

Annual Governance Report

North Wiltshire District Council

Audit 2007/08

17 November 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.

Summary

Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is now complete. It identifies the key issues considered before we issued our opinion (financial statements), conclusion (value for money) and certificate (completion of the audit).
- 2 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.
- 3 By the time of our preliminary meeting with the Final Accounts and Audit Committee (FAAC) on 25 September 2008, we were not in a position to give the opinion due to the need to resolve a number of issues arising from the audit. We did not therefore present an Annual Governance Report (AGR) to that meeting of the Committee. It was agreed that we would discuss a draft AGR in due course with the Chair of the Committee, before presenting it to the next scheduled meeting of the committee at a later date.
- 4 This report was considered in draft by the Chairperson of the FAAC on 11 November 2008, prior to completion of the audit on 14 November 2008. The report will then be presented to the next FAAC on 24 November 2008.

Financial statements

- 5 We issued an unqualified opinion on the financial statements on 14 November 2008.
- 6 The financial statements submitted for audit were substantially complete but contained a number of errors and omissions, several of which were significant with a potential impact on the audit opinion. Officers agreed to amend the statements for these errors, a list of which is attached at Appendix 1.
- 7 The errors were a mixture of categorisation, presentational and technical. These errors had no overall impact on the value of the Council's assets, and the General Fund balance is not materially different from the balance reported to Members in June 2008.

Value for Money

- 8 We issued an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Next steps

- 9 We ask the Final Accounts and Audit Committee to:
 - recommend the financial statements for approval;
 - note the representation letter on behalf of the Council, agreed with the Chairperson of the FAAC before we issued our opinion, conclusion and certificate; and
 - agree the proposed action plan.

Financial statements and Annual Governance Statement

- 10 The Council's financial statements and Annual Governance Statement are important means by which the Council's accounts for its stewardship of public funds. As Council members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you adopt the revised financial statements and the Annual Governance Statement.
- 11 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 12 In addition, auditing standards require us to report to you:
- errors in the financial statements
 - our views about the Council's accounting practices and financial reporting;
 - weaknesses in internal control;
 - certain other matters
 - the draft representation letter which we are asking management and you to sign; and
 - any expected modification to our report.

Key areas of judgement and audit risk

- 13 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Our findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>Closedown 2007/08 Amendments were required to the 2006/07 accounts and there was scope to improve the standard of the accounts and working papers.</p>	<p>Significant changes were required to the 2007/08 accounts, although we do recognise that a number of factors beyond officers' control had a detrimental impact upon the final accounts process. There remains scope to improve the standard of supporting documentation.</p>
<p>SORP 2007/08 We considered that changes to the regulatory framework introduced in the 2007/08 Statement of Recommended Practice may not be implemented.</p>	<p>These changes were not reflected in the accounts approved on 30 June 2008. Changes needed to be made to the accounts to reflect the new disclosure requirements regarding financial</p>

Financial statements and Annual Governance Statement

Issue or risk	Finding
	instruments.
Annual Governance Statement There was a new requirement to produce an Annual Governance Statement (AGS), to replace the Statement of Internal Control (SIC).	The Authority produced an AGS, but changes needed to be made to ensure it fully met the new requirements.

Errors in the financial statements

- 14 The financial statements submitted for audit were substantially complete but contained a number of material (greater than £1.095m) and non-trivial (greater than £109,500) errors and omissions, several of which were significant with a potential impact on the audit opinion. Officers agreed to amend the financial statements and a list of the errors is included in Appendix 1. There are no significant unadjusted misstatements which we need to bring to your attention.
- 15 The errors and omissions were a mixture of categorisation, presentational and technical. Following amendment the financial statements now reflect the requirements of the Statement of Recommended Practice 2007 (SORP). Overall there was no material impact on the value of the Council's assets, and the General Fund balance is not materially different from the balance reported to Members in June 2008.
- 16 However, given the number of errors identified and the issues set out in Table 2 below, we believe that there is a need to ensure that robust arrangements are in place for the 2008/09 closedown. This is particularly important in the light of local government reorganisation for Wiltshire.

Recommendation (for the 2008/09 statement of accounts)

R1 Ensure robust arrangements are in place for closedown of the 2008/09 accounts.

Accounting policies and financial reporting

- 17 We consider the qualitative aspects of your financial reporting. Table 2 contains the issues we want to raise with you.

Table 2 Accounting practice and financial reporting

Issue or risk	Finding
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The Statement of Total Recognised Gains and Losses (STRGL) was not fully reconciled to the other statements.

The STRGL in the draft accounts included a balancing entry for "Other (Gains)/Losses" of £2,525 million, representing unknown movements.

The finance team have since reconciled the STRGL to other principal statements in the accounts to within £85k. We are satisfied that this difference does not indicate the risk of any material mis-statement in the Council's other primary statements or the risk of any material adjustment to the Council's financial position as the 31 March 2008.

For 2008/09 the Council should ensure that it is able to fully reconcile the STRGL to the movement on the balance sheet.

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The audit trail provided at the start of the audit to support a number of entries in the accounts was not adequate.

It was not possible to agree all of the entries on the Statement of Movement on General Fund Balance (SMOGB) back to the ledger. In particular, the entries for the net transfers to/from earmarked reserves and the offsetting of government grants deferred amortisation could not be identified. However, we are satisfied that there is no risk of a material under or over statement in the accounts, or the Council's financial position, as a result of this weakness.

Accounting entries for housing and council tax benefit were not consistent with the DWP benefit subsidy grant claim. As this represents a large part of the Council's income and expenditure, a reconciliation would support the entries in the accounts.

Whilst the increase in cash in the Cash Flow Statement (CFS) reconciled to the cash position in the balance sheet, there were some errors in the detail within it. For instance, the cash outflow on capital activities had been calculated on an accruals basis, and the expenditure had been overstated. Also, the entries in the "management of liquid resources" and "financing" sections, did not wholly comply with Statement of Recommended Practice (SORP) requirements.

Evidencing of the related party transaction process should be improved. Working papers should show that the register of members' interests has been reviewed and indicate how officers have decided which transactions to include in the related party transaction note.

There were a number of areas where disclosure could be improved in the financial statements

The draft accounts did not include all of the disclosure required by the SORP. A number of notes were omitted from the accounts including:

- A note outlining the Local Area Agreement, explaining the Council's involvement in the local strategic partnership
- A note detailing the movement on the Council's insurance reserve
- Detailed analysis of the movements on reserves, with an explanation of the purpose of the Council's earmarked reserves
- Disclosure notes with regard to financial instruments.

Some of these have been included in the revised accounts, but could be improved further in the 2008/09 accounts to ensure full compliance with the SORP.

Income and expenditure was coded directly to earmarked reserves. This procedure is not compliant with the SORP. Contributions to and from reserves should be reported in the SMOGB.



Financial statements and Annual Governance Statement

<p>Some accounting entries for capital financing and capital accounting were not completed accurately.</p>	<p>The following areas were amended in the accounts:</p> <ul style="list-style-type: none"> - revenue funding of capital expenditure (from the equipment fund) had not been recorded in the accounts - some entries made in the Useable Capital Receipts Reserve and Capital Adjustment Account were incorrect. - there was some confusion over the accounting treatment of deferred charges. The draft accounts showed deferred charge expenditure being offset by income, which was an incorrect approach. - no entries were made in the accounts in respect of assets disposed of during the year. - impairments to asset values were not treated correctly within the accounts. <p>Officers amended the financial statements to reflect the correct treatment.</p>
<p>Analysis and supporting working papers for debtors and creditors need to be improved.</p>	<p>Debtor and creditor balances should be analysed by category, to enable year on year variances to be more easily identifiable. The more widely used categories are Council Tax, NNDR, Rents, Central Government departments, Sundry debtors, capital debtors/creditors.</p> <p>The local taxation debtor and creditor balances were not fully reconciled between the ledger and the revenues system (SX3). Also, the debtor and creditor balances should be supported by analysis from SX3 which shows which local tax accounts make up these balances.</p> <p>The General Debtor balance on ledger (code B201), value £1,588,000, was not supported by an analysis. Although we obtained assurance over this ledger code by other methods, an analysis of the amount recorded in the ledger should be included on the working papers.</p> <p>The debtor and creditor balances have been amended in the revised accounts, and a breakdown included in the notes.</p>

Recommendation (for the 2008/09 statement of accounts)	
R2	Fully reconcile the STRGL as part of the closedown process.
R3	Improve the audit trail from the ledger to the financial statements.
R4	Review the process for constructing the Cash Flow Statement and ensure consistency with other parts of the accounts.
R5	Ensure the format of the accounts is fully compliant with the SORP in respect of disclosures
R6	Ensure correct accounting treatment for capital items.
R7	Improve working papers and analysis of debtors and creditors.
R8	Reconcile year end local taxation debtors and creditors between the ledger and the revenues system.
R9	Improve evidencing of the identification of related party transactions.
R10	Ensure accounting treatment of reserves complies with the SORP
R11	Fully reconcile housing and council tax benefit expenditure, and associated subsidy income, between the ledger and the benefit subsidy claim.

Material weaknesses in internal control

- 18 We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

Other matters

- 19 Auditing standard, ISA+ 560, requires auditors to consider the effect of subsequent events on the financial statements and to identify that all material subsequent events have been identified and properly reflected in the financial statements. This is a process which continues until the opinion is signed.
- 20 The Council has invested £4 million, in accordance with its Treasury Management Policy, in 2 Icelandic banks. These banks went into administration during October 2008, and there remains some uncertainty as to whether the Council will be able to recoup this investment. This is a 'non-adjusting' Post Balance Sheet event, and officers have included an appropriate note in the financial statements.

Financial statements and Annual Governance Statement

- 21 The Government required a national pay review to be completed for local government staff in order to equalise pay scales. This should have been implemented from the 1st April 2007. We understand that the Council have not completed this pay review. However, since any review would need to be backdated from this date, we would expect that the Council should recognise any liability resulting from the increase in pay costs for 2007/08 and 2008/09. The Council need to consider how this potential liability will be reflected in the 2008/09 accounts, to ensure that all liabilities are correctly transferred to the new unitary council.

Recommendation (for the 2008/09 statement of accounts)

R12 Continue to monitor the position on the Icelandic Banks investments and ensure correct treatment in the 2008/09 accounts.

R13 Recognise the pay costs liability in the 2008/09 accounts

Representation letter

- 22 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- you have approved the financial statements;
- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
- you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
- you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and

- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

Appendix 2 contains the letter of representation approved at the previous meeting of the Final Accounts and Audit Committee. This has been updated to reflect a non adjusting post balance sheet event relating to investments held in Icelandic Banks.

The audit report

- 23** We issued an unmodified report including an unqualified opinion on the financial statements. Appendix 3 contains a copy of our report.

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Value for money

- 24 We are required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against twelve criteria and our conclusion is informed by our work on Use of Resources.
- 25 We have completed our work in this area and have assessed the arrangements of the Council as adequate in all twelve areas and we issued an unqualified conclusion.

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Formal audit powers

26 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council

27 We have not exercised and do not propose to exercise these powers in relation to the 2007/08 audit.

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Independence

- 28 The Code of Audit Practice and the Audit Practices Board's (APB's) Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 29 We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 30 We communicate to you:
- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Council

- 31 We have identified no relationships that might affect objectivity and independence.

Audit fees

- 32 We reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

Table 3 Audit fees

	Plan 2007/08	Expected Actual 2007/08
Financial statements	£63,792	£76,910
Value for Money	£38,182	£30,278
National Fraud Initiative	£575	£575
Total Audit Fees	£102,549	£107,188
Inspections	£13,082	£5,900
Total Audit & Inspection fees	£115,631	£113,088
Certification of claims and returns (est)	£33,236	£27,295
Total all fees	£148,867	£140,383

- 33 The analysis above shows that overall we contained our audit fee within the totals you have already agreed.

Our arrangements to ensure independence and objectivity

34 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 4.

Table 4 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> • do not hold a financial interest in any of our audit clients; • may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and • may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> • the general requirement to carry out work independently and objectively; • safeguarding against potential conflicts of interest; • acceptance of additional (non-audit) work; • rotation of key staff; • other links with audited bodies; • secondments; • membership of audited bodies; • employment by audited bodies; • political activity; and • gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

Appendix 1 – Summary of material and non trivial errors

Table 5 Summary of material and non-trivial errors

Description	Value	Impact
Income and Expenditure Account		
Council Tax benefit expenditure was overstated in the income and expenditure account. This also led to a corresponding overstatement in the benefit subsidy creditor	£1.844m	The Income and Expenditure Account was amended with changes required to other linked statements. This increased the General Fund balance.
Asset impairments were not charged to the income and expenditure account. Reductions in asset values were netted off other increases, and reported through the Revaluation Reserve. This is an incorrect treatment per the SORP.	£0.247m	The Income and Expenditure account was amended, with changes required to other linked statements. The Capital Adjustment Account was understated by this amount. This correction had no impact on the General Fund balance.
Capital expenditure on deferred grants was incorrectly removed from the income and expenditure account by showing income to offset the expenditure.	£2.226m	The Income and Expenditure account was amended. The General Fund balance was therefore overstated by this amount.
The interest element of the PFI unitary charge was incorrectly charged to services in the Income and Expenditure account. All interest payable should be reported separately.	£0.589m	The Income and Expenditure account was amended. This was a recategorisation of expenditure. There is no impact on the General Fund balance.
The net of pension interest cost and net return on assets was overstated in the Income and Expenditure Account,	£0.4m	The Income and Expenditure account, and SMOGB, were amended.

Appendix 1 – Summary of material and non trivial errors

Description	Value	Impact
since part of the balance should have been shown separately in the SMOGB.		
Both the gross expenditure and income for Non-Distributed Costs were stated in the Income and Expenditure Account. These figures related to the recharge of support service costs (such as finance and legal). Only the net expenditure figure should have been shown.	£8.741m	The Income and Expenditure account was amended. There is no impact on the General Fund balance.
Statement of Movement on General Fund Balance		
A number of entries in the Statement of Movement on General Fund balance were incorrect and did not match information elsewhere in the accounts. These included the entries required for FRS17 purposes, the movement on earmarked reserves, and the revenue funding of capital expenditure.	£0.223m	The net effect of the amendments was to reduce the amount credited to the General Fund balance.
Collection Fund		
<p>The payment to the National Pool in respect of NNDR, shown in the Collection Fund was understated. This payment did not match the total payment due as calculated by the NNDR3 grant claim.</p> <p>As a consequence, the Income Collectable from Business ratepayers was understated by the same amount.</p> <p>The year end creditor to the</p>	£1.601m	This correction had no impact on the Collection Fund balance.

Appendix 1 – Summary of material and non trivial errors

Description	Value	Impact
National Non Domestic Rates pool was calculated incorrectly, and did not reconcile to the NNDR3 grant claim. The creditor to the NNDR pool in the balance sheet was overstated.	£0.25m	Creditors in the balance sheet were reduced by this amount.
Council Tax write-offs and the change in the bad debt provision were not included in the Collection Fund.	£0.433m	These changes have reduced the balance on the Collection Fund by £0.433m.
Balance Sheet		
The Council have some investments which are due to be repaid more than a year after the balance sheet date. These have been included in the short-term investments balance. These investments are more properly classified as long term investments.	£7.000m	The Balance Sheet has been amended.
Section 106 deposits were maintained as earmarked reserves in the Balance Sheet. The SORP requires that developers' contributions should be held as liabilities in the balance sheet, and amortised to the income and expenditure account to match any expenditure that is incurred.	£0.896m	The Balance Sheet has been amended. Developers' contributions are now included in the Deferred Government Grants balance.
The Useable Capital Receipts reserve included capital grants received by the Council. This reserve should only hold monies raised as the result of the sale of fixed assets, or other capital receipts. The SORP requires	£1.850m	The Balance Sheet has been amended. These grants are now shown in the Deferred Government Grants balance.

Appendix 1 – Summary of material and non trivial errors

Description	Value	Impact
capital grants to be held as liabilities and amortised to the income and expenditure account over the lifetime of the assets purchased by them.		
The omission of some capital accounting and financing transactions meant that the Capital Adjustment Account was understated. These related to fixed asset disposals, revenue funded capital expenditure, and impairments, as well as other adjustments	£2.075m	The Balance Sheet has been updated to reflect the correct figures.
The accounts included an earmarked reserve which held LABGI income. The purpose of this reserve was not specific enough to be treated separately as an earmarked reserve.	£1.346m	The funds have been transferred to the General Fund.
The Sinking Fund was shown as a separate reserve in the Balance Sheet. This was inappropriate as the SORP does not allow negative reserves (with the exception of the pension reserve).	£1.061m	This has been included as a cash balance in the revised accounts, since the Sinking Fund is in essence held as a separate bank account.
The long term debtor balance shows debts which are due to paid in a timescale greater than one year. The balance included a debt with Persimmon which was repaid in July 2008. As such, this debtor should have been included as a current asset.	£0.995m	The debtor balances have been amended in the revised Balance Sheet.
The cash balance included a suspense account item relating to a creditor. These should not have been included in the accounts as	£0.737m	The cash and creditor balances have been amended.

Appendix 1 – Summary of material and non trivial errors

Description	Value	Impact
the creditor was paid before the 31st March.		
A creditor relating to the amount of benefit subsidy owed to the DWP for 2007/08 was included in the accounts twice.	£0.609m	The revised accounts have been amended to remove this duplication.

Appendix 2 – Proposed letter of representation

Draft management representation letter

To: Martin Robinson (Appointed Auditor)

North Wiltshire District Council - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officers of North Wiltshire District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2008. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my 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 and the relevant Statement of Recommended Practice, which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

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 Council and Committee meetings, have been made available to you.

Going concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, in any, relating to going concern.

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

Appendix 2 – Proposed letter of representation

- 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 entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements 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. For the assumptions in respect of loans and investments, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- there are no subsequent events which require adjustment to the fair value measurement.

Group entities

The Council does not hold any interest in organisations which would require incorporation in Group Accounts.

Assets

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

- losses arising from sale & purchase commitments;
- agreements & 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.

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; and
- 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.

Outstanding claims against the Council

There are no significant financial claims against the Council at 31 March 2008 which have not been provided for in the 2007/08 Accounts.

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, there is a post balance sheet event relating to the global banking crisis. Several Icelandic banks have been put into Administration. The Council had £4million deposited in 2 of these banks.

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.

Signed on behalf of North Wiltshire District Council

I confirm that this letter has been discussed and agreed by the Final Accounts and Audit Committee on 25 September 2008.

Signed

Name Stuart McGregor

Position Deputy Chief Executive and Head of Finance & Resources

Date 06 November 2008

Appendix 3 – Draft auditors report

Independent auditor's report to the Members of North Wiltshire District Council

Opinion on the financial statements

I have audited the accounting statements and related notes of North Wiltshire District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, Collection Fund 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 North Wiltshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion

on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I 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 and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my 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.

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

Opinion

In my opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 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

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

Conclusion

I have undertaken my 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 December 2006. I am satisfied that, in all significant respects, North Wiltshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 2 November 2007. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I 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.

Martin Robinson
District Auditor
Audit Commission
50 South Street
Dorchester DT1 1DQ

14 November 2008

Appendix 4 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 Ensure robust arrangements are in place for closedown of the 2008/09 accounts.	3			This will be the responsibility of the new Wiltshire Council.	
9	R2 Fully reconcile the STRGL as part of the closedown process.	3				
9	R3 Improve the audit trail from the ledger to the financial statements.	3				
9	R4 Review the process for constructing the Cash Flow Statement and ensure consistency with other parts of the accounts.	2				
9	R5 Ensure the format of the accounts is fully compliant with the SORP in respect of disclosures	2				
9	R6 Ensure correct accounting treatment for capital items.	3				
9	R7 Improve working papers and analysis of debtors and creditors.	3				
9	R8 Reconcile year end local taxation debtors and creditors between the ledger and the revenues system.	3				
9	R9 Improve evidencing of the identification of related party transactions.	2				

Appendix 4 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R10 Ensure accounting treatment of reserves complies with the SORP	3				
10	R11 Fully reconcile housing and council tax benefit expenditure, and associated subsidy income, between the ledger and the benefit subsidy claim.	3				
10	R12 Continue to monitor the position and ensure appropriate treatment in 2008/09 accounts.	3				
10	R13 Recognise the pay cost liability in the 2008/09 accounts.	2				

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