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2003/2004 audit

Report to those charged
with governance concerning
the audit of the financial
statements (SAS610)

Walsall Metropolitan Borough Council

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Reference:	SAS610 walsall 2003-04v2.doc
Date:	September 2004

Introduction

Statement of Auditing Standard (SAS) 610 requires auditors to report certain matters arising from the audit of the financial statements to 'those charged with governance':

- expected modifications to the audit report
- unadjusted non-trifling misstatements
- material weaknesses in accounting and internal control systems
- qualitative aspects of accounting practice and financial reporting
- matters required by other auditing standards to be reported to those charged with governance
- other matters that we wish to draw to your attention.

We have agreed with the council that the communications required under SAS 610 would be with the Audit Committee. This report sets out for the Audit Committee's consideration the matters arising from the audit of the financial statements for 2003/2004 that require reporting under SAS 610.

Status of the audit

Our work on the financial statements is now complete. We anticipate being able to issue an unqualified opinion by 30th September 2004 (a draft report is attached at Appendix 1).

Matters to be reported to those charged with governance

We have the following matters to draw to the Audit Committee's attention

- **Expected modifications to the audit report**

There are no expected modifications to the audit report

- **Unadjusted misstatements**

There are no unadjusted misstatements. All the amendments we requested have been incorporated into the revised accounts.

- **Material weaknesses in accounting and internal control systems**

Our audit did not identify any material weaknesses in systems of accounting and financial control which we should report to you:

- **Qualitative aspects of accounting practices and financial reporting**

We identified the following aspects of accounting practices or financial reporting during the course of our audit:

Nurcis

There were errors in the accounting estimates produced from the Nurcis system. The errors primarily arose because the data in the system was not fully up to date. Staff in the Social care and Supported Housing Directorate were aware of many of the

issues and had been working to ensure that the data in the system was up to date. However, they had not been able to fully complete this before the deadline for the production of the draft accounts. The system is used to manage care information in relation to independent residential and nursing placements as well as to provide financial information and comprises a sophisticated access data base. The system was not closed down at 31 March which has made subsequent enquiries into the information problematical. After extensive discussion with Social Care and Supported housing finance staff it has been agreed to reduce the creditors figure in the accounts from the original £1,946,000 to £918,000. There were similar, but less extensive problems with debtors in the systems which have been reduced by £30,000. There is therefore a net adjustment to the consolidated revenue account of £998,000 for these items.

The Directorate Head of Finance has now informed us that he is satisfied that the revised figures are based on sound professional judgement using the best information available. He has also instigated a review of all the processes involved to ensure that all data in the system is validated and that subsequent changes to information are timely and properly controlled.

Grant funded expenditure

Elsewhere in our creditors sample testing we identified over accruals totalling £350,000 in relation to renovation grants and £210,000 of duplicates arising from NRF activities. These accounts have also been adjusted for these items.

Officers should ensure that spending programmes are sufficiently well planned to avoid the risk of grant funding being clawed back by government departments.

- **Matters required by other auditing standards to be reported to those charged with governance**

There are no matters we need to bring to your attention.

- **Other matters that we wish to draw to your attention**

There are no matters we need to bring to your attention.

Next steps

We are drawing these matters to the Audit Committee's attention so that you can consider them before the financial statements are approved and certified. In particular, this provides the Committee with the opportunity to amend the financial statements for any unadjusted misstatements identified above if there were any. Where this is the case, should you choose not to do so, we are required by SAS 610 to request from you a letter of representation explaining why you are not going to adjust the financial statements. We ask that the letter specifically details the misstatements and/or qualitative aspects of reporting to which it relates, either in the body of the letter or in a document appended to it.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Draft auditor's report

Draft Independent Auditor's Report to Walsall MBC



AUDIT CERTIFICATE



Audit Commission

Walsall MBC

AUDITORS REPORT TO WALSALL METROPOLITAN BOROUGH COUNCIL

I have audited the financial statements on pages 1 to 55 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 50 to 55. This report is made solely to Walsall Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

RESPECTIVE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER & AUDITOR

As described on page 8, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. My responsibilities as an independent auditor are established by statute, the Code of Audit Practice issued by the Audit Commission and my professional ethical guidance. I report to you my opinion as to whether the financial statements presents fairly the financial position of the council and its income and expenditure for the year.

I report to you whether the statement on internal control on page 9 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. I report if it does not meet the requirements specified by CIPFA/LASAAC 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 whether it covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review is not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards 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 judgements made by the council in the preparation of the financial statements and of whether the accounting policies are appropriate to the council'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 the financial position of Walsall Metropolitan Borough Council as at 31 March 2004, and its income and expenditure for the year then ended.

CERTIFICATE

I certify that I have completed the audit of 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