



NORTHAMPTON BOROUGH COUNCIL

Mr Neil Bellamy
District Auditor
Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

Our Ref: IP/
Your Ref:
Please Contact: Isabell Procter
Ext/Direct Line: 8757 / 838757
Date: 27th September 2010
E-mail: iprocter@northampton.gov.uk

Dear Mr Bellamy

Northampton Borough Council - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the Council and Councillors, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the *Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* which give a true and fair view of the financial position and financial performance of Northampton Borough Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected misstatements listed in appendix 3 of the auditor's Annual Governance Report are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council (the Audit Committee) and the reasons for not correcting these errors are as follows:

- The Council often receives money with inadequate information to automatically allocate the cash to customers' accounts. Before the cash is allocated, the Council accounts for the income as creditors on the basis that the Council either needs to find the correct account to allocate the income or, alternatively, must refund the money. At the 31st March 2010 there was £623k of unidentified income of which £591k was subsequently identified and allocated to debtor balances early in the following financial year. This figure is made up of many transactions and it would take a significant amount of work to post these transactions back into the previous financial year; the work involved significantly outweighs the value to the accounts and so the Council has taken the decision not to amend the accounts for 2009/10. The processes in this area have

continued to improve and the levels of unidentified balances in 2010/11 have significantly reduced;

- The Alliance and Leicester Bank provide a service via Payzone outlets to enable the general public to pay monies to the NBC using an issued swipe card or bar code. The Council cannot pay into the accounts used by Alliance and Leicester to administer this service and cannot transfer the money on demand from Alliance and Leicester to the Council's accounts; the transfer from Alliance and Leicester to the Council is set in the contract. Currently these monies are paid over weekly with Alliance and Leicester counting a week from Wednesday to Tuesday. The time scale between a customer paying in and the Council receiving notification via an electronic file is around 4 days. The electronic files received from Alliance and Leicester during the night are automatically credited to the customer accounts via the income receipting system and so the information on the statement dated 31st March 2010 was received in file form on 1st April 2010 credited to the customer's accounts on the 2nd April 2010, although the cash not received until 9th April 2010. As the Council did not have the cash, nor had any idea as to how much cash there was before the file was received it was excluded from the year-end cash figure and was represented in the accounts as a debtor.

Supporting records

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

Irregularities

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

There have been no:

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

I also confirm that I have disclosed:

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

Law, regulations, contractual arrangement and codes of practice

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

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

Fair values

I confirm the reasonableness of the significant assumptions within the financial statements, including:

- the appropriateness of the measurement method;
- the completeness and appropriateness under the financial reporting framework; and
- the appropriateness of any adjustments to the fair value arising from subsequent events.

Group entities and joint arrangements

I confirm that there are no material group entities requiring the preparation of group accounts and no material joint arrangements requiring inclusion in the financial statements, other than those already disclosed and accounted for.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. We have no credit arrangements other than those already disclosed in the financial statements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

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

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations:

- The Council provided accurate information to the actuary for the purpose of calculating the required pension disclosures in accordance with FRS17 and the Local Authority Statement of Recommended Practice (SORP).
- There are no known bad debts other than those already provided for in the financial statements.
- There are no known material weaknesses in internal controls not already disclosed in the annual governance statement.
- There have been no disposals of fixed assets during the year other than those recorded in the financial statements.
- All provisions have been identified and accounted for in accordance with FRS12 and the Local Authority Statement of Recommended Practice (SORP).
- All impairments to fixed assets have been identified and accounted for in compliance with FRS 11 and the Local Authority Statement of Recommended Practice (SORP).
- The Council's registers of interest are complete and up to date in respect of members and senior staff.
- All significant contracts have then been examined to determine whether any may fall within the scope of IFRIC 12 as service concessions. There are no contracts that fall within this scope other than those that have been properly recorded and disclosed within the financial statements.

I confirm that this letter was discussed and agreed by members of the Audit Committee at its meeting on 27 September 2010.

Director of Finance & Support
Signed on behalf of Northampton Borough Council