

Title: **Annual Governance Report and Statement of Accounts 2006/2007**

Lead Member: **Cllr H Osborn - Chair of Audit Committee**

Reporting Officer: **Ian Jamieson - Head of Finance**

Purpose

To consider the Audit Commission Annual Governance report 2006/2007 and note the changes to the Statement of Accounts 2006/2007 following audit.

Background

This report covers the Auditors work required to form an opinion on the Authority's financial statements and whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Key Issues

Financial Statements

Work on the financial statements is substantially complete and an unqualified audit opinion is proposed.

Unadjusted misstatements - there are no unadjusted misstatements to bring to the attention of members.

Adjustments to the financial statements -there are two misstatements that have been corrected by management, recorded in Appendix 6 of the report.

Qualitative aspects of accounting practices and financial reporting - there are two observations (see recommendations 1 and 2 below), recorded in Appendix 1 of the report.

Recommendation 1

This Council's Valuer omitted to re-value assets appearing in the accounts with a book value of £525,000. The Valuer has been requested to review these assets and any change will be reported and adjusted in the 2007/08 financial statements.

Recommendation 2

The detailed audit trail of local tax accounts should be retained for 2007/08. Detailed system prints will be requested at the year end and closedown systems will be strengthened to ensure that this information is produced.

Annual Governance Report

Date

Last saved: 19/09/2007 15:53:00

Annual Governance Report

West Wiltshire District Council

Audit 2006/07

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Chris Hackett

Filename Annual Governance Report v2.doc

Status of our reports

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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2007

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Purpose of this document	4
Key messages	5
Audit status	6
Accounts and Statement on Internal Control	7
Unadjusted misstatements	7
Adjustments to the financial statements	7
Accounting practices	7
Systems of internal control	8
Use of resources	9
Work performed	9
Use of resources assessment	9
Data quality work	9
Best value performance plan	9
Audit fee update	10
Appendix 1 – Action plan	11
Appendix 2 – The Audit Commission’s requirements in respect of independence and objectivity	12
Appendix 3 – Audit reports issued	13
Appendix 4 – Proposed auditor’s report to West Wiltshire District Council	14
Opinion on the financial statements	14
Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources	16
Best Value Performance Plan	17
Certificate	17
Appendix 5 – Management representation letter	18
Appendix 6 – Summary of adjusted misstatements	21
Appendix 7 – Value for money conclusion	22

Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities. This report is to inform those charged with governance of our work, in this case the Audit Committee, at the time they are considering the financial statements.
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
 - where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 2.
- 4 This report has been prepared for presentation to the audit committee on 27 September 2007. Members are invited to:
 - consider the matters raised in the report and our recommendations for improvement contained in the action plan summarised in Appendix 1; and
 - approve the representation letter on behalf of the Authority and those charged with governance before we issue our opinion.
- 5 Our work during the year was performed in line with the plan that we presented to the Audit Committee on 29 June 2006. We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 3.

Key messages

- 6 Our work on the financial statements is substantially complete, although our audit testing on fixed assets has yet to be concluded. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with Chair of the Audit Committee. We propose issuing an unqualified audit opinion on 28 September 2007 (a draft report is attached at Appendix 4).
- 7 In our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 8 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is substantially complete, we propose issuing an unqualified conclusion on the use of resources on 28 September 2007 (a draft report is attached at Appendix 4).

DRAFT

Audit status

- 9 At the date of issue of this report our detailed audit is substantially complete. We still require a signed letter of management representation after the Audit Committee has considered it, an amended set of accounts and seek the views of the Audit Committee after considering this report.
- 10 The Authority has taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation for the Authority's assistance and co-operation.

DRAFT

Accounts and Statement on Internal Control

- 11 Our work on the financial statements is substantially complete. Our work on the Whole of Government Accounts consolidation pack is scheduled for September 2007.
- 12 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal control to prevent and detect error.
- 13 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 14 The final draft of the letter of representation has been attached as Appendix 5.

Unadjusted misstatements

- 15 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. There are no unadjusted misstatements for us to bring to the attention of members.

Adjustments to the financial statements

- 16 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. These are recorded in Appendix 6.

Accounting practices

- 17 We are also required to report to you our view on the qualitative aspects of the Authority's accounting practices and financial reporting and have set out below our observations on key issues affecting the Authority.
 - Accounting regulations require land and buildings to be re-valued every five years. The Council re-valued its assets at 31 March 2007. The Council's Valuer omitted to re-value assets with a book value of £525,000, although these assets are in the accounts.

- A detailed audit trail identifying individual account balances making up the council tax debtor and creditor (prepayment) totals and creditor balances (prepayments) for NNDR was not available. The system required these reports to be run at the year end but this was not done as part of closing procedures. We obtained audit assurance from controls testing and other substantive testing.

We have made recommendations in respect of these issues which are recorded in Appendix 1.

Systems of internal control

- 18 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified.
- We reviewed a sample of payments made in April 2007 to ensure they were accounted for in the correct financial year, the Council's policy is to accrue outstanding invoices over £100. From our sample of 20 we found three were incorrectly included in 2007/8.
- We have made a recommendation in respect of this issue which is recorded in Appendix 1.
- 19 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.
- 20 We have also reviewed whether the SIC has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no matters arising.

Use of resources

Work performed

- 21 The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources – the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission. Our work to support our conclusion comprised the following elements:
- use of resources assessment;
 - data quality work; and
 - the best value performance plan.
- 22 Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 7. We are proposing to issue an unqualified opinion on the use of resources, specifically that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Use of resources assessment

- 23 The work for 2006/7 was undertaken in two stages. A report was issued in February 2007 this has been followed up in accordance with the Audit Commission's requirements by further work to assess the position at 31 March 2007. We are currently finalising our second report arising from our use of resources assessment. When finalised, we will discuss this with the relevant officers.

Data quality work

- 24 We are currently finalising our data quality review and will report our findings to the relevant officers.

Best value performance plan

1. Our work in respect of the Authority's 2006/07 Best Value Performance Plan (BVPP) was reported to the Council in November 2006. No recommendations were made to the Audit Commission or the Secretary of State.

Audit fee update

- 25 We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan:

	Plan 2006/07	Actual 2006/07
Financial statements and Statement on Internal Control	53,338	53,338
Use of Resources	29,134	29,134
Total Audit Fees	82,472	82,472
Grants certification work	24,800	work on-going
Other work	nil	nil

- 26 The analysis above shows that our audit fee has been contained within the totals you have already agreed.
- 27 The outturn on inspection fees will be reported in the annual audit and inspection letter.

DRAFT

Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
7	The Council assets which were not revalued in the recent exercise should be revalued during the current financial year.	1				
8	A detailed audit trail of local tax accounts should be retained for the 2007/8 accounts.	1				
8	Closedown arrangements should be reviewed to ensure cut off procedures for invoices are robust.	2				

Appendix 2 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required to communicate the following matters to those charged with governance:
 - the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the audit team and which are required to be disclosed under auditing and ethical standards.

DRAFT

Appendix 3 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	March 2006	March 2006	Chief Executive
Opinion audit plan	July 2007	July 2007	Head of Finance
Annual governance report	September 2007	September 2007	Audit Committee
Opinion on financial statements	September 2007	September 2007	Audit Committee
Use of resources conclusion	September 2007	September 2007	Audit Committee
Final accounts memorandum	October 2007	September 2007	Head of Finance
BVPP report	December 2006	November 2006	Head of Finance
Data quality report	November 2006	November 2006	Policy and Communications Services Manager
Use of Resources 2006	March 2007	March 2007	Chief Executive
Annual audit letter	March 2008	March 2008	Audit Committee

Appendix 4 – Proposed auditor’s report to West Wiltshire District Council

Opinion on the financial statements

I have audited the financial statements of West Wiltshire District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to West 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 Finance Officer and auditors

The Chief Finance Officer’s responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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 financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA’s guidance ‘The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003’ issued in April 2004. I report if it does not comply with proper practices specified by CIPFA 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 statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

District Auditor: Brian Bethell

Address: Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

Date: 28 September 2007

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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

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, West Wiltshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the authority’s best value performance plan for the financial year 2006/07 on 30 November 2006. 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.

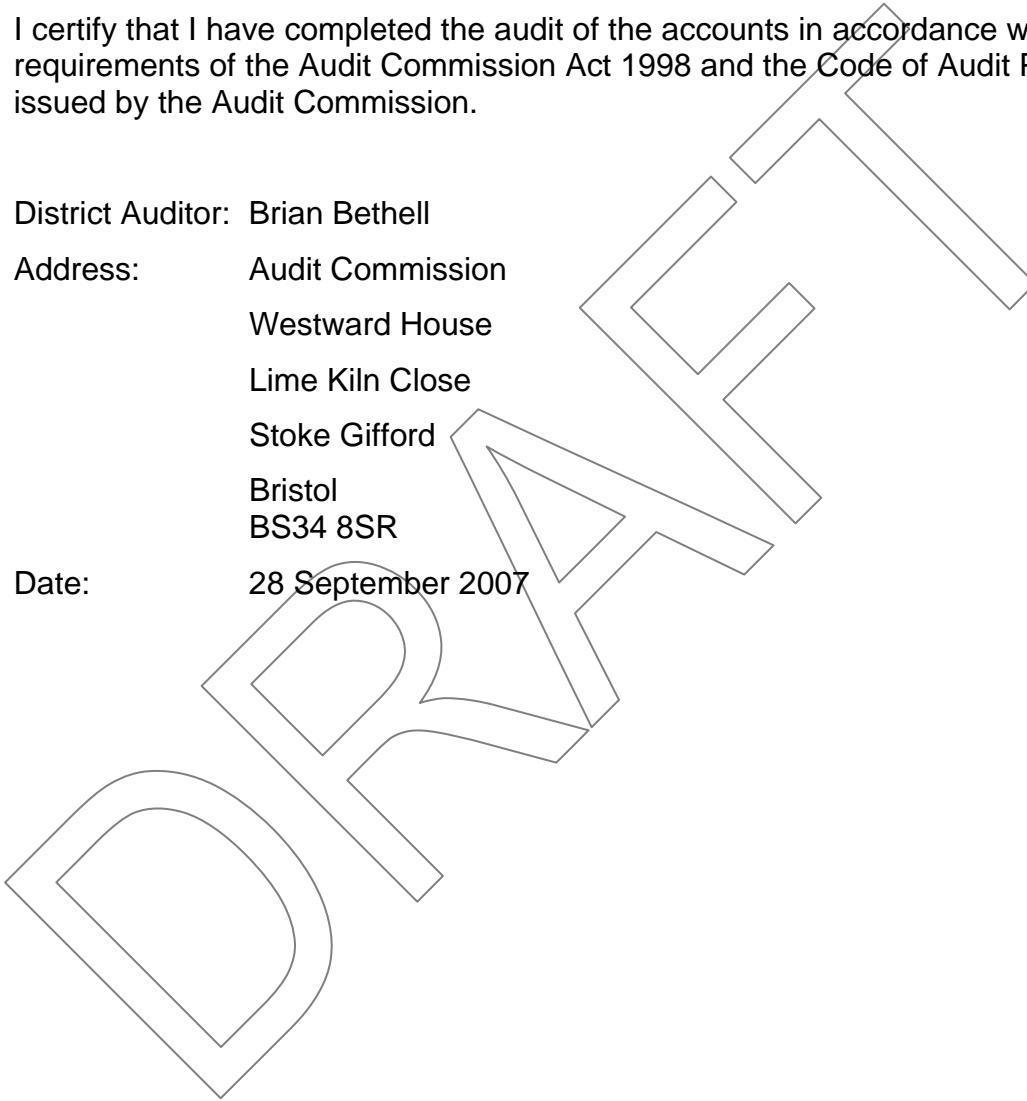
Certificate

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.

District Auditor: Brian Bethell

Address: Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

Date: 28 September 2007



Appendix 5 – Management representation letter

Mr Brian Bethell
The Audit Commission
Westward House
Lime Kiln close
Stoke Gifford
Bristol

Dear Mr Bethell

West Wiltshire District Council

Audit for the year ended 31 March 2007

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of West 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 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.

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. I am satisfied based on enquires that I have made that the assets not re-valued in the valuation exercise completed at 31 March 2007 has not resulted in those assets being materially undervalued in the accounts.

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 Members meetings, have been made available to you.

Related party transactions

I confirm the completeness of the information provided 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

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;
- no financial guarantees have been given to third parties.

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 body 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

Assets

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

- losses arising from sale & purchase commitments
- Agreements & options to buy back assets previously sold
- Assets pledged as collateral

Irregularities involving the Council

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect 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;
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on 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 that have occurred which would require additional adjustment or disclosure in the financial statements.

Compensating arrangements

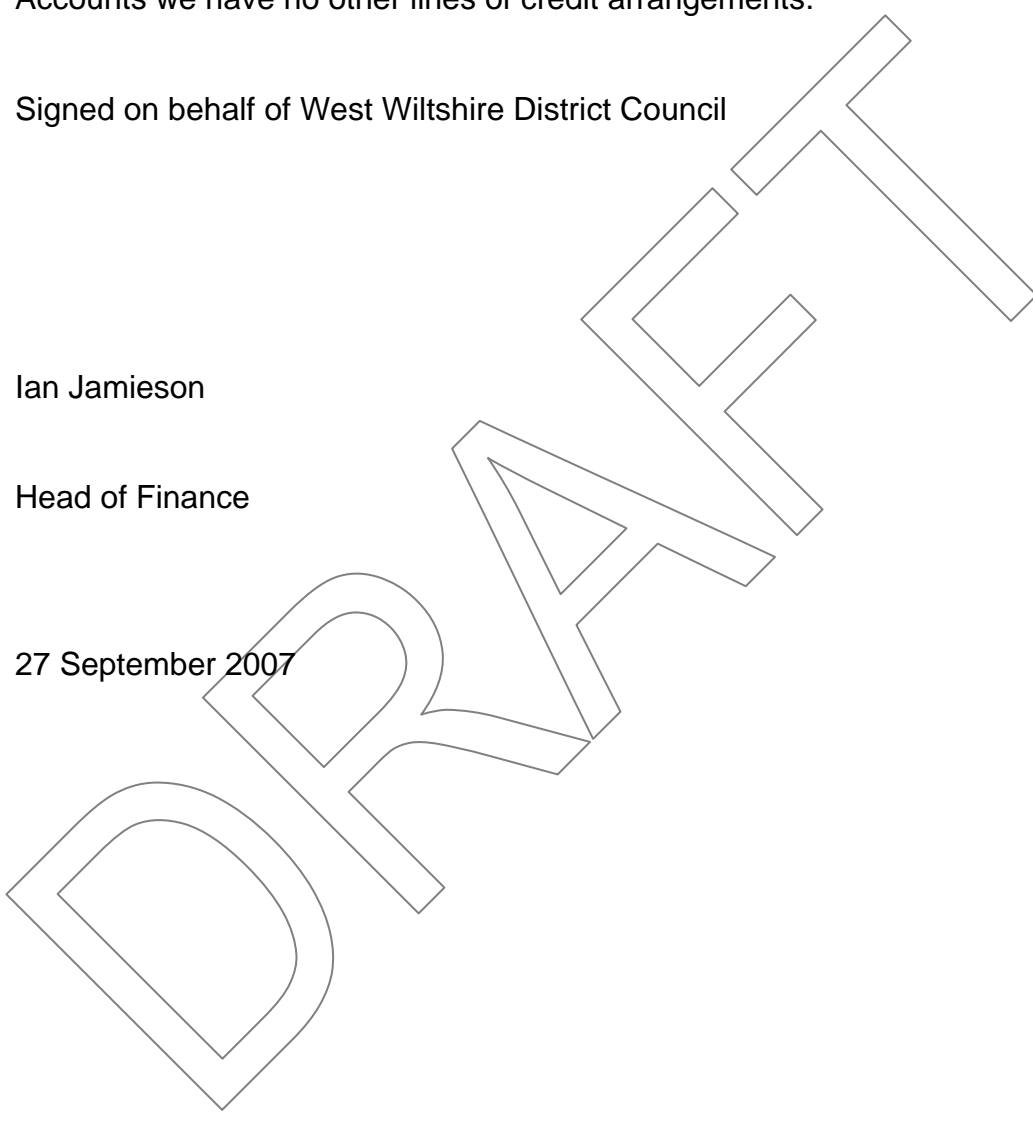
There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in the Statement of Accounts we have no other lines of credit arrangements.

Signed on behalf of West Wiltshire District Council

Ian Jamieson

Head of Finance

27 September 2007



Appendix 6 – Summary of adjusted misstatements

- 1 The following misstatements were identified during the course of our audit and the financial statements have been adjusted by management. We bring them to your attention to assist you in fulfilling your governance responsibilities.

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
The valuations reported in the balance sheet for sports facilities took account of refurbishment work done in partnership with DC leisure. The cost of these refurbishments was also held in the balance sheet as a separate line. Therefore the amount was double counted.	Reduce the valuation of fixed assets by the amount to which it was double counted.	600	600	790	790
		Collection Fund Income and Expenditure account		Balance Sheet	
Incorrect treatment of small business rate relief	Reduction to NNDR income in the collection fund and a corresponding reduction to the payment to the NNDR pool.	802	802		

Appendix 7 – Value for money conclusion

- 2 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body’s arrangements for economy, efficiency and effectiveness in its use of resources.
- 3 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Authority has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are show in the table below.

Code Criteria	Description	Associated UoR KLoE	UoR Score	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	N/A	N/A	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	N/A	N/A	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	N/A	N/A	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	LG DQ KLoEs	N/A	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	4.2		Adequate

6	The body has put in place arrangements to manage its significant business risks.	4.1		Adequate
7	The body has put in place arrangements to manage and improve value for money.	5.2		Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	2.1		Adequate
9	The body has put in place arrangements to ensure that its spending matches its available resources.	3.1		Adequate
10	The body has put in place arrangements for managing performance against budgets.	2.2		Adequate
11	The body has put in place arrangements for the management of its asset base.	2.3		Adequate
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	4.3		Adequate

Recommendation 3

Closedown arrangements should be reviewed to ensure cut off procedures for invoices are robust. The system will be reviewed and further guidance issued to strengthen this part of the closedown process.

Statement on Internal Control (SIC)

The statement has been prepared in accordance with proper practice specified by CIPFA and is consistent with findings from the audit.

Use of Resources

Work on arrangements to secure economy, efficiency and effectiveness in the use of resources is substantially complete and an unqualified conclusion is proposed.

Effect on strategies and codes

These are contained in the report.

Risk Management implications

These are contained in the report.

Financial and performance implications

These are contained in the report.

Legal and human rights implications

There are no direct legal or human rights implications.

Next steps

The audit committee considers the report and notes the adjusted financial statements.

The letter of representation is signed by the Head of Finance on behalf of the Authority.

The Financial Statements are published and forwarded to all Members and posted to the Council's website.

Recommendations

That the audited Statement of Accounts for the financial year ended 31 March 2007 is noted.

That the Annual Governance report 2006/2007 is noted.

Background Papers: Final Accounts Working Papers – Room 33

