

Audit Committee - 25 October 2010

Annual Audit and Inspection Letter 2008/09: Progress Report

Summary of report

This report sets out an update on progress on implementing the findings and recommendations from the annual audit and inspection letter presented to Audit Committee on 19 January 2010.

Recommendations:

Audit Committee are asked to note the progress in respect of the annual audit and inspection letter at Appendix 1 and comment on this.



James Walsh
Chief Finance Officer

11 October 2010



Rory Borealis
Executive Director (Resources)

11 October 2010

Background

The annual audit and inspection letter provides an overall summary of Grant Thornton's assessment of the council, drawing on the corporate performance assessment, findings and conclusions from the audit of the council's statement of accounts for 2008/09 and from any inspections undertaken since the previous annual audit and inspection letter.

The Grant Thornton report identified both areas for improvement and strengths. The update presented at **Appendix 1** reports progress on action being taken in relation to the key areas for improvement. It is also worth noting the strengths highlighted by the letter which were:

- An unqualified audit opinion on the annual accounts for 2008/09 and on arrangements for ensuring value for money
- Recognition the council was performing adequately in its use of resources

Resource and Legal Considerations

There are no direct financial or legal implications, however the council is responsible for ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.

Risk Management

None relating directly to this report.

Equality implications

None relating directly to this report.

Consultation

The report is prepared in consultation with relevant senior managers.

Background Papers

Annual Audit and Inspection Letter 2008/09.

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Progress Update: Annual Audit and Inspection Letter (AAIL)

Report and issue date	Recommendation	Progress Report
2008/09 Interim report to those charged with governance (Audit Strategy Document issued June 2009)	<p>Review identified historic balances within debtors which are up to 20 years old.</p> <p>We are aware that these debts had been fully provided against but recommend that the council should consider whether these amounts are written off, as they are inflating both debtor and provision figures.</p>	<p>The new automatic debt management process means that 'new' debts are processed for write off in a timely manner as part of the debt monitoring process, and therefore the level of debts that become statute barred should reduce.</p> <p>The reduced volume of aged debt can be evidenced by the fact that statute barred housing benefit debt now stands at around £80k (previously this was almost £595k). However in respect of sundry debts there are still a number of statute barred debts that are awaiting write off approval from the service areas and also a number of debts that have had approval from the service area but the write off's are pending processing.</p> <p>The Finance Direct programme and the restructure of financial administration will continue to identify and improve the write off procedures to enable debt to be reduced</p>
2008/09 Interim report to those charged with governance (Audit Strategy Document issued June 2009)	<p>Testing identified a bad debt write off request which had not been signed by an authorised signatory but was still actioned.</p> <p>The debtors control team should ensure that they are only accepting bad debt write off requests from</p>	<p>Further checking and quality control has been implemented by the debtors control team.</p>

authorised signatories.

2008/09 Interim report to those charged with governance (Audit Strategy Document issued June 2009)

The payroll reconciliation sampled (week 52) had been signed by the preparer but not evidenced as reviewed.

The Payroll to Oracle reconciliation sheet produced by the payroll section has been edited to take out obsolete information and has been renamed 'Payroll to Oracle Confirmation sheet' to more accurately reflect its purpose.

In addition, we noted that whilst the payroll reconciliation was initialled by the Oracle Finance team to confirm receipt, it was not signed to show that the payroll data has been uploaded onto the Oracle system.

The upload of payroll data to Oracle is now evidenced and contained on the feeder control log held in the systems office.

We recommend that the review of payroll reconciliations and the upload of data to Oracle is evidenced.

2008/09 Interim report to those charged with governance (Audit Strategy Document issued June 2009)

The fixed asset register is currently updated on an annual basis.

We would expect this to be completed on a more regular basis so as to:

- demonstrate maintenance of up to date accounting records;
- spread the work load through out the year; and
- identify any anomalies on a timely basis.

Whilst this is appropriate in the private sector where capital expenditure is accounted for in the same method as revenue, within the council capital spend is monitored as normal during the year, however can only be cleared down and processed to the balance sheet as spend at year end when funding is matched to each project. Not all spend relates directly to a movement in asset values and needs analysing with accountants and project managers between added value and non added value before entries to the asset register can be made.

Valuations need to be undertaken as close to the year end date as possible to avoid the need to revalue again if market conditions dictate and to demonstrate to audit that the values are the most recent. Impairment memos are also issued at year end to ensure that all fluctuations are accounted for.

An asset management system is currently being procured,

therefore it is suggested that this recommendation is reviewed again in the future.

2008/09 ISA260 report to those charged with governance (issued September 2009)

The council should identify residual values for relevant assets and use these to calculate depreciation charges in future Statement of Accounts.

After further discussion with Grant Thornton, Walsall Council consider residual values as part of the valuation process.

2008/09 ISA260 report to those charged with governance (issued September 2009)

The council should review the percentage rates applied to calculate bad debt provisions annually against current collection patterns to ensure the percentages remain appropriate.

Collection fund bad debts are reviewed annually. For council tax this % is based on a calculation using current collection patterns, historic and projections. For NNDR in 2008/09 the council substantially increased the % for debt outstanding based on current conditions and collections. For 2009/10 a similar approach used for council tax was applied to NNDR to ensure collection patterns are reflected in the bad debt provision.

For sundry debt this is also reviewed annually and at various points throughout the year. For 2009/10 data has been collected to work out a debt collected against what was billed, and using historic data will enable the council to calculate a trend pattern and adjust for changes in current collection patterns. All sundry debt is based on individual invoices rather than total balances so the council can apply a higher % against a customer who has a history of bad payment or is deemed to be in financial difficulty. This way we can provide 100% against an invoice even if it is current year.