



Watford Borough Council

**Annual report to those charged with
governance 2007/08**

September 2008

Contents	Page
1 Introduction	1
2 The accounts opinion	4
3 The VFM conclusion	9
Appendix A Statement of responsibilities - accounts	13
Appendix B Statement of responsibilities - VFM	14
Appendix C Action plan	17
Appendix D Accounts adjustments agreed	20
Appendix E Reports issued	21
Appendix F Audit fees update	22

1 Introduction

Background and purpose of the report

- 1.1 Watford Borough Council ('the Council') is responsible for the preparation of accounts which record its financial position as at 31 March 2008 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 accounts 'present fairly' the financial position of the Council. Our detailed findings are set out in section two.
- 1.2 Under the Audit Commission's Code of Audit Practice we are also required to reach a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). The pieces of work that have informed our VFM conclusion, and our detailed findings, are set out in section three.
- 1.3 The Audit Commission's Statement of Responsibilities, which sets out the respective responsibilities of the Council and the auditor in relation to the accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources, have been re-produced in full in Appendices A and B and reflect the scope of our audit.
- 1.4 This report summarises the principal matters arising from our audit. The issues raised have been discussed with the Director of Finance and her team and other officers as appropriate. Auditing standards require us, as the Council's external auditors, to report to those charged with governance certain matters before giving an opinion on the accounts and the Code of Audit Practice requires us to report key matters relating to our VFM conclusion. For the Council, this function will be carried out by the Audit Committee at its meeting on 22 September 2008.

The accounts opinion

- 1.5 We have performed our audit of the 2007/08 accounts in accordance with the Audit Commission's Code of Audit Practice and applicable auditing standards. Our approach follows that set out in the Audit and Inspection Plan 2007/08, agreed with the Council.
- 1.6 At the time of reporting to the Audit Committee, the audit is substantially complete and we expect to issue an **unqualified opinion on the Council's accounts** by the 30 September deadline.
- 1.7 The Council prepared good quality accounts that are free from material error and misstatements and are supported by good quality working papers.

- 1.8 However, there was one area in which the draft accounts did not, in our view, comply with the 2007 SoRP, relating to capitalisation of asset costs, specifically in respect of the basis of apportionment for capitalisation of staff costs. The current method employed requires an estimation of staff time spent per capital project, which does not accurately reflect the time that has been spent on a particular capital project. The introduction of a timesheet recording system would accurately reflect the capitalisation of staff costs.
- 1.9 There was one adjustment identified by management prior to commencement of the audit for the balance of the Local Authority Business Growth Incentive scheme that was included as a contingent asset in note 34 to the accounts. The Council were instructed to include this narrative in the note stating that money may be received in the future once final settlement was made. The Council were recently informed by the Government that they were not going to receive any additional money and have updated the note accordingly to reflect the financial position of the council.
- 1.10 We identified additional disclosures required to the financial statements such as the addition of a narrative line within note 27c of the accounts to enhance the explanation of the large scale voluntary housing stock transfer..
- 1.11 The Council was required to adopt the financial instruments standards in 2007-08 for the first time. We did not identify any significant issues that we would like to bring to your attention although we would note that work will be required in future years to maintain adequate disclosures in key areas such as the impairment of debtors and the assessment of the fair value of assets and liabilities.
- 1.12 Further details of our accounts audit are given in section two.
- 1.13 Finally, we would like to draw to the attention of those charged with governance further significant changes that will happen to the Statement of Accounts in future years. The most significant of which is the full implementation of International Financial Reporting Standards ("IFRS") into the 2010/11 accounts. Although this is some time in the future, it is important that Councils start planning now, as there will be significant changes to the accounts, and our experience in other sectors shows that audited bodies that plan well for the transition to IFRS have fewer amendments to their accounts. We would be happy to share our experiences of working with CIPFA in this area, as well as involving our Financial Reporting Advisory Group who are specialists in planning for IFRS.

Value for Money Conclusion

- 1.14 We have substantially completed our work on the Council's arrangements for achieving economy, efficiency and effectiveness in its use of resources and we expect to issue an **unqualified VFM conclusion** by the 30 September deadline.
- 1.15 In giving our VFM conclusion, we have also considered emerging findings from our 2008 use of resources key lines of enquiry (KLoE) assessment. Following national submission of our KLoE scores and Audit Commission quality assurance, we will write to the Council confirming 2008 KLoE scores, in November 2008.

- 1.16 Key messages from this year's Use of Resources work are summarised in section three.

Use of this report

- 1.17 This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant auditing standards and should not be used for any other purpose. No responsibility is assumed by us to any other person. This report should be read in conjunction with the Council's draft letter of management representation.
- 1.18 This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of the accounts and Use of Resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly the audit does not ordinarily identify all such matters.
- 1.19 We would like to take this opportunity to remind the Audit Committee of the need to monitor implementation of the recommendations arising out of this report (see Appendix C) and other reports issued during the year (see Appendix E).

Independence

- 1.20 We are able to confirm our independence and objectivity as auditors and note the following:
- we are independently appointed by the Audit Commission
 - the firm has been assessed by the Audit Commission as complying with its required quality standards
 - the appointed auditor and client service manager are subject to rotation after a period of no longer than five years
 - we comply with the Auditing Practices Board's Ethical Standards. We have not undertaken any non-audit work for the Council in 2007/08 (Appendix G).

Acknowledgements

- 1.21 We would like to record our appreciation for the co-operation and assistance provided to us by the Council's officers and members during the course of our audit.

Grant Thornton UK LLP
22 September 2008

2 The accounts opinion

Introduction

- 2.1 We summarise in this section matters arising from our audit of the Council's 2007/08 accounts which we are required, under auditing standards, to report to those charged with governance.

Approach to the audit

- 2.2 We carry out work to enable us to report to the Council our opinion as to whether the financial statements 'present fairly' the financial position of the Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 ('the SoRP').
- 2.3 Our approach to the audit was set out in our 2007/08 Audit and Inspection plan. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice.
- 2.4 Other key factors to highlight include:
- we consider the materiality of items in the accounts both in determining the audit approach and in determining the impact of any errors
 - we have been able to place appropriate reliance on the key accounting systems operating at the Council for final accounts audit purposes
 - we have been able to place reliance on the work of internal audit in respect of the key accounting systems covered by their review.
 - no significant changes have been made to our audit approach in the year.

Significant events - Housing Stock Transfer

- 2.5 We noted that in September 2007, following an extended period of consultation, the Council negotiated the transfer of its housing stock assets to Watford Community Housing Trust. This was carried out in order to ensure that the housing stock could be developed to meet the conditions of the Government's 'Decent Homes' standard. The transfer follows the example of many other Councils who have transferred administration of council housing to housing associations in order to help deliver higher standards and value for money to tenants in the longer term.
- 2.5.1 The stock transfer has had a significant impact on the Council's financial statements in a number of areas including a reduction in fixed assets and total equity on the balance sheet, a substantial loss on disposal reported in the Income and Expenditure

(I&E) account and a reduction in the pension deficit following the transfer of staff in the Council's housing department.

- 2.5.2 The reported loss on disposal of £364.95 million is made up of the difference between the purchase receipt of £25.6 million (gross of set up costs & government levy) and the book (carrying) value of the assets of £390.5 million at the point of disposal. The difference is a result of the accounting treatment for the transfer of assets from the balance sheet, which reflects the net book (carrying) value of the assets transferred, but takes no account of future income and expenditure generated from these assets. The purchase price is significantly lower as it reflects the projected costs that WCHT will incur as a result of taking on the District's social housing, including those costs associated with meeting the 'Decent Homes' standard. However, this does not have a significant impact on the Council's continuation as a 'going concern' or on its financial standing.
- 2.5.3 It is important to note that the substantial deficit in the Council's Income and Expenditure Account reported for the year was primarily a product of the transfer of the Council's housing stock. The transfer was carried out, and accounted for in line with government guidelines and past precedent. Therefore the value of the loss presented in the accounts is not an indicator of the Council's relative performance in ensuring value for money on the sale of these assets. We are satisfied that for the purposes of our audit, the valuation of both the book (carrying) value of the assets at the point of transfer, and the purchase price paid by WCHT were conducted by experts and are therefore appropriate.
- 2.5.4 We have audited the disposal of housing stock, including the accounting treatment of VAT on future development costs, and have concluded that the transfer has been correctly accounted for and is materially accurate in the Councils financial statements.

Financial Performance

- 2.5 The Council has reported a deficit on the Income and Expenditure account of £370,858,000, and under spent against the budgeted movement on the General Fund balance by £523,000 in 2007/08. The major factor for the significant deficit was that the Council performed a large scale voluntary transfer of its housing stock. Included within the underspend were a number of positive variances, the most significant of these was the £1,600,000 higher than budgeted investment income due to the receipt for the transfer of housing stock being higher than expected and interest rates being higher than forecast.
- 2.6 The balance sheet value has decreased from £510m to £152m due to the transfer out of the balance sheet of £388m housing stock transfer from the Council to Watford Community Housing Trust. There has been an increase the level of investments held by the Council to £48m as at the year end and an additional £2.5m was set aside in earmarked reserves as a result of the years performance.

- 2.7 The performance of the Housing Revenue Account is showing a £368,948 deficit, which again is due to the transfer of housing stock to WCHT. There is a requirement to keep the account open for 2008-09 to process any transactions that may be required before formally applying to close the account at the end of 2008-09.

Key audit findings

2.6 We summarise our key audit findings below:

Area	Key messages
Accounting policies and practices	<p>The Council has adopted appropriate accounting policies, in accordance with the 2007 SoRP.</p> <p>However, there was one area in which the draft accounts did not, in our view, comply with the 2007 SoRP, relating to capitalisation of asset costs, specifically in respect of the basis of apportionment for capitalisation of staff costs. The current method employed requires an estimation of staff time spent per capital project, which does not accurately reflect the time that has been spent on a particular capital project. The introduction of a timesheet recording system would accurately reflect the capitalisation of staff costs.</p> <p>These details are also included in Appendix C.</p> <p>We are satisfied that the relevant financial information disclosed in the Explanatory Foreword is consistent with the accounts.</p> <p>We would ask the Audit Committee to formally adopt the accounting policies noted.</p>
Material risks and exposures	<p>Our audit procedures have not identified any significant risks and exposures to the Council, to date, which should be reflected in the accounts.</p> <p>We ask the Council to confirm in its draft letter of representation that it has no material risks and exposures, to date, which should be reflected in the accounts.</p> <p>This review will be updated on the date the Council signs the final letter of representation and we sign our audit opinion.</p>
Audit adjustments	<p>We identified no significant adjustments to the accounts but management processed one adjustment to the accounts narrative to more accurately reflect the position in relation to the Local Authority Business Growth Incentive Scheme grant following the Government's final determination. This was identified and amended before the auditors arrived on site. We have recommended a number of presentational adjustments, including the addition of narrative to the financial instruments note to the accounts to ensure compliance with the SoRP and further adjustments mainly to correct misclassifications within balance sheet headings, and to improve clarity of disclosure in the accounts, these matters are summarised in appendix D.</p> <p>The level of proposed adjustments was minimal, as a result of strong processes in the Council to prepare accurate and SoRP compliant accounts.</p>

Area	Key messages
Unadjusted errors	Management agreed to process all proposed adjustments, detailed in Appendix D. There are no unadjusted errors to report to the Audit Committee
Other matters	<p>The overall quality of the Council's working papers to support the 2007/08 accounts was good.</p> <p>We were presented with draft accounts on 23 June 2008. The Audit Committee approved the draft accounts on 23 June 2008.</p> <p>The appointed day for electors to ask the auditor questions on the accounts this year was 5 August 2008. We received no questions or objections from the public in relation to the accounts.</p> <p>Having considered the Council's medium term financial strategy and 2008/09 budgets it is appropriate for the Council to account on a going concern basis.</p> <p>We have not identified any matters, that we have not already reported, that require the attention of the Audit Committee.</p> <p>There are a number of other minor matters from the audit and these are summarised in appendix C for completeness. We have discussed these matters arising with the Director of Finance and her team and have reflected their responses to the matters raised in the Action Plan attached at Appendix C.</p>

Next steps

- 2.6 We will continue to work with the Council to ensure that outstanding finalisation issues are completed in time for the accounts opinion to be formally signed in accordance with the statutory deadline of 30 September 2008.
- 2.7 Subject to satisfactory resolution of the above issues, we expect to issue an **unqualified opinion on the Council's accounts**.
- 2.8 We are required to provide an audit opinion on the consolidation pack that is to be completed as part of Whole of Government Accounts. This work is not covered by our opinion on the Council's accounts. We will complete this work once the accounts audit has been finalised and in time for the 1 October deadline.
- 2.9 The Audit Committee should monitor implementation of the recommendations arising from this report.

3 The VFM conclusion

Introduction

- 3.1 Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). In meeting this responsibility we review evidence that is relevant to the Council's corporate performance management and financial management arrangements, which are assessed against twelve criteria specified in the Code of Audit Practice.

Approach to the audit

- 3.2 The following pieces of work have informed our assessment against the Code criteria:
- review of relevant findings from the Council's Direction of Travel Statement issued in June 2008
 - assessment of the Council's data quality management arrangements, using criteria prescribed by the Audit Commission
 - assessment of the Council's arrangements for financial reporting, financial management, financial standing, internal control and value for money, using the Commission's key lines of enquiry (KLoE)
- 3.3 The key findings from each of these pieces of work are summarised in this section of the report.

VFM conclusion

- 3.4 We have substantially completed our work on the Council's arrangements for achieving economy, efficiency and effectiveness in its use of resources and we expect to issue an **unqualified VFM conclusion** by the 30 September deadline.

3.5 Our conclusions for each of the 12 Code criteria are set out in the table below:

Code area	Source of evidence	Arrangements adequate?
Setting, reviewing and implementing strategic and operational objectives	Direction of travel statement	Yes
Communication with service users and other stakeholders and partners	Direction of travel statement	Yes
Management of performance against strategic objectives	Direction of travel statement	Yes
Monitoring the quality of published performance information	Data quality audit	Yes
Maintaining a sound system of internal control	Use of Resources audit	Yes
Managing significant business risks objectives	Use of Resources audit	Yes
Managing and improving value for money	Use of Resources audit	Yes
Maintaining a medium-term financial strategy	Use of Resources audit	Yes
Ensuring that spending matches available resources	Use of Resources audit	Yes
Managing performance against budgets	Use of Resources audit	Yes
Managing the asset base	Use of Resources audit	Yes
Promoting and ensuring probity and propriety in the conduct of business	Use of Resources audit	Yes

Direction of travel statement

- 3.6 We are required to review the Council's latest direction of travel statement in order to satisfactorily conclude on three of the Code criteria (see table above). In completing this work we are not required to re-perform the work of the corporate assessment team and the Relationship Manager rather we are looking to place reliance on this work.
- 3.7 Our assessment is based on the latest direction of travel statement covering the 2007 calendar year. Based on this work, we assess the Council as having at least adequate arrangements for objective setting, consultation and performance management.

Data quality audit 2008

- 3.8 The audit work that we have used to reach our conclusion in respect of Code criterion on published performance information is our audit of the Council's corporate management arrangements for data quality.
- 3.9 Our review of data quality management arrangements, which supports our conclusion that the Council's arrangements is currently in progress. We will report more fully on data quality at the November Audit Committee.

Use of resources

- 3.10 The audit work that we have used to reach our conclusion in respect of the remaining Code criterion is our audit of the Council's Use of Resources.
- 3.11 The results of this work confirm that that, for 2007/08, the Council have at least adequate arrangements in place in the areas covered by the Use of Resources assessment.
- 3.12 We are not able to formally report scores to the Council until after the Audit Commission's national quality assurance processes are complete. We will report the results of our work and confirm scores with the Council in November 2008.

KLoE 2009

- 3.13 There have been significant changes to the use of resources assessment criteria for 2009, as part of the new Comprehensive Area Assessment. The Council's management arrangements for the 2008/09 financial year will be assessed against the new criteria that represent a 'harder test.'
- 3.14 Whilst we will not formally assess the Council against the new criteria until Summer 2009, as part of next year's plan, we will continue to carry out our use of resources work with reference to revised requirements to help the Council prepare for future assessments.

Next steps

- 3.15 We will carry out our final review against any emerging findings and will then issue our VFM conclusion by the 30 September deadline.
- 3.16 The Audit Committee should monitor implementation of the recommendations referred to in this report.

Appendix A Statement of responsibilities - accounts

The accounts, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources.

It is the responsibility of the audited body to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions
- maintain proper accounting records
- prepare accounts that present fairly the financial position of the body and its expenditure and income.

The audited body is also responsible for preparing and publishing with its accounts a statement on internal control.

Auditors audit the accounts and give their opinion, including:

- whether they present fairly the financial position of the audited body and its expenditure and income for the year in question
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Subject to the concept of materiality, auditors provide reasonable assurance that the accounts:

- are free from material misstatement, whether caused by fraud or other irregularity or error
- comply with statutory and other applicable requirements
- comply with all relevant requirements for accounting presentation and disclosure.

Auditors examine selected transactions and balances on a test basis and assess the significant estimates and judgements made by the audited body in preparing the statements.

Auditors evaluate significant financial systems, and the associated internal controls, for the purpose of giving their opinion on the accounts. Where auditors identify any weaknesses in such systems and controls, they will draw them to the attention of the audited body, but they cannot be expected to identify all weaknesses that may exist.

Auditors review whether the Annual Governance Statement has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which the auditor is aware. In doing so auditors take into account the knowledge of the audited body gained through their work in relation to the audit of the accounts and through their work in relation to the body's arrangements for securing economy, efficiency and effectiveness in the use of its resources. Auditors are not required to consider whether the statement on internal control covers all risks and controls, nor are auditors required to form an opinion on the effectiveness of the audited body's corporate governance procedures or risk and control procedures.

Appendix B Statement of responsibilities - VFM

It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives
- determining policy and making decisions
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community
- ensuring compliance with established policies, procedures, laws and regulations
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working
- ensuring compliance with the general duty of best value, where applicable
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body
- monitoring and reviewing performance, including arrangements to ensure data quality
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption.

The audited body is responsible for reporting on these arrangements as part of its annual statement on internal control.

Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In meeting this responsibility auditors should review and, where appropriate, examine evidence that is relevant to the audited body's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements.

Auditors are responsible for reporting annually their conclusion, having regard to relevant criteria specified by the Audit Commission, as to whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors report if significant matters have come to their attention that prevent them from concluding that the audited body has put in place proper arrangements. However, auditors are not required to consider whether aspects of the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources are effective.

In planning their audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, auditors consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the audited body's statutory functions and objectives, which apply to the audited body and are relevant to auditors' responsibilities under the Code, and the arrangements it has put in place to manage these risks. The auditor's assessment of what is significant is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. Auditors discuss their assessment of risk with the audited body.

When assessing risk auditors consider:

- the relevance and significance of the potential business risks faced by all bodies of a particular type
- other risks that apply specifically to individual audited bodies
- the audited body's own assessment of the risks it faces
- the arrangements put in place by the body to manage and address its risks.

In assessing risks auditors have regard to:

- evidence gained from previous audit work, including the response of the audited body to previous audit work
- the results of assessments of performance carried out by the Commission
- the work of other statutory inspectorates
- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

Where auditors rely on the reports of statutory inspectorates as evidence relevant to the audited body's corporate performance management and financial management arrangements, the conclusions and judgements in such reports remain the responsibility of the relevant inspectorate or review agency.

In reviewing the audited body's arrangements for its use of resources, it is not part of auditors' functions to question the merits of the policies of the audited body, but auditors may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the audited body to decide whether and how to implement any recommendations made by auditors and, in making any recommendations, auditors should avoid any perception that they have any role in the decision making arrangements of the audited body.

While auditors may review audited bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources, they cannot be relied on to have identified every weakness or every opportunity for improvement. Audited bodies should consider auditors' conclusions and recommendations in their broader operational or other relevant context.

Auditors are not required to report to audited bodies on the accuracy of performance information that the audited bodies publish. Auditors' work is limited to a review of the systems put in place by the audited body to collect, record and publish the information, in accordance with guidance issued by the Commission.

Audit work in relation to the audited body's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it auditors' responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although they will be alert to the possibility and will act promptly if grounds for suspicion come to their notice.

Appendix C Action plan

Finding	Actions required	Management response	Implementation details
<p>Operating Leases</p> <p>From testing a sample of 10 operating leases to ensure correct classification within the accounts, it was found that 2 leases (2 Applied sweepers, 1 Ransome/Baroness mower) totalling £54,744 should have been disclosed as finance leases.</p>	<p>A full review of all leases held by the Council to ensure correct classification.</p>	<p>Agreed</p>	<p>To be determined. It is intended that specialist external advice will be sought to undertake the review.</p>
<p>Capitalisation of employee time</p> <p>Staff costs are capitalised based upon estimated time an employee will spend on a capital project and not apportioned on the basis of actual staff time charged to each specific project.</p>	<p>A timesheet recording process should be implemented which captures the actual staff time to be capitalised to each project.</p>	<p>Accepted</p>	<p>A procedure will be introduced to capture time spent on individual projects to support future capitalisation</p>

Finding	Actions required	Management response	Implementation details
<p>Record keeping</p> <p>Whilst performing our year end audit work we found that maintenance of Council records could be improved, for example, the Council were unable to provide legal documentation to support the ownership of the Council's stake within the rent to mortgage properties within the timeframe of the audit.</p>	<p>Record retention to be improved.</p>	<p>Accepted</p>	<p>Specific actions will be initiated in the areas where there were record keeping issues identified during the 2007/08 audit</p>
<p>Cash and Bank</p> <p>Testing of the year end bank reconciliation found that £79,291.24 of cheque payments that were over 6 months old remained unrepresented as at the year end.</p>	<p>Uncashed cheque payments over 6 months old should be written back to income by the Council.</p>	<p>Agreed. This will be undertaken regularly through the year</p>	<p>An additional check will be included in future closedown process timetables as an explicit task to ensure correct treatment.</p>

Finding	Actions required	Management response	Implementation details
<p>Fixed Asset register</p> <p>The Council currently maintains 4 fixed asset registers, one for each category of fixed asset, to record asset additions, disposals and calculation of depreciation.</p>	<p>Going forward the Council should give thought to developing one fixed asset register that encompasses all the elements of an asset register.</p>	<p>Agreed. There is a need to review current practice in light of the future IFRS changes, which will be done when the shared service initiative is operational. An interim solution will be put in place for 2008/09</p>	<p>Look at short term improvements for 2008/09, prior to a long term solution as part of the shared service</p>
<p>Long term debtors</p> <p>Testing of a sample of 5 rent to mortgage debtors found that they had not been revalued since 2005. The total rent to mortgage balance is £1.058m as at year end.</p>	<p>Recommend a process of revaluing rent to mortgage properties on a more frequent basis to reflect more accurate market conditions within the valuation.</p> <p>The Council should have the rent to mortgage files updated.</p>	<p>Agreed. Whilst the Council's policy is to revalue fixed assets on a 5 yearly cycle, it is recognised that in certain circumstances it may be appropriate to revalue particular assets more frequently</p>	<p>An assessment will be made annually of potential assets likely to have significant valuation changes and revaluations will be undertaken as appropriate</p>

Appendix D Accounts adjustments agreed

Accounting adjustments that affect the reported surplus / deficit on the I&E account	
Finding	Impact
No accounting adjustments have been noted that affect the reported deficit on the I&E account.	

Accounting adjustments that do not affect the reported surplus / deficit on the I&E account	
Finding	Impact
Re classification of typographical error £232,000 of depreciation to impairment within investment assets balance.	no impact
Removal by the Council of the 30% LAGBI contingent asset from the notes to the accounts following the Government's final determination.	no impact

Disclosure adjustments
A number of disclosure adjustments have been agreed to improve the clarity and presentation of the accounts that do not affect the reported financial position.

Appendix E Reports issued

External audit reports issued during the year are listed in the table below.

Report title	Date issued
Audit and inspection plan 2007/08	March 2007
Grants certification report	March 2008
Annual report to those charged with governance (accounts and use of resources).	September 2008
Data Quality	November 2008
Use of Resources	November 2008

Appendix F Audit fees update

Audit area	Planned fee 2007/08	Actual fee 2007/08
Financial Statements	95,500	95,500
Use of Resources, including Data Quality	49,700	49,700
Whole of Government Accounts	2,800	2,800
Total	148,000	148,000

Code of Practice audit

As shown in the table above, the 2007/08 actual fee equalled the planned fee.

Grant claims certification

Grant claim certification work will be completed between September and December 2008. The certification fee was originally estimated at £65,000.

Our work is charged to the Council based on the cost of certifying each claim and the overall fee normally varies from estimate, depending on the number and complexity of claims to be certified, as well as the quality of claim compilation and supporting documentation.

We will update the Council on the final fee charged for 2007/08, in the grant claims report that we will produce in January 2009.

Non Code work

We have not carried out audit work outside of the Code of Audit Practice audit in 2007/08.



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