
Cash flow statement	We identified a number of errors within the cash flow statement.

Recommendation

- R1** The Council needs to continue to focus its efforts in improving its arrangements for fixed assets/capital in the financial statements, particularly given the imminent implementation of International Financial Reporting Standards.
- R2** Review the compilation of the cash flow statement to ensure it is compliant with the SoRP when submitted for audit.

Use of resources

We are required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

We are also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Use of resources judgements

- 18** In forming our scored use of resources judgements, we have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 19** We have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit and inspection work.
- 20** The Council's use of resources theme scores are shown in Table 3 below. The key findings are summarised in the paragraphs below. A detailed report on the findings and conclusion, including an action plan, for the three themes, and the underlying KLOE will be reported separately. These scores are subject to the national quality assurance process. The Audit Commission will notify Councils of their organisational assessment score, including the overall use of resources score and theme scores on Monday 19 October. This will trigger the 5 day review request period which ends on Friday 23 October.

Table 3 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	1
Governing the business	2
Managing resources	2
Overall	2

Managing finances

- 21** Whilst the Council does meet basic requirements in understanding its costs and performance, improvements are needed in: financial planning to deliver strategic priorities and secure sound financial health; and in ensuring financial reporting is

timely, reliable and meets the needs of internal users, stakeholders and local people to achieve basic standards.

- 22** The Council made some value for money challenges as part of its annual budget and service planning round but some of the approach is at a very basic level with greater corporate and service level challenge planned. Its 2008/09 planned efficiencies were not stretching and the Council failed to achieve its efficiency programme by £2m. Furthermore, in 2009/10 the Council has within its budget £2.6m of non-identified efficiencies. Overall, the Council remains relatively low cost but with mixed service performance.
- 23** The Council has started to integrate financial planning with the strategic and service planning process on a medium to long term basis, but the links need to more explicit. It has recognised it faces a resource gap going forward and has historically managed its spending within budget in the past. In 2008/09, a particular issue has led to a directorate overspend and a reduction in balances below the range set. Weaknesses have been identified in budget monitoring and forecasting. We are as yet uncertain as to how the Council will manage its spending in the medium term, although we recognise that there is work ongoing to do develop a robust medium term financial plan with explicitly identified efficiency savings. Within the latest Cabinet report, it is reported that the Council has to identify a further £7m of savings during the current financial year (2009/10) which will need to be addressed as part of the annual budget process and medium term financial plan. Overall, the Council is low cost with mixed service performance.

Governing the business

- 24** Arrangements for commissioning and procuring services and supplies; producing relevant and reliable data and information meet basic standards but improvements are required in the promotion and demonstration of the principles and values of good governance and the management of risks.
- 25** Commissioning is insufficiently strategic. Although the Council has a clear corporate vision linked with partnership aims, this is not directly linked with a procurement strategy. The Council's approach is not consistent. Adult social care has a strong commissioning vision, but commissioning for children has lacked direction and leadership. The Council has been using service redesign and evaluation to achieve some efficiencies. Procurement practice is generally sound but service users are not sufficiently engaged and market understanding is under-developed and inconsistent. It is not clear how far equality and diversity, and sound options appraisal, are at the heart of commissioning and procurement.
- 26** Data quality meets basic requirements with the implementation of Performance Plus during 2008/09 strengthening arrangements. Performance Plus and associated data quality procedures now needed to be embedded across the Council. The Council has good arrangements for ensuring data security.
- 27** Governance weaknesses were reported in our March 2009 Annual Audit and Inspection Letter, which assessed the Council as not improving adequately in its Direction of Travel. A key inhibiting factor was the lack of a coordinated approach due

Use of resources

to a lack of political cohesion. Three of the six good governance principles were lacking: effective focus on purpose; performing effectively in clearly defined functions and roles; and promoting and demonstrating values through behaviours. The Council's performance in the other principles of good governance was not strong enough to overcome these weaknesses. The DCSF children's services review identified several governance failings. Partnership governance is also underdeveloped.

- 28** We identified weaknesses in the Council's risk management and counter fraud arrangements. Although work has been ongoing throughout 2008/09 to identify risks within services, there is not evidence of a corporate focus on or strategic management of risk. This has been recognised by the Corporate Leadership Team and is being actively developed. Risk management of significant partnerships is developing.
- 29** Although some proactive fraud work is carried out e.g. with the police, there is not a proactive programme of counter fraud and corruption work. Fraud is not being explicitly managed as a corporate risk; nor an assessment made of the resources and activities required to target fraud.
- 30** The Council has a sound system of internal control, including internal audit.

Managing resources

- 31** The Council is meeting basic requirements in making effective use of natural resources. It has taken steps to understand and quantify its use of natural resources, and the main influencing factors and has set up initiatives to reduce its environmental impact. It is working with partners to deliver targets under the Climate Change Act. However, staff engagement is underdeveloped and delivery plans and policies are insufficiently integrated.
- 32** Asset management meets the basics, with policies, strategies and manager responsibilities. It is not clear how much value for money is achieved in terms of social, economic and environmental sustainability – including through asset management on the Council's capital programme. The Council has started to work with partners and others to consider how to make best use of its assets but has not developed plans for shared and accessible facilities.

Value for money conclusion

- 33** We assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the value for money conclusion at each type of audited body. Detailed conclusions on each of the KLOE areas will be provided separately.
- 34** As set out above, we have identified weaknesses in your arrangements:
 - to plan your finances effectively to deliver strategic priorities and secure sound financial health;
 - for timely, reliable financial reporting that meets the needs of internal users, stakeholders and local people; and

- for the promotion and demonstration of the principles and values of good governance.
- to manage its risks and, including the risk of fraud and corruption.

35 We intend to issue a qualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources, except in these areas.

36 Appendix 1 contains the wording of my draft report.

Appendix 1 – Independent auditor’s report to Members of Milton Keynes Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Milton Keynes Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Milton Keynes 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 prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial 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 accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the 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 accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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 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

Appendix 1 – Independent auditor’s report to Members of Milton Keynes Council

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 February 2009, and the supporting guidance, I identified the following:

- Strategic and service planning and financial planning are not sufficiently integrated with stronger links needed with other key Council strategies;
- The medium term financial plan agreed in 2008/09 includes projected deficits for 2010/11 and 2011/12 and it is unclear how this will be addressed. Processes for identifying how efficiency savings will be realised need to be strengthened;
- There is inconsistent quality in financial monitoring and forecasting with some significant variances reported at year-end, surrounding a number of one-off events;
- There needs to be stronger use of financial and related performance information to monitor performance;
- There Council has not demonstrated that it promotes and demonstrates the principles and values of good governance;
- The Council’s risk management arrangements need to have more of a corporate focus and be managed strategically;
- Fraud is not being managed as a corporate risk, nor an assessment made of the resources and activities required to manage the risk of fraud and corruption.

For the reasons set out above, I am satisfied Milton Keynes Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009, except for:

- Planning finances effectively to deliver strategic priorities and sound financial health
- Having reliable financial reporting that meets the needs of internal users, stakeholders and local people
- Promoting and demonstrating the principles and values of good governance
- Managing its risks

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.

M West
District Auditor

Audit Commission
Unit 5
ISIS business Centre
Horspath Road
Cowley
Oxford
OX4 2RD

Appendix 2 – Adjusted amendments to the accounts

The following misstatements (other than those of a trivial nature) were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 4

Adjusted misstatements	Nature of Adjustment	Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Internal recharges for HRA debt charges and notional interest and interest on HRA balances were included in both interest receivable and interest payable rather than being netted off.	Interest receivable Interest payable	4,712	4,712		
Prudential borrowing recharges were incorrectly made to services. The SoRP states that services should not bear the cost of capital financing charges.	Interest receivable Net cost of services	1,549	1,549		
HRA income was incorrectly analysed between charges for services and facilities and tenants contributions to the cost of repairs and court costs.	Charges for services and facilities – tenants Contributions to expenditure	464	464		

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
To account for land sold in relation to Bletchley Leisure Centre: - reclassify land as a surplus asset - account for the revaluation of the land based on market value	Surplus assets Operational land and buildings			181	181
	Surplus assets Revaluation Reserve			2,175	2,175
To account for the disposal of land relating to Bletchley Leisure Centre: - to account for gain/loss on the sale - to write out the revaluation gains - to account for the gain in the SMGFB	Fixed assets Creditors/Cash Income and expenditure gain		42		2,357 6
	Revaluation reserve Capital adjustment account			2,175	2,175
	General Fund Capital adjustment account			48 2,357	
To account for further piece of land earmarked for sale - reclassify from operational land and buildings to investment properties - account for the revaluation of the land based on market value	Fixed assets- investment properties			98	
	Fixed assets - operational land and buildings				98
	Fixed assets - investment properties			1,985	
	Revaluation reserve				1,985

Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
To account for the revaluation of the remaining land and buildings relating to Bletchley Leisure Centre	Fixed assets – operational land and buildings Fixed assets – accumulated depreciation Revaluation reserve			8,311 1,000	9,311

Appendix 3 – Unadjusted misstatements in the accounts

The following misstatements (other than those of a trivial nature) were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. If you decide not to do so, please tell us why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Table 5

Description of error	Accounts effected	Value of error £Million
An accrual for capital creditors in relation to the Milton Keynes Academy was overstated by £1.2m.	Creditors Fixed assets	1.261

Appendix 4 – Draft letter of representation

To:

M West
District Auditor
Audit Commission
Unit 5
ISIS business Centre
Horspath Road
Cowley
Oxford
OX4 2RD

Milton Keynes Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Council members, Corporate Directors and other officers of Milton Keynes Council the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009.

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 present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements 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 listed on the attached 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 have been properly reflected and recorded in the accounting records. All other records and related information,

including minutes of all Council and Committee meetings, have been made available to you.

Irregularities

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

There have been no:

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

I also confirm that I have disclosed:

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

Law, regulations, contractual arrangements and codes of practice

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

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

Group entities

There are no groups which are required to be disclosed in 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.

Appendix 4 – Draft letter of representation

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Notes 29 and 34 to the financial statements we have no other lines of credit arrangements.

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 that 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

All relevant fixed assets are included in the balance sheet.

Signed on behalf of Milton Keynes Council

I confirm that the this letter has been discussed and agreed by the Council on [date]

Signed

Name

Position

Date

Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R1 The Council needs to continue to focus its efforts in improving its arrangements for fixed assets/capital in the financial statements, particularly given the imminent implementation of International Financial Reporting Standards.	3				
9	R2 Review the compilation of the cash flow statement to ensure it is compliant with the SoRP when submitted for audit.	3				

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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