



Accountants &  
business advisers

# **Eastbourne Borough Council**

## **Annual Governance Report**

**2009/10**

September 2010

DRAFT

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### **Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

# 1 Executive summary

1.1 Auditing standards require that we report to “those charged with governance” the key findings of our audit prior to issuing our opinion on the financial statements.

## Findings and conclusions

1.2 A summary of the audit findings and conclusions is included in the table below:

Area of audit	Findings and Conclusion
<b>Financial statements</b>	
<b>Key financial systems</b>	<p>While we concluded <b>the key financial systems are adequate as a basis for preparing the financial statements</b>, working with Internal Audit, we identified weaknesses in the operation of controls over the authorisation of purchase orders, completion of the cash/bank account reconciliation; and the authorisation of refunds and write-offs. We satisfactorily completed additional testing of transactions involving these systems to obtain assurance over balances contained in the annual accounts. No issues arose from the additional work we completed and the Council has taken action to strengthen controls operating over these systems in 2010/11.</p>
<b>Financial statements</b>	<p>While no material errors were identified as a result of audit work, the Council made some significant amendments to the accounts for transactions involving credit sales agreements for the purchase of fixed assets for its leisure centres. The 2009/10, and the prior year income and expenditure accounts (net cost of services and interest payable); balance sheets (prepayments and long term liabilities) and relevant disclosure notes were amended accordingly. The Audit Committee provided delegated authority to the Chief Finance Officer to amend the accounts as necessary at its meeting on 30 June 2010. Some other, non-trivial but not material errors have been identified and these are detailed in Appendix B.</p> <p>Some areas of work are still outstanding at the time of drafting this report. Should these result in any significant issues, we will give a verbal update to the Audit Committee.</p> <p>As a result of our audit work, the Chief Finance Officer amended the Annual Governance Statement (AGS) to include information about the action taken to strengthen controls over creditor payments. We are satisfied the revised AGS is not inconsistent or misleading with other information we are aware of from our audit of the financial statements.</p> <p>In planning our audit of the accounts we discussed with officers the significant risk of misstatement because (in previous years) the Council had not fully followed its accounting policies for transactions involving its leisure services contracts. We worked closely with officers to ensure proper accounting and disclosure of these transactions and the Chief Finance Officer agreed the accounts should be amended in the light of our review. The Audit Committee was updated about this matter when it reviewed the draft accounts on 30 June 2010.</p> <p>We also identified the risk of misstatement as a result of the new requirements specified in the 2009 SORP to account for council tax and non-domestic rate transactions on an agency basis. The Council implemented these changes effectively.</p> <p>To improve the annual accounts preparation process, and to address the risk of producing accounts containing material misstatements, the Council has built capacity in the finance section by establishing a new post of Financial Services Manager in April 2010. The majority of our final accounts work was completed by 31 August 2010 which is an improvement on previous years.</p> <p>Subject to satisfactory completion of the outstanding work, we anticipate issuing an <b>unqualified</b> ‘true and fair’ opinion on the Authority Accounting Statements and an <b>unqualified</b> ‘true and fair’ opinion on the Group Accounting Statements.</p>

Area of audit	Findings & Conclusion
<b>Value For Money conclusion</b>	The Council has taken action to improve arrangements for producing the annual accounts and improved leadership and understanding of financial matters is evident across the organisation. The Council has also addressed weaknesses in calculating the annual Council Tax Base and expects the collection fund to be returned to a balanced position by 31 March 2011.  We will therefore be issuing an <b>unqualified</b> value for money conclusion

## Acknowledgement

- 1.3 We would like to thank staff at the Council for their co-operation and assistance during the audit and throughout the period.

## 2 Introduction

- 2.1 This report summarises the results of our audit work completed to date in respect of the financial statements and arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2010.
- 2.2 Our report is presented to Members in accordance with the provisions of International Auditing Standard 260 (“ISA 260”), which requires us to report key findings from the audit to “those charged with governance”, prior to issuing our opinion on the financial statements.

### Findings

- 2.3 Recommendations in response to the key findings identified by our audit of the financial statements are provided in the action plan at Appendix A. These recommendations have been discussed with appropriate officers and responses are included in the action plan where appropriate.
- 2.4 We would highlight that in this report we do not provide a comprehensive statement of all weaknesses that may exist in the accounting and control systems, but only those matters which have come to our attention as a result of the audit procedures performed. Working with Internal Audit, we found some weaknesses in the Council’s material financial systems which management has addressed in 2010/11. The Audit Committee has previously received reports from the Head of Internal Audit about the effectiveness of controls operating in key material systems. The weaknesses, and the audit procedures completed to address the risks presented by such weaknesses are summarised in paragraph 3.10.

### Fee outturn

- 2.5 The Audit Commission’s *Standing Guidance for Auditors* requires us to report the outturn fee position for the year against the budgeted fee included within your Audit Plan. The table below sets out this analysis:

Audit plan 2009/10	Planned fees £	Actual fees £
<b>Financial statements</b> <sup>(1)</sup>	97,700	TBA
<b>Use of Resources</b>	33,300	33,300
<b>Planning and reporting</b>	10,000	10,000
<i>Subtotal audit</i>	146,500	TBA
<b>Grants</b>	60,000	60,000
<b>Total</b>	<b>£206,500</b>	<b>TBA</b>

(1) The fee for the audit of the financial statements was £94,000 in 2008/09 and £143,000 in 2007/08.

- 2.6 We are currently discussing with the Chief Finance Officer, whether some additional fee is merited in the light of the additional procedures we have completed as part of our audit of the 2009/10 financial statements. In addition, a local government elector has asked a significant number of questions about the 2009/10 accounts which we have responded to in close co-operation with officers. The elector has contacted us about his intention to raise an objection about balances contained in the collection fund. Should the fee for the audit change, we will report this to the Audit Committee.
- 2.7 A number of the grant claim audits are currently in progress or do not require certification until 31 December 2010 and therefore the actual fee remains an estimate of the expected final position. The final position will be reported in our grants report to be issued in February 2011.

## Independence

- 2.8 We confirm that we are not aware of any relationships that may bear on our independence and objectivity as auditors and that our independence declaration, included in the Audit Plan for 2009/10, has remained valid throughout the period of the audit.

## 3 Financial statements

### Requirements

- 3.1 We are required to provide an opinion on whether your financial statements give a true and fair view of your financial position and income and expenditure and whether they have been prepared properly, in accordance with appropriate legislation and relevant accounting guidance.
- 3.2 We carry out procedures designed to obtain sufficient appropriate audit evidence to determine with reasonable confidence whether the financial statements are free from material misstatement and evaluate the overall presentation in order to ascertain whether they have been prepared in accordance with relevant legislation and accounting standards.
- 3.3 We identify the principal areas of risk of material misstatement from our knowledge of the Council, of the environment in which it operates and from discussions with management. We address these risks by carrying out appropriate audit procedures.
- 3.4 We apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all risks or potential and actual misstatements. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.
- 3.5 We set a triviality level of £50,000 for the 2009/10 Authority and Group financial statements audit and have not reported to you any matters arising below this level.

### Reporting to those charged with governance

- 3.6 We are required to report to you:
- our assessment of and response to **significant risks in the financial statements**
  - qualitative aspects of **accounting practices and financial reporting**
  - **corrected and uncorrected misstatements**
  - final draft **letter of representation** to be agreed by management and those charged with governance
  - expected modifications to the **audit report**
  - material weaknesses in **accounting and internal control systems** identified during our work
  - **matters required to be reported by other auditing standards**
  - any **other audit matters of governance interest**.
- 3.7 Our comments in these areas are set out in order below.

### *Significant risks in the financial statements*

- 3.8 Auditing standards require that we bring to your attention areas that require additional or special audit procedures in response to areas of significant risk, such as a weakness in controls or areas requiring a higher degree of estimation by management.

3.9 The findings from our review of financial statements risks identified in our Audit Plan and in the year are summarised in the table below.

Risk area	Overall conclusion
<b>Significant audit risks reported in the audit plan</b>	
<p><b>2009 SORP</b></p> <p>We identified a risk of the Council not implementing the proposed changes contained within CIPFA's Statement of Recommended Practice 2009, and therefore producing accounts which did not materially comply with professional guidance.</p>	<p>The Council implemented the key changes required by the 2009 SORP effectively.</p> <p>Further details are provided at paragraphs 3.11 to 3.12.</p>
<p><b>Financial Reporting</b></p> <p>The Council recognised the need to establish further capacity in the Finance Section for preparing and publishing materially accurate annual accounts.</p>	<p>The Council increased the resources available to the finance section and established a new post of Financial Services Manager on 1 April 2010.</p> <p>Some non-trivial but immaterial amendments were made to the accounts in the light of our work. We recommended some amendments to the accounts, and identified other errors and inconsistencies</p> <p>The Council has nevertheless, improved its arrangements for preparing and publishing the annual accounts achieving an earlier closedown than previous years.</p> <p>Our financial audit work was substantially completed by 31 August 2010.</p> <p>Further details are provided at paragraphs 3.17 to 3.28</p>
<b>Significant audit risks identified in the year</b>	
<p><b>Management override of controls</b></p> <p>Auditing standards presume that a risk of management override of controls is present in all entities.</p>	<p>Working with Internal Audit, we identified weaknesses in the operation of controls over the authorisation of purchase orders, completion of the cash/bank account reconciliation; and the authorisation of refunds and write-offs. We satisfactorily completed additional testing of transactions involving these systems to obtain assurance over balances contained in the annual accounts. No issues arose from the additional work we completed and the Council has taken action to strengthen controls operating over these systems in 2010/11.</p> <p>We satisfactorily completed testing of other adjustments to the financial statements, reviewed accounting estimates for possible bias and obtained an understanding of the business rationale for significant transactions appearing to be unusual.</p> <p>Further details are provided at paragraphs 3.38 to 3.51.</p>

3.10 Other areas of audit focus identified in planning our audit of the accounts are summarised in the table below.

Audit focus area	Overall conclusion
<p><b>Leisure Services – purchase of fixed assets and capital financing</b></p> <p>In planning our audit of the accounts, we discussed the complex transactions involving contracts with the operator responsible for procuring fixed assets for the Council’s leisure centres and the financing of such assets with officers. The amounts involved are material and many transactions were included in the 2009/10 accounts for the first time, with some prior period adjustments made.</p>	<p>Our work, which involved verifying transactions with our Technical Department and taking advice from the Audit Commission’s Technical Section, identified the correct accounting and disclosure the Council should follow for the three credit sales agreements it has entered into.</p> <p>The 2009/10, and the prior year income and expenditure accounts (net cost of services and interest payable); balance sheets (prepayments and long tem liabilities) and relevant disclosure notes were amended accordingly.</p> <p>The Chief Finance Officer highlighted these transactions when members approved the accounts on 30 June 2010 and was given delegated authority to amend the accounts as necessary.</p> <p>Further details are provided at paragraphs 3.18 to 3.28.</p>
<p><b>Expenditure and creditor payments</b></p> <p>Audit testing identified controls over the raising of purchase orders, the matching of purchase orders to goods received notes and the subsequent payment of invoices were inconsistently applied.</p>	<p>With the assistance of the internal audit section, we completed extended testing of over 200 transactions to gain assurance over the effectiveness of controls operating for the authorisation of expenditure. No issues arose fro our additional work.</p> <p>The Council has taken action to strengthen authorisation controls in 2010/11.</p>
<p><b>Completion of reconciliations</b></p> <p>Our audit testing the cash/bank reconciliation was not completed between October 2009 and February 2010.</p>	<p>We reviewed all reconciliations as at 31 March 2010 and completed substantive testing of reconciling items.</p> <p>The Council has strengthened arrangements for preparing and reviewing reconciliations. Specifically, it has addressed the technical problems which prevented the completion of the cash/bank reconciliation with its software supplier.</p>
<p><b>Income and debtors</b></p> <p>Audit testing identified controls over the authorisation of refunds are not consistently applied.</p> <p>Sundry debtor invoices raised by officers are not always supported by complete and appropriate documentation.</p> <p>Bad debts written off in the year were not consistently authorised by two officers. Some write-offs with an individual value of over £1,000 were certified by a second signatory without appropriate authorisation.</p>	<p>We completed substantive testing of debtor balances as at 31 March 2010 and reviewed a sample of refunds made in the year. We also reviewed transactions between April 2010 and June 2010 to gain further assurance over the completeness of sundry debtor balances.</p> <p>We reviewed a sample of bad debts written off as at 31 March 2010.</p> <p>No issues arose from the additional audit procedures completed.</p> <p>The Council has taken action in 2010/11 by reminding officers to ensure financial procedures are fully followed for authorising refunds; ensure debtor accounts raised are supported by sufficient documents. Further authorisation has been provided to allow appropriate officers to certify write-offs.</p>

## ***Accounting practices and financial reporting***

### **Application of accounting policies**

- 3.11 The key changes introduced by the 2009 SORP were:
- the introduction of service concession arrangements under International Financial Reporting Interpretations Committee (IFRIC) 12
  - the introduction of agency accounting for the collection of council tax and national non-domestic rates (NNDR).
- 3.12 The Council has dealt with the implementation of these changes in an appropriate manner. We worked with the finance team throughout the closure of accounts process to review the transactions affected by service concession arrangements and to ensure appropriate disclosure was made about the new agency accounting arrangements.

### **The accounts preparation process**

- 3.13 The draft financial statements were approved by Members on 30 June 2010 which was before the statutory deadline of 30 June 2010. As part of our planning for the audit, we prepared a detailed document request which outlined the information that we would require to complete the audit. The Council provided us with files of comprehensive working papers to support the draft financial statements on 26 July 2010 in accordance with the timetable we agreed. This is an improvement on the Council's performance in previous years and our final accounts audit work was substantially completed before 31 August 2010. Some audit procedures were completed in September 2010 where information was awaited from third parties. Other audit procedures remain in progress, as highlighted at paragraph 3.36.
- 3.14 The implementation of International Financial Reporting Standards (IFRS) will require the 2009/10 accounts to be restated and involve additional work for the Council and auditors accordingly. We will continue to work closely with the Finance Section as the Council prepares for the introduction of IFRS and will report progress to the Audit Committee in accordance with our 2010/11 audit plan.

### **Adequacy of disclosures**

- 3.15 While the key changes required by the 2009 SORP were dealt with effectively, we identified some departures from the expected presentation of the financial statements or where notes and other disclosures had not been presented in accordance with the SORP. The following amendments were made by the Council:
- Accounting policy number 10 (Tangible Fixed Assets) was amended to include the Council's policy for capitalising expenditure above its limit of £10,000. The note was also amended to state the useful lives of certain assets (other land and buildings) increased from 35 years to 50 years
  - Accounting Policy Number 14 (Financial Liabilities) was amended to more accurately reflect the Council's accounting for borrowings. The Council initially measures new borrowing at fair value and then carries the amounts involved on the balance sheet at amortised cost
  - Note 2 (Events after the Balance Sheet Date) was updated to include a post balance sheet event relating to the change in calculation of future pension liabilities. This is a national issue affecting all local authority pension funds because future pension increases are due to linked to the Consumer Price Index (and not the Retail Price Index). The announcement was made by the Government in August 2010 and could not have been anticipated in preparing the draft accounts

- Note 9 (Officer Remuneration) was amended to ensure information disclosed was consistent with the Council's underlying Human Resource records. A further amendment was made to the information disclosed about the Chief Executive's remuneration
  - Note 10 (Transactions and Balances with Related Parties) was amended to include additional disclosure about transactions involving a company
  - Note 29 (Retirement Benefits) was amended to ensure consistency with the actuarial report in respect of the pension scheme history information
  - Note 31 (Contingent Liabilities and Assets) was amended to include information about two contingent liabilities. One contingent liability involved a legal case the Council is involved in. The other is a national issue following a decision in August 2010 by the Information Commissioner's Office that local authorities should not charge for property searches (known as 'land charges') made by personal callers. The Council could not have anticipated this announcement in preparing the draft accounts
- 3.16 Other transposition errors in the draft financial statements are highlighted at paragraph 3.60.

### ***Corrected and uncorrected misstatements***

#### **Testing of transactions and balances**

- 3.17 As part of our audit approach, all material balances were subject to audit testing and agreement, on a sample basis, to supporting documentation. Issues arose in respect of the following matters, which we bring to your attention.

#### **Corrected misstatements**

##### **Credit Sales Agreements**

- 3.18 The Council has previously included some, but not all, fixed assets purchased under three Credit Sales Agreements (CSAs) on its balance sheet and it has now taken action to rectify this and to ensure compliance with its accounting policies. Specifically, fixed assets have now been brought onto the balance sheet and long term liabilities have now been correctly recognised. Interest payable under the CSAs is now included as a net operating cost and has been removed from the cost of services.

- 3.19 The situation affects opening balances disclosed in the Income and Expenditure Account and the Balance sheet as shown below.

	Balance as at 31 March 2009 Draft Accounts	
	Audited Balance	Amended Balance
<b>Income and Expenditure Account</b>		
Cultural and Related Services	6,904	6,595
Net Cost of Services	53,561	53,252
External Interest Payable	3,101	3,400
<b>Balance Sheet</b>		
Other Land and Buildings	37,106	37,601
Vehicles, Plant and Equipment	1,258	1,302
Debtors (other prior year adjustments for council tax and Non-domestic rates debtors)	14,029	12,304 *
Long Term Borrowing	13,801	53,381 *
Capital Adjustment account	203,891	202,608 *

\* These amounts were further amended following our audit work

- 3.20 The overall effect of these transactions is neutral on the deficit reported on the Income and Expenditure Account, though the net cost of services has reduced by £300,000 and the net operating expenditure increased by the same amount (after rounding).
- 3.21 The effect is also neutral on the net worth of the Council though the following amendments were made to the accounts as at 31 March 2009:

#### Assets

- Tangible Fixed assets increased by £2,022,000
- Prepayments increased by £573,000

#### Liabilities and Reserves

- Long Term Liabilities increased by £2,396,000
- Capital Adjustment Account increased by £200,000

- 3.22 The Chief Finance Officer highlighted these transactions when members approved the accounts on 30 June 2010 and was given delegated authority to amend the accounts as necessary. As a result of our work, a number of amendments were made to the accounts as summarised below.

#### **Disclosure of transactions**

- 3.23 The CSA transactions were described as service concession arrangements in the draft accounts. The Council has updated the accounts and included additional disclosure about each CSA, including the cost, terms and conditions, and future liabilities of each.

## Long term Liabilities

- 3.24 The Council calculated the amount of liability outstanding for each CSA based on the assets it expected to purchase in the future under each agreement. The Council amended the accounts to ensure the liabilities incurred under each CSA matched the fixed assets actually purchased as at 31 March 2010.
- 3.25 The following amendments were made to the accounts as a result of our work:
- opening balance as at 1 April 2009 reduced by £638,437
  - closing balance as at 31 March 2010 reduced by £475,642

## Prepayments and Capital Adjustment Account (CAA)

- 3.26 Because the Council calculated the long term liability balances, further errors were made affecting prepayments and the capital adjustment account (CAA). The position arose because the Council accounted for the difference between the long term liability and the value of fixed assets purchased as at 31 March 2010 through the inclusion of a prepayment while setting aside amounts required by statute to repay the CSAs in the CAA.
- 3.27 The following amendments were made to the accounts as a result of our work:

### Prepayments

- Opening balance as at 1 April 2009 reduced by £573,987
- Closing balance as at 31 March 2010 reduced by £413,024

### Capital Adjustment Account

- Opening balance as at 1 April 2009 reduced by £64,450
- Closing balance as at 31 March 2010 reduced by £62,617

## Housing Revenue Account – Interest Payable and Similar Charges

- 3.28 The identification of long term liabilities (see paragraph 3.24) meant the interest payable by the Housing Revenue Account (HRA) increased by £302,077 and debt management expenses reduced by £2,279. The following amendments were made to the HRA:
- Interest Payable and Similar Charges increased from £2,873,498 to £3,175,575
  - Debt management expenses decreased from £75,965 to £73,686.

## Group Accounts

### Consolidation of Group Account Balance Sheet amounts

3.29 Following the audit of Eastbourne Homes Limited, which was completed by a third party in August 2010, the following adjustments were made to the Group Balance Sheet:

- Debtor and creditor balances should be reduced by £63,000 to eliminate intra-Group balances
- Note 2 (transactions between Eastbourne Borough Council and Eastbourne Homes Ltd) should also be amended to show the effect of the removal of intra-Group balances (the net effect is £63,000):
  - Debtor (amount due from EBC) should be increased by £91,000 (from £916,000 to £1,007,000)
  - Creditor (amount due to EBC) should reduced by £28,000 (from £88,000 to £60,000).

### Disclosure of Group Account Reserves

3.30 The Council consolidated three of its reserves and three reserves from its arms length company into a single balance in the Group Accounts Balance Sheet. The amounts should have disclosed consistently between the Authority and Group financial statements. The following amendments were made to the accounts.

	£000
<b>Eastbourne Borough Council Reserves</b>	
Earmarked Reserves	2,911
Housing Revenue Account	1,378
General Fund	4,539
<b>Eastbourne Homes Limited Reserves</b>	
Revenue Reserve	703
Pensions Reserve	(£1,613)
Tax	6
<b>Consolidated Amount shown in the Group Accounts</b>	<b>7,924</b>

## Uncorrected misstatements

### Earmarked reserves – ‘Section 106’ reserve amount £130,000

- 3.31 The Council’s earmarked reserves include a ‘section 106’ reserve established in the expectation developers would make a contribution to specific projects. The reserve has not been utilised over the past 12 months. Officers confirmed the developer would not be making the expected contribution and the reserve would not therefore be used for its intended purpose. The amount should be written back to the Council’s general balances.

### Housing Benefit Subsidy Receivable - Income; Sundry Debtors and General Fund Balance understated £126,695

- 3.32 Our review of the year-end reconciliation between the Housing Benefit system and the general ledger indicates the Council’s income and debtors (and therefore general reserve balances) are understated by £126,695. The situation arose because the draft housing benefit subsidy claim was prepared only after the draft accounts were produced. The Council’s income (General Fund Housing Services); sundry debtors and general fund balance should be increased accordingly.
- 3.33 We set out at Appendix B all of the non-trivial misstatements which we noted during the course of our audit and which management do not intend to adjust. We will provide an update at the Audit Committee meeting should we identify any additional items during the final clearance of outstanding issues.
- 3.34 The letter of representation at Appendix C includes written representation, both from the Chief Finance Officer and the Chair of Audit Committee, of the reason for not making the amendments noted in Appendix B.

### *Letter of representation*

- 3.35 The draft letter of representation has been attached as Appendix C. We do not anticipate any changes being required before providing our opinion on the financial statements.

### **Audit report**

- 3.36 Subject to satisfactory resolution of the following outstanding issues and final clearance of the remaining issues, we anticipate issuing an unqualified audit opinion on the accounts:
- review of invoices supporting purchase of assets for the Council’s leisure centres
  - our review of the transactions involving the disposal of ‘Derry Court’ (Housing Asset)
  - final review of accounts for consistency.
- 3.37 We will provide a verbal update on these outstanding issues at the Audit Committee meeting on 27 September 2010.

### **Accounting and internal control systems**

- 3.38 We have reviewed the key financial systems, which contribute to the preparation of materially accurate financial statements, to assess the extent to which we can place reliance on them for this purpose. In carrying out this work we consider:
- the extent to which your accounting and internal control systems are a reliable basis from which to prepare the financial statements
  - the robustness of your accounts preparation processes.

- 3.39 In assessing the reliability of systems as a basis for providing financial information that is free from material misstatement, we prepared systems notes for each financial system and we evaluated the controls within those systems, with particular focus on assessing whether the controls in place to mitigate significant risks are suitably designed and operating as intended to meet their objective.
- 3.40 Your key financial systems are:
- Main accounting
  - Cash and bank
  - Payments and creditors
  - Income and debtors
  - Payroll and employment costs
  - Information technology
  - Council tax
  - Housing and council tax benefits
  - National Non Domestic Rates
  - Housing rents income
  - Investments and investment income
- 3.41 We also have a responsibility to give specific consideration to the potential risk of material misstatement of your financial statements due to fraud and error, including the risk of fraudulent financial reporting. This requires us to:
- review internal controls that are designed to prevent, or detect and correct, misstatements in the accounts
  - review the arrangements for preparing the financial statements
  - select and test transactions and balances, including review of significant balances against expectations and substantiate individual items
  - assess the significant estimates and judgements made by officers in preparing the accounts
  - consider the adequacy of presentation and disclosures included in the financial statements.
- 3.42 The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect material fraud and corrupt practices lies with management and those charged with governance.

### **Internal audit**

- 3.43 Where possible, we have placed reliance on Internal Audit's work and thereby avoided unnecessary duplication of audit effort. To ensure this approach was valid, we have undertaken the following:
- reviewed Internal Audit's working papers and reports
  - considered the robustness of the key financial systems on the evidence of this work
  - re-performed Internal Audit's evaluation of controls and a sample of its testing of the effectiveness of controls, to ensure that its conclusions are soundly based.
- 3.44 We were able to place reliance on Internal Audit's work for the testing of the effectiveness of specific controls.

### **Issues arising**

- 3.45 Auditing standards place increased focus on the reporting of issues affecting the audit to those charged with governance. Consequently we report the matters below because they concern controls directly related to the focus of our audit work, which is the giving of an opinion on the Council's financial statements (and its Group financial statements), regardless of the level of significance of the issue.

## Expenditure and creditors

- 3.46 The Council's financial procedures require that payments should be authorised only after the transaction is confirmed by the authorising officers as being supported by an authorised purchase order matched to a goods received note. Our audit testing found that from a sample of 20 payments, three were not supported by the documentation specified in the Council's procedures. With the assistance of the internal audit section, we completed extended testing of over 200 transactions to gain assurance over the effectiveness of controls for the authorisation of expenditure.
- 3.47 Our extended audit testing was completed satisfactorily and no errors were found from our sample which could materially affect the 2009/10 financial statements or indicate material fraud. The Council has taken action in 2010/11 to remind officers to fully follow its financial procedures to ensure controls operating over expenditure and creditor payments operate effectively.

## Completion of reconciliations

- 3.48 Our audit work identified the cash/bank reconciliation was not completed between October 2009 and February 2010. To gain assurance over the cash and bank balance and non-domestic rates transactions included in the financial statements, we reviewed the reconciliations prepared by the Council as at 31 March 2010 and completed substantive testing of reconciling items. No matters arose from our work to indicate fraud or error. The Council has strengthened arrangements for preparing and reviewing reconciliations in 2010/11. Specifically, it has addressed the technical problems which prevented the completion of the cash/bank reconciliation with its software supplier.

## Income and debtors

- 3.49 Our audit testing identified controls over the authorisation of refunds are not consistently applied. From a sample of 10 transactions, two had not been authorised in accordance with the Council's financial procedures. In addition, sundry debtor invoices raised by officers are not always supported by complete and appropriate documentation. We completed substantive testing of debtor balances as at 31 March 2010 and reviewed a sample of refunds made in the year.
- 3.50 We also reviewed transactions between April 2010 and June 2010 to gain further assurance over the completeness of sundry debtor balances. Some of this work remains in progress at the time of drafting this report.
- 3.51 Our work also found that bad debts written off in the year were not consistently certified by two appropriate officers. From a sample of 10 write-offs with an individual value of over £1,000, two were certified by an officer without the delegated authority necessary to authorise the transaction. Such authority has now been provided by the Chief Finance officer.

## Fraud risks

- 3.52 In order to identify the fraud risks, and the controls you have put in place to mitigate those risks, we have:
- discussed your anti fraud and corruption arrangements with officers, and those charged with governance
  - considered the extent to which the work of Internal Audit is designed to detect material misstatements in the accounts arising through fraud
  - made enquiries regarding instances of actual fraud you have brought to our attention.

## Conclusions

- 3.53 As a result of our work, we have concluded that the key financial systems are generally adequate as a basis for preparing the financial statements. We identified some control weaknesses and completed additional audit work accordingly. With the Head of Internal Audit, we have made recommendations to improve the effectiveness of controls operating over specific financial systems and management has implemented these in 2010/11 (see Appendix A).
- 3.54 Additionally, a recommendation the Audit Committee receives a quarterly report from the Head of Internal audit about the implementation of recommendations made to improve controls operating over certain financial systems highlighted at paragraph 3.10.
- 3.55 We did not identify any significant fraud risks that affected our audit programme for the financial statements.

## *Matters required to be reported by other auditing standards*

- 3.56 There are no other matters arising from our work that we are required by other auditing standards to bring to the attention of those charged with governance.

## Other audit matters of governance interest

### Calculation of 2009/10 Council Tax Base

- 3.57 We have previously reported weaknesses in calculating the annual Council Tax Base to the Audit Committee. The 2009/10 Council Tax Base was calculated in November 2008 when certain assumptions made by the Council in determining the number of dwellings eligible to pay council tax could not be fully substantiated. As a consequence, the number of dwellings used to calculate the Council Tax Base was overstated and a deficit of £591,000 was incurred and increased the accumulated deficit on the Collection Fund to £1 million.
- 3.58 We reviewed the approach to setting the 2010/11 Council Tax Base and concluded the Council has taken the necessary steps to strengthen its arrangements. Importantly, the Council has critically evaluated its estimation of the reliefs expected to be awarded in the year; with the number of dwellings used to calculate the Council Tax Base decreasing accordingly. Management is confident the collection fund will be returned to a balanced position as at 31 March 2011.

### Impairment of fixed assets

- 3.59 The Council's valuer undertook a desktop review during 2009/10 of the Council's Land and Buildings and decided to value assets as at the 1 April 2006 position. The value of some assets reduced by £4,720,000. Other assets increase in value which involved an upward revaluation of £635,000 and elimination of associated depreciation of £2,578,000. The Chief Finance Officer has included his reasoning as to why the approach is appropriate in his letter of representation.

### Transposition errors

- 3.60 Our detailed audit work highlighted a number of transposition errors in the draft financial statements which officers amended:
- the Income and Expenditure account understated (income and expenditure) attributable to the Housing Revenue Account by £2.633 million. There was no effect on the net cost of services

- Housing Revenue Account balances for depreciation; debt management costs; and provisions were amended because balances were incorrectly transferred from detailed working papers to the draft accounts (there was no impact on the overall deficit reported).

## **Annual Governance Statement**

- 3.61 The Council has a responsibility to publish an Annual Governance Statement (AGS), including the outcome of a review of its effectiveness, with its 2009/10 financial statements. As a result of our review, the Chief Finance Officer agreed to amend the AGS to include information about weaknesses in controls operating over expenditure and creditor payments. We have not yet reviewed the amended AGS and will provide a verbal update on these matters at our presentation of this report to the Audit Committee on 29 September 2010.

## **International Financial Reporting Standards**

- 3.62 International Financial Reporting Standards (IFRSs) will be adopted in local government from 2010/11 and will require transitional arrangements to be put in place by the Council. Management should continue to prepare for the adoption of IFRSs based on the Treasury timescales, ensuring staff have sufficient knowledge of IFRSs to restate the 2009/10 financial statements. The Audit Committee has received reports about the impact of IFRS on the Council's throughout the year. We will continue liaise with the finance section about the Council's plans to restate the Council's financial statements on an IFRS basis and report progress to the Audit Committee.

## 4 Use of resources

- 4.1 We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).
- 4.2 In June 2010 the Government announced the abolition of Comprehensive Area Assessment. As a result the Audit Commission announced changes to its use of resources approach, effective immediately, which included removal of the scored judgements for use of resources assessments in local government bodies. It is still necessary, however, for auditors to complete sufficient use of resources assessment work to support their statutory duty to give a value for money conclusion. In practice, much of the use of resources assessment had already been completed at the time of the announcement, in order to meet the prior deadline of submitting indicative scores to the Audit Commission by 21 April 2010.
- 4.3 The Audit Commission is currently consulting on this matter and we anticipate that further information on the future of these assessments will be available at the end of the autumn.

### Use of Resources Audit Work

#### Approach

- 4.4 In accordance with our audit plan, our principal work in relation to arriving at our value for money conclusion was completing the Audit Commission's Key Lines of Enquiries (KLOEs). This included updating our assessment of the KLOEs which had been scored for 2008/09 to include actions taken by the Council to address any areas of weaker performance. And the assessment of a new KLOE for District and Borough Councils assessing the Council's use of 'natural resources'.
- 4.5 While the use of resources assessment will not be scored in 2009/10, we are required to consider areas where the Council's performance may be inadequate and whether our value for money conclusion should be qualified. We can confirm the Council has adequate arrangements in place in each KLOE area, as summarised below.

#### Key findings

- 4.6 In 2009/10 the Council made progress in addressing the weaknesses we previously highlighted in its financial reporting arrangements. As highlighted earlier in this report, the Council has built capacity in the finance section to prepare materially accurate annual accounts and has taken action designed to eliminate the deficit on the collection fund by 31 March 2011. The Council has also developed the approach to financial planning, with the resources required to deliver Council priorities over the medium term being more clearly identified. The Council has published the efficiency targets and expenditure plans necessary to maintain a sustainable financial platform over the medium term. The Council is preparing for the financial challenges which lie ahead by modelling a range of scenarios to inform the decision making process.
- 4.7 The Council's new management team have brought renewed focus to financial matters, clearly articulating key messages among staff, through workplace meetings, and among partners, through the work of the new Chief Executive. Feedback from staff and partners has been positive about the Council's approach.
- 4.8 The integration of financial and operational performance information developed in the year and the Council invested in a new performance management system to enhance its approach. A small number of corporate performance indicators are now published with financial information and a written commentary provided to enable better understanding about Eastbourne's overall performance. The Council recognises it needs to make further progress towards a fully integrated financial and performance management approach.

- 4.9 Projects designed to provide better information about the cost of services are underway. The 'AGILE' programme is significant and is being managed effectively to relocate staff to another site in the Town. Investment in new ways of working is expected to deliver savings of over £3 million over the medium term and provides a positive example of the Council's approach to developing and reviewing fully costed options for procurement and service delivery. Governance arrangements have been established to progress the programme with staff and other stakeholders (such as Trade Unions) being consulted throughout.
- 4.10 We assessed Eastbourne's approach to natural resources for the first time in 2009/10 and considered the extent to which the Council:
- understands and can quantify its use of natural resources and can identify the main influencing factors;
  - manages performance to reduce its impact on the environment; and
  - manages the environmental risks it faces, working effectively with partners
- 4.11 The strategic approach to reducing the Council's carbon footprint is developing and is based on a policy framework which has set clear objectives for reducing energy and water costs; reducing CO<sup>2</sup> emissions through good management and effective procurement; to reduce pollution; and promote energy and water conservation. The Council's action is designed to reduce CO<sup>2</sup> emissions through its work with the Eastbourne Strategic Partnership, which endorsed the Council's approach in January 2009.
- 4.12 The Council aims to achieve its objectives through increasing staff awareness; motivating then and leading by example through publishing details about its energy reduction initiatives; performance and achievements. Progress is being made towards the Council's stated objectives through investment in a range of projects and measures such as all main Council buildings being fitted with low energy light bulbs and water saving devices; reducing the number of leased vehicles and encouraging staff to cycle to work; and insulating Council buildings infrastructure to reduce heat loss. The Council has measured the impact of such measures through a baseline assessment of energy usage by an external consultant and the subsequent collection of data for all Council sites. The data was used to prepare and publish performance towards the national performance indicator for carbon reduction.

## Value for money conclusion

- 4.13 Our value for money conclusion is based on considering our judgements from the results of risk based audit work, as well as consideration of the processes underpinning your review of the effectiveness of your controls as described in the Annual Governance Statement. Our judgements against the value for money conclusion criteria are set out in the table overleaf:

Value for money conclusion criteria	Yes/No
1. Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Yes
2. Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes
3. Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
4. Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	Yes
5. Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	Yes
6. Does the organisation promote and demonstrate the principles and values of good governance?	Yes
7. Does the organisation manage its risks and maintain a sound system of internal control?	Yes
8. Is the organisation making effective use of natural resources?	Yes

### ***Overall conclusion***

- 4.14 The Council has taken action to improve arrangements for producing the annual accounts and has taken steps to build capacity in the finance section to improve leadership and awareness of financial issues across the organisation. Action has been taken to address weaknesses in calculating the annual Council Tax Base the collection fund deficit should be eliminated by 31 March 2011.
- 4.15 Our overall conclusion is that adequate arrangements are in place to secure value for money and this is an improvement on the position reported in previous years.

## Appendix A: Action Plan

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
<b>Financial statements</b>					
Improvement is evident in the Council's arrangements for preparing and publishing financial statements. However, our work did identify a number of misstatements which the Council has corrected.	Keep the capacity of the finance section under review to ensure sufficient resources are in place to deal with the successful transition to International Financial Reporting Standards.	M	Management is aware the introduction of IFRS will require further work and has increased the capacity of the finance section accordingly.	CFO	Complete
<b>Financial systems</b>					
<b>Internal Audit</b>					
The Head of Internal Audit should prepare a report for review by the Audit Committee on the progress towards improving controls over the Council's key financial systems.	The Audit Committee should receive a report about the operation of internal controls at its quarterly meetings.	H	The recommendation is implemented as the Head of Internal Audit will continue to provide updates to the Audit Committee at each meeting.	CFO/Head of Internal Audit	Complete
<b>Reconciliations</b>					
Our audit work identified the cash/bank reconciliation was not completed between October 2009 and February 2010.	The Council should ensure reconciliations are completed in accordance with financial procedures.	H	The recommendation has been implemented.	CFO	Complete

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
<p><b>Income and Debtors</b></p> <p>From a sample of 10 transactions, two had not been authorised in accordance with the Council's financial procedures. In addition, sundry debtor invoices raised by officers are not always supported by complete and appropriate documentation. Our work also found that bad debts written off in the year were not consistently authorised by two officers.</p> <p>From a sample of 10 write-offs with an individual value of over £1,000, two were certified who did not have appropriate authorisation.</p> <p>Our audit testing identified controls over the authorisation of refunds are not consistently applied.</p>	<p>The Council should ensure controls over the preparation and authorisation of debtor accounts; and the authorisation of write-offs and refunds operate in accordance with financial procedures.</p>	<p>M</p>	<p>The recommendation has been implemented.</p>	<p>CFO</p>	<p>Complete</p>

## Appendix B Uncorrected misstatements

The table below details the potential differences recorded during the audit which are not adjusted for currently within the financial statements:

Unadjusted misstatements	Income Over/ (Under) £'000	Expenses (Over)/ Under £'000	Assets (Over)/ Under £'000	Liabilities Over/ (Under) £'000	Reserves (Over)/ Under £'000	Management comments
<b>Misstatements of fact (specific misstatements)</b>						
Earmarked Reserves					(130)	The amount is not material and will be reviewed in 2010/11.
General Balances					130	
Income (General Fund Housing Services)	(127)					
Sundry Debtors			127			
General Fund Balance					127	
<b>Misstatements of subjective decisions (estimates or application of accounting policy)</b>						
None						
<b>Likely misstatements (extrapolation of errors)</b>						
None						
<b>Total net misstatements</b>						
- Net understatement of costs	127					
- Net understatement of net assets			127		127	

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## Appendix C: Draft letter of representation

PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

27 September 2010

Dear Sirs

### **Financial statements of Eastbourne Borough Council for the year ended 31 March 2010**

#### **Representations of the Chief Finance Officer**

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the financial statements of the Council and the group for the year ended 31 March 2010.

#### **Responsibility for the financial statements**

I acknowledge as the Chief Finance Officer and s151 Officer my responsibilities for the financial statements.

#### **Completeness of information**

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 management and committee meetings (held during the year and up to the date of this letter) have been made available to you.

#### **Internal control**

I acknowledge my responsibility for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Council and group financial statements that are free from misstatement, whether arising from fraud or error.

#### **Fraud**

I have disclosed to you the results of my assessment of the risk that the Council and group financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the financial statements, nor have any allegations of fraud or suspected fraud affecting the financial statements been communicated to me by employees, former employees, councillors, regulators or others.

#### **Compliance with law and regulations**

I am not aware of any possible or actual instances of non-compliance with laws or regulations whose effects should be considered when preparing financial statements of the Council and the group.

#### **Transactions with related parties**

I confirm that I have put in place appropriate arrangements to identify related party transactions.

I am satisfied that the disclosure in the financial statements of related party transactions is appropriate and complete and contains all the elements necessary for an understanding of the financial statements.



**Contingent liabilities**

The contingent liabilities I am aware of are disclosed at note 31. I am not aware other significant contingent liabilities, including pending claims, proceedings or litigation involving the Council.

**Pension fund assumptions**

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

- Rate of inflation 3.8%
- Rate of increase in salaries 5.3%
- Rate of increase in pensions 3.8%
- Rate for discounting scheme liabilities 5.5%

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

**Fair value measurements and disclosures**

I am satisfied the carrying value of land and buildings is a reasonable representation of their value at 31 March 2010.

**Subsequent events**

There have been no events since the balance sheet date which necessitate revision of the figures included in the Council and group financial statements or inclusion of a note thereto. Should any material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Yours faithfully

**Alan Osborne**  
**Chief Finance Officer**

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### ***Representations of the Council***

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council and group's financial statements.

#### **Responsibility for the financial statements**

We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the financial statements.

#### **Uncorrected misstatements**

We have considered the uncorrected misstatements in the financial statements as listed in Appendix 1 to this letter together with the explanations provided by the Chief Finance Officer for not correcting these misstatements. We consider them to be immaterial to the view given by the financial statements.

#### **Annual Governance Statement**

We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

Yours faithfully

**Councillor Mrs Tarrant**  
**Audit Committee Chair**

Signed on behalf of the Council

**Note: Appendix 1 referred to in this letter relates to Appendix B in this report**

## Appendix D: Draft independent auditors' report

### Independent auditor's report to the Members of Eastbourne Borough Council

#### *Opinion on the accounting statements*

We have audited the Authority accounting statements and related notes of Eastbourne Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Authority and Group Income and Expenditure Accounts, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheets, the Authority and Group Statements of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statements, the Authority Housing Revenue Account, the Authority Collection Fund, the Group Reconciliation of the Single Entity Deficit for the Year to the Group Deficit Statement 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 Eastbourne Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

#### **Respective responsibilities of the Chief Finance Officer and auditor**

The Chief Finance Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We 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. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our 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.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us 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 our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

### **Opinion on Authority Statements**

In our opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

### **Opinion on Group Statements**

In our opinion the Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

### ***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**

We are 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 us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009 and the supporting guidance, we are satisfied that, in all significant respects, Eastbourne Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

## ***Certificate***

We certify that we 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.

Signature:

Date: 30 September 2010

Robert Grant  
Partner, for on behalf of PKF (UK) LLP  
London, UK