

Special Audit Committee – 20 September 2007

Statement of Accounts 2006/07: Post-Audit

Summary of report

This report presents the Audit Commission's annual governance report (**Appendix 1**) and the authority's audited statement of accounts (**Appendix 2**) for the financial year 2006/07 in accordance with the Accounts & Audit Regulations 2003, as amended 2006.

Recommendations

1. Receive the annual governance report from the Audit Commission on their audit of the 2006/07 statement of accounts and consider the key messages. (**Appendix 1**).
2. Note that there have been agreed amendments (highlighted in yellow) made to the accounts during the audit.
3. Consider and approve the letter of representation attached with **Appendix 1**.
4. Approve the action plan set out in **Appendix 1** addressing the recommendations set out in the annual governance report.
5. Receive and approve the final post-audit statement of accounts for 2006/07. (**Appendix 2**).
6. Authorise the Executive Director (CFO) to distribute copies of the audited statement of accounts to all partners and stakeholders.



Carole Evans – Executive Director (CFO)

12 September 2007

Governance

Councils must produce annual accounts in line with the Accounts and Audit Regulations 2003, as amended 2006 and in a timely fashion on an annual basis.

As at 31.03.07 the draft statement of accounts shows aggregate general fund services, (including earmarked reserves) to have an overall surplus of £1.685m against a budget of £203.979m. Council in March 2006 approved the use of £0.355m of general reserves in the 2006/07 budget to fund one-off prudent items, so the actual outturn is £2.040m better than budgeted for. The overall effect results in net general reserves of £6.945m as at 31.03.07, in line with the medium term financial strategy.

Within the statement of accounts there are two adjustments for Housing Benefits. The first of these adjustments is due to the 2004/05 subsidy claim being finalised by the Department of Works and Pensions (DWP). The council was notified of this change from DWP on the 5 September 2007. This amounts to £0.238m. The second adjustment has resulted from DWP calculating the effect of housing benefit transitional protection in relation to the council. The result of this is the council no longer requiring a provision of £1.991m that was originally set aside to cover this. The council received notification of

this decision on the 5 September 2007. As the council was only notified of these decisions late in the final accounts process these are not audit adjustments, but purely due to timing and have been made in order to present the accounts fairly.

The Accounts and Audit Regulations 2003, and Accounts and Audit (Amendment) (England) Regulation 2006, requires that those charged with governance make accurate representations to the auditor in respect of fair presentation of the accounts. This responsibility lies with the Audit Committee and the committee is asked to receive and endorse the letter of representation with the Audit Commission and formally sign to confirm these representations are correct.

Resource and legal considerations

The preparation of annual accounts and allied audit issues comprises a major aspect of the finance service plan each year and is budgeted for, as is the respective external audit fee.

Performance management and risk management issues

The 2006/07 outturn provides a sound, stable financial foundation to effect service delivery and continue to drive service improvement. As part of the council's performance management system managers are set many targets, one of which is to deliver their service targets within the cash limited budget. This has been demonstrated overall in 2006/07, although some services did overspend.

The governance has noted a number of improvements in the 2006/07 final accounts process, and has made further recommendations at **Appendix 1**. These have been agreed by officers and an action plan produced. Audit Committee is asked to approve this action plan.

It is anticipated that Mr John Gregory and colleagues of the Audit Commission will address the committee on the key issues contained in their report.

Equality implications

Improving ease of understanding of the accounts is intended to make the annual statement of accounts more readily accessible to the general public. The accounts will be available, on request in different formats, for example, hard copy, soft copy via the web site, Braille, and in different languages.

Consultation

The report is prepared in consultation with various managers and executive directors.

Background papers

Various financial working papers, statutory and other guidance.

Author

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Annual Governance Report

Walsall Metropolitan Borough Council

Audit 2006-2007

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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.

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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 to Audit Committee	13
Appendix 4 – Proposed auditor’s report	15
Appendix 5 – Management representation letter	19
Appendix 6 – Summary of adjusted misstatements	23
Appendix 7 – Value for money conclusion	24

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 to those charged with governance (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 20 September 2007. Members are invited to:
 - consider the matters raised in the report before the financial statements are approved;
 - approve the representation letter on behalf of the Authority and those charged with governance before we issue our opinion; and
- 5 Our work during the year was performed in line with the plan that we presented to you in September 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. The Council has provided assistance to our audit team and has delivered improved working papers which greatly assisted the audit. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them in the progress report. Appendix 3 outlines the areas which need to be completed. We propose issuing an unqualified audit opinion on 20 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 now substantially complete. We propose issuing an unqualified conclusion on the use of resources on 20 September 2007 (a draft report is attached at Appendix 4).
- 9 We issued a 'report in the public interest' under section 8 of the Audit Commission Act on 11 September 2007, regarding the circumstances which led to the Employment Tribunal case brought against the Council by Mr Peter Francis. I am required to refer to this in my audit certificate.

Audit status

- 10 At the date of issue of this report our detailed audit is substantially complete.
- 11 Officers have taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation for their assistance and co-operation.

Accounts and Statement on Internal Control

- 12 Our work on the financial statements is substantially complete.
- 13 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.
- 14 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.
- 15 A draft of the letter of representation has been attached as Appendix 5.

Unadjusted misstatements

- 16 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. In this context, items below £500k are trivial. There are no unadjusted misstatements for us to bring to the attention of members.

Adjustments to the financial statements

- 17 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.
- 18 The general fund balance has increased from £5.262m to £6.945m (£1.683m) mainly due to £1.9m adjustment to provisions. The Council received notification from the DWP regarding the settlement of the 2004/05 housing benefit and council tax subsidy claim. The clawback was less than expected and accordingly, an amendment was made to provisions and the general fund reserve.

Accounting practices

- 19 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. The only area which we wish to mention is that the financial statements approved on 28 June 2007 had to be amended on 23 July 2007 for adjustments to fixed assets and reserves. To minimise the risks of amendments being required to the approved accounts in future years, the process for management review of the financial statements prior to approval should be reviewed.

Recommendations
<i>R1 The process for management review of financial statements prior to approval should be reviewed to further minimise the risk of the sort of one-off error which occurred in this case.</i>

Systems of internal control

- 20 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified. There are no significant issues which we wish to bring to the attention of the Audit Committee.
- 21 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.
- 22 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

- 23** 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.
- 24** Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 7.

Use of resources assessment

- 25** We are currently finalising our report arising from our use of resources assessment. When finalised, we will discuss this with the relevant officers.

Data quality work

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

Best value performance plan

- 27** Our work in respect of the Authority's 2006/07 Best Value Performance Plan (BVPP) was reported in the 2006 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

Audit fee update

- 28 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	163,995	163,996
Use of Resources	100,737	100,737
Total Audit Fees	264,732	264,732
Grants certification work	120,000	3,010
Other work	0	0

- 29 The analysis above shows that our audit fee has been contained within the totals you have already agreed.
- 30 The large variance on the fees for the grants certification work is because we have not yet commenced work on the majority of grant claims.
- 31 The outturn on inspection fees will be reported in the annual audit and inspection letter.
- 32 In addition to the fees identified in the table above, we have charged an additional fee for the investigation of the circumstances which gave rise to the Employment Tribunal case brought by Mr Francis. The fee is based on the actual hours taken for the investigation at the hourly rates for the individual members of staff used. The fee also includes the costs of our legal advice. Up to the end of August 2007, the total fee for this work was £113,000.

Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
8	R1 The process for management review of financial statement prior to approval should be reviewed to further minimise the risk of the sort of one-off error which occurred in this case.	2	Head of Corporate Finance		The process for management (including senior management) review of financial statements is in place. The process will be reviewed and will seek to further target higher risk areas to ensure significant errors do not occur or are identified and corrected prior to closure of the ledger.	Process Review 31 October 2007

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.

Appendix 3 – Audit reports issued to Audit Committee

Planned output	Planned date of issue	Actual date of issue
Audit plan and inspection plan	1 February 2006	September 2006
Interim audit memorandum	January 2007	Progress reports - August 2006, January and March 2007.
BVPP report	September 2007	
Report on selected PIs (if applicable)	September 2007	
Report on financial statements to those charged with governance	September 2007	September 2007
Opinion on financial statements	September 2007	September 2007
Final accounts memorandum	September 2007	
Follow up of previous work	October 2007	NRF - July 2006. Surestart Follow up, Management of Data Quality, Domiciliary Care Contracts - September 2006. Joint NRF - October 2006. Data Quality - January 2007. Housing Benefits and Council Tax, Audit of 2005/6 Final Accounts - March 2007. Use of Resources Auditor Judgements, 2005/6 Grant Outturn Report - April 2007.

Planned output	Planned date of issue	Actual date of issue
Bus usage (cross West-Mids project)	October 2007	
LAA governance	September 2007	
User and carer engagement		March 2007

Appendix 4 – Proposed auditor's report

Opinion on the financial statements

I have audited the financial statements of Walsall Metropolitan Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account and Statement of Movement on General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, 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 Walsall MBC 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 Director of Finance and auditors

The Executive Director's (Corporate Services) 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 presents 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' published on 2 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

I read other information published with the financial statements, and considered whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword by the Director of Finance and the Summary of the 2006/07 Financial Year. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial 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 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.

John Gregory
District Auditor
Audit Commission
2nd Floor
1 Friarsgate
1011 Stratford Road
Solihull
West Midlands
B90 4EB

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 I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in August 2005, in all significant respects, Walsall MBC 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 20 December 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.

Auditors' responsibilities

Auditors have a duty under the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to their attention in the course of the audit in order for it to be considered by the body concerned or brought to the attention of the public.

On 11 September 2007 I issued a report in the public interest under section 8 of the Audit Commission Act 1998 on the circumstances which gave rise to an Employment Tribunal case against the Council, which included a number of recommendations for the authority to action.

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.

John Gregory
District Auditor

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B90 4EB

September 2007

Appendix 5 – Management representation letter

To: John Gregory
District Auditor
The Audit Commission
2nd Floor
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Walsall Metropolitan Borough 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 Walsall MBC 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.

I acknowledge my responsibilities under the relevant statutory authorities to prepare the Council's accounts in accordance with proper practices as defined in relevant legislation or guidance.

I confirm that I believe that any uncorrected errors remaining in the accounts are below the trivial level and are not material.

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

Specific representations:

- There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.
- There are no known bad debts other than those already provided for in the financial statements.
- The Council intends to continue to hold long term investments as long term investments.

- The Actuary has been informed of all unfunded and discretionary benefits and these items have been incorporated in the FRS 17 liability figures included in the accounts.
- The Actuary has been informed of all significant events (eg major outsourcing etc) that could have a material effect on the valuation of the Scheme's liabilities.
- The Authority has ensured that all members and key managers are aware of the requirement to declare all interests relevant to the Authority including interests of families, partners and entities controlled by them.
- The Authority's registers of interest are complete and up to date.
- Estimates included in the financial statements reflect our judgment based on knowledge and experience about past and current events and are also based on assumptions about conditions expected to exist and courses of action expected to be taken. The financial statements present fairly the financial position of the Authority.

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 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;
- 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.

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; and
- assets pledged as collateral.

Irregularities

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; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

Post balance sheet events

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

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete stock and no stock is stated at an amount in excess of net realisable value.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note 33 to the financial statements we have no other lines of credit arrangements.

Signed on behalf of Walsall Metropolitan Borough Council

C Evans
Chief Finance Officer
Executive Director (Corporate Services)
Date

D Turner
Chair of the Audit Committee
Date

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
Debtors	The amount relating to property charges incorrectly included amounts for 2007/08.	546		546 General fund	546 Debtors
	The ERDF debtor in the financial statements was the net amount. The amount should have been gross.			575 Debtors	575 Creditors
Pension costs	Net cost of services was understated and represents the difference between the amount paid to the pension fund and the actuaries estimate.	777			
Housing Benefit Transitional Benefit Scheme	The Council received notification from the DWP in September 2007 which indicated that there was a surplus in provisions.		1,991	1,991 Provisions	1,991 General fund

Appendix 7 – Value for money conclusion

- 1 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.
- 2 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	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	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	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	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	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	4.2	Adequate

Code Criteria	Description	Associated UoR KLoE	VFM Conclusion
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