

Stevenage Borough Council

Annual Report to Those Charged With Governance (ISA 260)

September 2011



The image shows a handwritten balance sheet on aged paper. The title is "BALANCE SHEET" followed by "AS AT 31st Dec 2011". The document is organized into columns for assets and liabilities, with handwritten entries and numerical values. The entries include various financial categories such as "Fixed Assets", "Current Assets", "Capital", and "Liabilities". The handwriting is in dark ink, and the paper shows signs of age and wear.

BALANCE SHEET	
AS AT 31st Dec 2011	
Fixed Assets	£ 100,000
Current Assets	£ 50,000
Capital	£ 150,000
Liabilities	£ 100,000
Total	£ 200,000

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1. Executive summary

Purpose of this report

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Audit Committee of Stevenage Borough Council (the Council). The purpose of this report is to highlight the key issues arising from the Council's financial statements for the year ending 31 March 2011.

This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Audit Committee. The requirements of ISA 260, and how we have discharged them, are set out in more detail at Appendix A.

The Council is responsible for the preparation of financial statements which record its financial position as at 31 March 2011, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's financial statements present a true and fair view of the financial position.

Under the Audit Commission's Code of Audit Practice we are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Audit conclusions

Financial statements opinion

We were presented with draft financial statements on 30 June 2011, in line with the deadline. The supporting working papers were of a good standard and the financial statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), based on International Financial Reporting Standards (IFRS).

Based on our work to date, a number of adjustments have been identified to the financial statements, the most significant being:

- An adjustment of £188k was made to reduce the housing rent debtors and the housing receipts in advance balances relating to prepayments.
- An adjustment was made to the face of the Comprehensive Income & Expenditure statement (CI&E) to reflect the impairment of fixed assets that was charged to the revaluation reserve. This also fed through to the Movement in Reserves statement (MIRS).
- The year end balance for holiday pay of £318k has been recorded as a provision. We have proposed an adjustment to reclassify this balance within current liabilities as an accrual. This is in line with our understanding of IAS 19 (Employee Benefits), where it states that the balance should be recognised as an accrued expense, although it is noted that the Code does use the word provision when referring to short term compensated absences.

We identified no other adjustments that impact on the Council's income and expenditure position. Further adjustments noted on the balance sheet were largely of a presentational nature only and had no overall net effect on the Council's reported assets and liabilities.

The key messages arising from our audit of the Council's financial statements are:

- We have reviewed the approach used by the Council in terms of the valuations performed. We are satisfied that the procedures in place are sound and, where applicable, areas of judgement which impact the value of the assets have been applied appropriately. An adjustment was made to the face of the CI&E to reflect the impairment of fixed assets that was charged to the revaluation reserve. This also fed through to the MIRS.

We anticipate providing an unqualified opinion on the Council's financial statements, following approval by the Audit Committee on 19 September 2011.

Further details of the outcome of the financial statements audit are given in section 2.

Value for Money Conclusion

In providing the opinion on the financial statements we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion).

We are pleased to report that, based on our review of the Council's arrangements, we propose to give an unqualified conclusion.

Further details of the outcome of our value for money review are given in section 3.

The way forward

Matters arising from the financial statements audit have been discussed with the Head of Finance. We have made a small number of recommendations, which are set out in the action plan at Appendix C. This has been discussed and agreed with the Head of Finance and the senior finance team.

Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under ISA 260, and should not be used for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the Council's Letter of Representation.

Acknowledgements

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
19 September 2011

2. Key audit issues

Matters identified at the planning stage

We have not altered or changed our planned approach to the audit which was communicated to you in our Audit and Approach Memorandum dated June 2011.

Our response to the matters identified at the planning stage are detailed below.

Issue	Audit areas affected	Work completed	Assurances gained
Accounting under IFRS	All areas of the financial statements	<ul style="list-style-type: none"> We have maintained on-going liaison with the senior finance team regarding emerging IFRS issues and guidance and have been provided with support for any proposed changes to accounting treatment being considered under IFRS Our substantive audit procedures have focused on the high risk areas identified as a result of the transition to IFRS, in particular property, plant and equipment (PPE) 	<ul style="list-style-type: none"> Opening balances and the restated balance sheet have been reviewed with no significant errors identified within restatement workings Substantive audit procedures undertaken in relation to PPE balances did not identify any IFRS related misstatements. As part of the review process, a number of disclosure amendments were required to ensure full compliance with the Code and IFRS.

Issue	Audit areas affected	Work completed	Assurances gained
<p>Revaluation of fixed assets</p>	<p>Property, plant and equipment</p>	<ul style="list-style-type: none"> • We confirmed that controls relating to PPE activity and valuation are implemented and are operating effectively • We reviewed information recorded within the Council's asset record system and made direct enquiries of the Valuer to determine the appropriateness of assumptions applied as part of the adopted valuation methodology as well as the completeness and accuracy of any information used to perform valuation calculations, including non-financial information • We reviewed the approach to valuation activity undertaken during the year to ensure that it had been conducted and recorded in the financial statements in accordance with IAS 16, Property, Plant and Equipment. 	<ul style="list-style-type: none"> • We have reviewed the approach used by the Council in terms of the four types of valuations performed by the Council and how they fit within the Modern Equivalent Asset (MEA) valuation methodology; Fair Value Existing Use, Social Housing Existing Use, Depreciated Replacement Cost and Fair Value of Investment Properties. We are satisfied that the procedures in place are sound and, where applicable, areas of judgement which impact on the value of assets have been applied appropriately. • We gained assurance that the overall valuation had been completed in accordance with IAS 16 and that the findings of the valuer had been accurately reflected in the financial statements.
<p>Financial Performance Pressures</p>	<p>All areas of the financial statements</p>	<ul style="list-style-type: none"> • We have maintained on-going liaison with the Finance Team regarding any emerging issues. • We have reviewed the Executive and Audit Committee minutes and papers to identify and understand the key pressures that the Council is facing in meeting the agreed budget. 	<ul style="list-style-type: none"> • We monitored the financial position of the Council as well as reviewing the use of reserves during the year. This has not identified any significant issues. • We carried out a specific review on the Council's financial resilience in light of SR10. The key findings from this report are included within section 3 of this report.

Status of the audit

We carried out our audit in accordance with the proposed timetable and deadlines communicated to you in our Audit Approach Memorandum. Our audit is substantially complete although we are finalising our procedures in the following areas:

- Confirmation from the Audit Commission of any findings from the audit of the Hertfordshire County Council Pension Scheme
- Housing Benefit reconciliation and analytical review finalisation
- review of the final version of the financial statements
- obtaining and reviewing the Council's letter of representation; and
- updating our post balance sheet events review, to the date of signing the accounts

We anticipate providing an unqualified opinion on the Council's financial statements, following approval by the Audit Committee on 19 September 2011.

In addition, finance staff dealt with our audit queries efficiently and provided timely responses to requests for additional information.

A number of issues arose during the course of the audit, which whilst not considered to represent a material unadjusted impact to the reported financial performance, should be considered by the Audit Committee. These are set out in the following paragraphs. Where appropriate, we have made recommendations for improvement, as set out in the agreed action plan at Appendix C.

Matters arising from the financial statements audit

We are pleased to report that the financial statements were accompanied by good working papers. The Council should ensure that this standard is maintained, in particular where critical judgements and estimates have been applied.

Asset valuations

We have reviewed the approach used by the Council in terms of asset valuation and are satisfied that the procedures in place are sound and, where applicable, areas of judgement which impact the value of assets have been followed appropriately.

A significant impact of the transition to IFRS is the adoption of the Modern Equivalent Asset (MEA) valuation approach when valuing assets that would previously have been valued under the Depreciated Replacement Cost (DRC) method. During our review of valuation procedures we became aware that due to the 5-year rolling property revaluation schedule, the assets held under DRC valuations had not been revalued in this first year of IFRS adoption. The audit risk therefore existed that valuation of assets using a non-MEA basis may result in a materially different valuation if those assets were to be measured under a MEA basis.

We therefore reviewed those large assets where there was the potential for significant differences. Our review of the three DRC buildings we considered led us to believe that there would not be a material change in the value of DRC-valued assets held by the council should they be valued on the MEA basis.

An adjustment was made to the face of the CI&E to reflect the impairment of fixed assets that was charged to the revaluation reserve. This also fed through to the MIRS.

Other accounts issues arising

In addition to the matters raised above, there were a number of specific minor presentational changes that arose during the course of our audit that have been made to the financial statements.

A number of minor amendments were processed to the main financial statements and the supporting disclosure notes in order to ensure the general consistency of information presented within the financial statements, in particular changes brought about by the transition to IFRS or revised requirements of the Code, and to enhance their interpretation by general readers and users of the published statements.

Misstatements

No misstatements were identified by the management team during the course of the audit.

A small number of misstatements were identified as a result of the audit work performed, the most significant of these are:

- An adjustment of £188k was made to reduce the housing rent debtors and the housing receipts in advance balances relating to prepayments
- An adjustment was made to the face of the CI&E to reflect the impairment of fixed assets that was charged to the revaluation reserve. This also fed through to the MIRS

All adjusted and unadjusted misstatements are set out at Appendix B.

The auditor is required to communicate all uncorrected misstatements, other than those considered to be clearly trivial, to the entity's management and to request that management corrects them.

Our audit identified the following amendment to the financial statements that has not been processed by management. The unadjusted misstatement relates to:

- The year end balance for holiday pay of £318k has been recorded as a provision. We proposed an adjustment to reclassify this balance within current liabilities as an accrual. This is in line with our understanding of IAS 19 (Employee Benefits), where it states that the balance should be recognised as an accrued expense, although it is noted that the Code does use the word provision when referring to short term compensated absences.

The impact of the unadjusted misstatement would be a reclassification with current liabilities and would not impact further on either the balance sheet or the Statement of Comprehensive Income and Expenditure for the year ended 31 March 2011.

Evaluation of key controls

Internal Controls

We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. Our evaluation of the Council's key financial control systems did not identify any control issues that present a material risk to the accuracy of the financial statements.

Review of IT

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

Review of internal audit

We periodically review the Internal Audit function for compliance with requirements of the 2006 CIPFA Internal Audit Standards. Our most recent review in March 2011 concluded that Internal Audit met these requirements.

This work supports our review of the Annual Governance Statement (AGS) which in turn informs our Value for Money (VfM) conclusion in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and our audit of the financial statements.

We note the overall Internal Audit opinion for the financial year ended 31 March 2011 concluded that there was a substantial level of assurance that the system of internal control which has been in place at Stevenage Borough Council for the year ended 31 March 2011 accords with proper practice. This opinion provides an element of assurance to the Council about its overall governance arrangements.

Management of the risk of fraud

We have sought assurances from the Deputy Chief Executive & Strategic Director (Resources) and the Chair of the Audit Committee in respect of processes in place to identify and respond to the risk of fraud at the Council.

From these enquiries we have established that the Council considers there are adequate processes in place to mitigate against the risk of fraud occurring at the Council and that those charged with governance have sufficient oversight over these processes to give them the assurances they require in this area.

Annual Governance Statement (AGS)

We have examined the Council's arrangements and processes for compiling the AGS. In addition, we read the AGS and considered whether the statement is in accordance with the requirements of the Code and consistent with our knowledge of the Council.

We have concluded that the Council has good arrangements in place to compile the AGS and provide an appropriate audit trail for the Chief Executive and Leader to sign the statement.

Public challenge matters

At the time of writing we have received no questions or objections in respect of the financial statements for the year ended 31 March 2011 that prevent us from issuing our audit certificate.

Next steps

The Audit Committee is required to recommend to Council the financial statements for the year ended 31 March 2011. In forming its conclusions the Committee's attention is drawn to the adjustments to the financial statements and the required Letter of Representation.

3. Value for money

Value for money conclusion

In order for us to provide a positive conclusion, the Council needs to demonstrate proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

The Audit Commission Code of Audit Practice 2010 describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

For the year ended 31 March 2011 we are required to give our conclusion based on the following two criteria specified by the Audit Commission:

- the Council has proper arrangements in place for securing financial resilience
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness

Programme of work - review of proper arrangements

Our work has encompassed a review against proper corporate performance and financial management arrangements as defined by the Code. The findings from our review against these arrangements are detailed below:

Code criteria	Work completed	Conclusion
Planning finances effectively to deliver strategic priorities and secure sound financial health	Refer to our review of Financial Resilience	The Financial Resilience (FR) review considered the Medium Term Financial Plan (MTFP) in detail. This did not identify any significant issues and it was clear that focus had been maintained on the Council's priorities. Proper arrangements considered to be in place.

Code criteria	Work completed	Conclusion
<p>Having a sound understanding of costs and performance and achieving efficiencies in activities</p>	<p>Refer to our review of Financial Resilience</p>	<p>The FR review highlighted significant work performed by the Council in identifying available savings and efficiencies. Clear savings plans have been put in place.</p> <p>Proper arrangements considered to be in place.</p>
<p>Reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people</p>	<p>Reviewed as part of financial resilience work, our audit of the financial statements and our review of the Council's annual report.</p>	<p>The Council provide detailed quarterly finance reports for the Executive and for regular information for the Senior Management Team (SMT). This includes performance against budget and review of progress against savings plans.</p> <p>The financial statements were submitted on time with no significant adjustments identified.</p> <p>Proper arrangements considered to be in place.</p>
<p>Commissioning and procuring services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money</p>	<p>Considered as part of our risk assessment of the Council's arrangements to prioritise resources and improve efficiency and productivity</p>	<p>Work performed in prior years has not highlighted any significant issues around this criteria. The Council has been seen to undertake consultations with key stakeholders.</p> <p>Our monitoring of developments throughout the year did not highlight a significant change in performance and we are, therefore, satisfied that the criteria has been met.</p> <p>Proper arrangements considered to be in place.</p>

Code criteria	Work completed	Conclusion
<p>Producing relevant and reliable data and information to support decision making and manage performance priorities</p>	<p>Considered as part of our risk assessment of the Council's arrangements to prioritise resources and improve efficiency and productivity</p>	<p>Work performed in prior years has not highlighted any significant issues around this criteria. The Council continues to produce and monitor their balanced scorecard highlighting key information to help support priorities.</p> <p>Our monitoring of developments throughout the year did not highlight a significant change in performance and we are, therefore, satisfied that the criteria has been met.</p> <p>Proper arrangements considered to be in place.</p>
<p>Promoting and demonstrating the principles and values of good governance</p>	<p>Refer to our review of Financial Resilience and our review of the AGS</p>	<p>The FR review includes a section on financial governance. This has not highlighted any significant issues, with appropriate information being regularly provided to SMT and Executive to provide an opportunity for review and challenge.</p> <p>Proper arrangements considered to be in place.</p>
<p>Managing risks and maintaining a sound system of internal control</p>	<p>Refer to our review of Financial Resilience and our review of the AGS</p>	<p>The FR review includes a section on financial control. This has not highlighted any significant issues.</p> <p>Internal Audit provided a substantial level of assurance that the system of internal control accords with proper practice.</p> <p>Proper arrangements considered to be in place.</p>

Code criteria	Work completed	Conclusion
<p>Making effective use of natural resources</p>	<p>We have updated our prior year assessment through discussions with officers and a review of documentation.</p>	<p>Work performed in prior years has not identified any significant issues around this criteria. The Council has a Climate Change Strategy in place and our monitoring of developments throughout the year did not highlight a significant change in performance.</p> <p>Proper arrangements considered to be in place.</p>
<p>Managing assets effectively to help deliver strategic priorities and service needs</p>	<p>Considered as part of our risk assessment of the Council's arrangements to prioritise resources and improve efficiency and productivity</p>	<p>The FR review has identified that the Council are implementing a new Asset Management Plan. This is to respond to the changing economic environment and the reducing levels of capital receipts. A clear strategy has been put in place and this will be monitored going forward.</p> <p>Proper arrangements considered to be in place.</p>
<p>Planning, organising and developing the workforce effectively to support the achievement of strategic priorities</p>	<p>Refer to our review of Financial Resilience. Considered as part of our risk assessment of the Council's arrangements to prioritise resources and improve efficiency and productivity.</p>	<p>The Council's workforce forms a significant part of the MTFP going forward. Consideration of the MTFP through the FR review has identified that the Council is ensuring a focus on their corporate priorities and, therefore, ensuring that resources are aligned accordingly.</p> <p>Proper arrangements considered to be in place.</p>

Matters arising from the review of Value for Money

Key outcomes from our local programme of work are detailed below. Where we have identified areas of weakness in the Council's arrangements, recommendations to support improvements have been made and are detailed in Appendix C of this report.

Securing Financial Resilience

We have completed a review to assess whether the Council has robust systems and processes in place to effectively manage its financial risks and opportunities and secure a stable financial position. We also have considered whether the Council's financial position should enable it to continue to operate for the foreseeable future.

To support our conclusion against this criteria we have undertaken a review which considered the Council's arrangements against three key areas:

- Strategic financial planning
- Financial governance
- Financial control

The key findings from this review are:

- The Council has seen a significant drop in the level of usable reserves over the past three years. This is primarily due to the reduction in the level of the capital receipts reserve. Discussions with senior officers identified that the management of capital is a key area of focus for the Council. They have recognised that there is a significant gap between what the Council will need to spend on its assets over the next five years and what they are able to afford. Whilst a level of borrowing may be acceptable in the short term, it is not plausible as a long term solution. As a result of these issues, the Council has prepared an updated Asset Management Strategy. This is an attempt to make their

management of assets more strategically focussed and enable the management of the estate in such a way as to be true to the Council's wider ambitions whilst being both financially and environmentally sustainable. This is a major project for the Council and it is vital that it is managed correctly with clear plans and timelines in place, in addition to senior officer support and monitoring.

- Reserve levels in general are an area of focus for the Council and it is positive to note that during 2010/11, the Council was able to deliver a net contribution back into balances for the first time in over ten years.
- The Council have achieved significant improvement on the levels of sickness absence and are now performing better than the public sector average.
- The Council was able to undertake the most recent MTFP process with an effective lead in time and it is clear that the process had a high level of stakeholder involvement. They made good progress with putting in place clear savings targets and packages to support them. The creation of the Challenge Board also highlights the Council's commitment to dealing with the financial challenges that they are facing.
- The Council has a robust approach to financial and performance management and associated financial controls. In addition, they have a good record in controlling spend and achieving efficiencies and savings.
- It is anticipated that the Shared Internal Audit Service (SIAS) will increase resilience and give a greater economy of scale to allow access to specialist skills. However, for all members of the shared service, it is vital that quality is high and that each member is provided with sufficient levels of IA work and assurance. The Council must ensure that suitable monitoring arrangements are put in place to maintain a high standard of internal audit support.

Securing Economy, Efficiency and Effectiveness

We have reviewed whether the Council has prioritised its resources to take into account budget constraints and whether it has achieved cost reductions and improved productivity and efficiencies.

We have completed a review against key risk indicators which has not highlighted any significant issues that would impact upon our conclusion in respect of this criteria.

Overall conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects Stevenage Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Appendices

A. The reporting requirements of ISA 260

Purpose of report

The purpose of this report is to highlight the key issues affecting the results of the Council and the preparation of the Council's financial statements for the year ended 31 March 2011.

The document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK and Ireland) 260.

We would like to point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Council.

This report is strictly confidential, and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the terms of our audit engagement.

The contents of this report should not be disclosed with third parties without our prior written consent.

Responsibilities of the directors and auditors

The directors are responsible for the preparation of the financial statements and for making

available to us all of the information and explanations we consider necessary. Therefore, it is essential that the directors confirm that our understanding of all the matters in this report is appropriate, having regard to their knowledge of the particular circumstances.

Clarification of the roles and responsibilities with respect to internal controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Audit Committee that it has done so.

The Audit Committee is required to review the Council's internal financial controls. In addition, the Audit Committee is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

The Audit Committee should receive reports

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- significant findings from the audit

from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of testing, we identify any control weaknesses, we will report these to you.

In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would be pleased to discuss any further work in this regard with the Audit Committee.

Independence and robustness

Ethical standards require us to give you full and fair disclosure of the matters relating to our independence. In this context we ensure that:

- the appointed audit partner and audit manager are subject to rotation every seven years;
- Grant Thornton, its partners and the audit team have no family, financial, employment, investment or business relationship with the Council;
- our fees paid by the Council do not represent an inappropriate proportion of total fee income for either the firm, office or individual partner; and
- at all times during the audit, we will maintain a robustly independent position in respect of key judgement areas.

Audit and non-audit services

Services supplied to the Council for the year ended 31 March 2011 are as follows:

£

Audit services

Statutory audit	148,137
Certification of claims and returns*	40,000

*the quoted fee for grant certification work is an estimate only and will be charged at published hourly rates

Audit quality assurance

Grant Thornton's audit practice is currently monitored by the Audit Inspection Unit, an arm of the Financial Reporting Council which has responsibility for monitoring the firm's public interest audit engagements.

The audit practice is also monitored by the Quality Assurance Directorate of the ICAEW. Grant Thornton also conducts internal quality reviews of engagements.

Furthermore, audits of public interest bodies are subject to the Audit Commission's quality review process.

We would be happy to discuss further the firm's approach to quality assurance.

B. Audit adjustments

Adjustment type

Misstatement - A change in the value of a balance presented in the financial statements

Classification - The movement of a balance from one location in the accounts to another

Disclosure - A change in the way in which a balance is disclosed or presented in an explanatory note

Adjustments to the financial statements

Adjustment type	£000	Account balance	Impact on financial statements
Misstatement	188	Debtors (Housing Rents & Leaseholders) Receipts in advance (Housing)	This reflects a reduction in the housing rent debtors and the housing receipts in advance balances relating to prepayments.
Misstatement	5,311	Comprehensive Income & Expenditure statement Movement in Reserves statement	An adjustment was made to the face of the CI&E to reflect the impairment of fixed assets that was charged to the revaluation reserve. This also fed through the MIRS.
Disclosure	0	Various	A number of minor amendments were processed to the main financial statements and the supporting disclosure notes in order to ensure the general consistency of information presented within the financial statements.

Unprocessed adjustments to the financial statements

Adjustment type	£000	Account balance	Impact on financial statements
Classification	318	Provisions / Accruals	The year end balance for holiday pay is currently held as a provision. We proposed an adjustment to reclassify the balance within current liabilities as an accrual. This is in line with our understanding of IAS19 (Employee Benefits), where it states that the balance should be recognised as an accrued expense, although it is noted that the Code does use the word provision when referring to short term compensated absences.

C. Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
1	The Council should ensure that adequate monitoring arrangements are put in place to follow up the recommendations raised within the separate Financial Resilience report to be presented at the November Audit Committee.	M		



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