

Opinion audit memo

Vale of White Horse DC

Audit 2007/08

Date **December 2008**

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

Introduction & Background

- 1 This audit memorandum summarises the findings from our interim review of the financial statements and the material systems which produce them at Vale of White Horse DC. Some of the findings from our work have already been raised and discussed with Members and officers in the Annual Governance Report that was presented to the Audit Committee meeting on the 22nd September 2008.
- 2 This memorandum lists those issues, arising from our interim and opinion audit visits that we would ask management to consider and address. These issues have been collated into:
 - the work on specific systems; and
 - those matters arising at the opinion audit.

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Interim systems audit

- 3 We carried out our review of the material financial systems which provide the information in the financial statements in March 2008. These were:
- general ledger;
 - payroll;
 - debtors
 - creditors
 - council tax
 - business rates
 - housing benefits; and
 - treasury management.
- 4 From documenting our understanding of these systems we identified and tested the key controls on which we could place reliance on to ensure that the information would not be materially misstated in the financial statements.
- 5 Our testing identified that we were unable to place reliance on the controls within the creditor payment system to give us assurance over the figures in the financial statements. We therefore carried out substantive testing of transactions throughout the year. We will reassess the controls within this system as part of our work for the 2008/09 audit.
- 6 We also encountered problems in assessing and testing controls within two other systems:
- **Payroll** - the officer dealing with the payroll system was sick for a large portion of the year. The temporary member of staff who replaced her made several errors in processing the payroll. As a result we substantively tested changes to the payroll month on month to provide additional assurance. We also considered the detail of errors and how they were resolved to assess whether they could have a material impact on the financial statements.
 - **Business Rates (NNDR)** - The NNDR system is now entirely managed and administered from Bromley. We undertook additional procedures to identify other councils that also completely outsource business rates, and where practical undertook work to assure ourselves we could rely on their work to provide some assurance. We also undertook additional work at the year end, and ensured the NNDR claim was audited fully before our opinion on the financial statements was given.
- 7 We drew these risks, and the additional work we carried out, to the attention of Members in both the additional Opinion Letter issued in June 2008 and within our Governance Report in September 2008. Officers have already taken action to address these issues and therefore no further recommendations are made within this report.

Opinion audit

General closedown & preparation issues

- 8 The arrangements for closing the ledger and preparing the financial statements worked well, with the working papers produced being comprehensive and the financial statements being available in advance of the deadline for submission to the auditors.
- 9 We found all staff within the finance department to be helpful. Any additional queries during our audit were resolved quickly, which facilitated being able to complete the audit work in advance of the audit deadline and to resolve outstanding issues in a timely manor.

Opinion audit issues

- 10 All amendments made to the financial statements were of a trivial nature which did not require reporting to Members in the Governance Report. We did not identify any significant errors that required adjustment. Only one adjustment came to light as a result of our audit - £288k NNDR receipt in advance had been adjusted for twice in error.
- 11 There were two small issues that we did not raise with officers during our audit. These are shown in Appendix 1 for consideration in preparing the annual statements for 2008/09.

Appendix 1 – Action Plan

Finding		Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Bank reconciliation						
<p>Reconciliation of General account (B4900) and Payment Account No1 (B4901) included cash book items from 06/07. These should have been transferred to the ledger at the start of 07/08.</p> <p>Reconciliation of Payment Account No1 includes £500 of uncoded salaries due to lack of reconciliation between the BACS feed to the bank and the payroll feed to Agresso for alterations after the deadline.</p>	R1 Minor discrepancies within the bank reconciliation should be investigated and written off if appropriate.	3	Alice Brander	yes		17/12/08

Opinion audit

Finding		Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Investment property control account						
On review the Investment property control account was not actually being used as a control account. The account should be used for reconciling the expected rental to the payments received. The payments and expected rents were posted to this account, but it was also used to bring forward some rental accruals. The balance on the account at the year end could not therefore be reconciled to the year to date report from the management company for the current debtor figure.	R2 Investment property control account should be used correctly.	2	Alice Brander	yes	Per Steve Lawrence, from April, the account is only being used for reconciliations between the management company expenditure	17/12/08