

TAUNTON DEANE BOROUGH COUNCIL

COUNCIL 22 DECEMBER 2003

REPORT OF THE HEAD OF FINANCE

This matter is the responsibility of Executive Councillor Williams (Leader of the Council)

AUDIT COMMISSION REPORT – SAS 610

1 Purpose

- 1.1 The audit commission have now concluded their audit of the Statement of Accounts 2002/03 and are required, under the new Statement of Auditing Standards (SAS) 610 to report on their findings to full Council.

- 1.2 The attached report outlines their findings and provides the formal uncertified audit opinion on our accounts. The report does highlight one area within our systems that they consider to have material weaknesses (Asset Register). This has been discussed fully with the audit commission and work is underway to rectify and improve the controls in place.

2. Recommendation

- 2.1 Council is requested to note the attached SAS 610 report from the audit commission.

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Communication concerning financial statements to those charged with governance

Taunton Deane Borough Council

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Reference:	SAS610TA00603A
Author:	Kieron Marston, Audit Manager
Date:	December 2003

Introduction

The Council is responsible for the preparation of financial statements that present fairly its financial position as at 31 March 2003 and its income and expenditure in the year then ended. We are responsible for undertaking an audit and reporting whether in our opinion your financial statements do present fairly your financial position and your income and expenditure.

The Council is also responsible for the preparation of a 'Statement on the System of Internal Control' in accordance with the provisions of the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice. We are required to report where we become aware in the course of our audit of any inconsistencies with the disclosures made by the Council.

The Council submitted draft financial statements to us during July 2003. We have now completed our audit of those statements. This report details key matters arising from our audit that we must communicate to 'those charged with governance'.

Background

A revised Statement of Auditing Standards (SAS), SAS 610 Reporting to those charged with governance – is applicable for the first time to the audit of local authority accounts. It requires auditors to report to those charged with governance (as distinct from management) certain matters on the financial statements:

Auditors should communicate to those charged with governance:

- a) expected modifications to the auditors' report
- b) unadjusted mis-statements
- c) material weaknesses in the accounting and internal control systems identified during the audit
- d) their views about the qualitative aspects of the entity's accounting practices and financial reporting
- e) matters specifically required by other Auditing Standards to be communicated to those charged with governance
- f) any other relevant matters relating to the audit.

We agreed with the council that the communications required by SAS 610 in advance of issuing our report on the annual financial statements of the council would be with the full council.

We have considered each of the areas listed above and our views are set out below together in this first year with explanations of the issues that we are responding to.

Auditor's report

The standard requires that we report to those charged with governance any proposed modifications to our standard report on the financial statements. The auditing standard explains the reasons for this requirement.

On the basis of our audit work we do not currently intend to issue a 'non-standard' report on the Council's financial statements. The Auditors report which we have adopted (ie, the 'standard' report) is attached at Appendix 1.

Unadjusted mis-statements

We are required to report to you all misstatements other than those of a clearly trifling nature. A trifling error is an entirely inconsequential error, whether taken individually or in aggregate and whether judged by any quantitative and/or qualitative criteria.

We can confirm that all non-trifling errors identified in the course of our audit have already been acknowledged and amended by the Council. A detailed report setting these out has been prepared for officers and is available for those charged with governance.

Material weaknesses in accounting and internal control systems

We have limited responsibilities to report to you weaknesses in accounting systems and systems of internal control identified in the course of our audit. There is one matter we wish to bring to your attention

We have identified weaknesses in the Council's system for the compilation and updating of the asset register.

It is important that the asset register provides accurate information, as errors could materially affect the accuracy of the accounts. The present system of maintaining the asset register has resulted in separate asset lists being kept in valuation, housing and finance. There is no adequate reconciliation between the various lists and little sharing of information. This results in significant duplication of work and inconsistencies in data.

A consistent coordinated approach to compilation and updating of the asset register is required, and the Council has acknowledged this recommendation.

You should be aware that we do not provide a comprehensive statement of all weaknesses that may exist in the accounting and internal control systems or of all improvements that may be made, but have addressed only those matters that have come to our attention as a result of the audit procedures performed.

Qualitative aspects of accounting practices and financial reporting

SAS 610 places specific duties on auditors to report their assessment of qualitative aspects of accounting practices and financial reporting to those charged with governance:

We have carefully considered the qualitative aspects of the Council's accounting practices and financial reporting. No matters have come to our attention that we would wish to draw to the attention of those charged with governance.

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

Other auditing standards require us to communicate with you in other specific circumstances including:

- where we suspect or detect fraud, even if the potential effect is not material to our audit of the financial statements
- in respect of the conclusion that the Council is an ongoing concern

- where there is an inconsistency between the Council's financial statements and other information in documents containing the financial statements.

We have identified no such matters in the course of the audit.

Independence and Objectivity

Under the requirements of SAS610, we are not aware of any relationships that may bear on the independence and objectivity of the team which are required to be disclosed

Status of this report to the Council

This report is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. It is prepared by appointed auditors and addressed to Members of the Council. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Director or officer in their individual capacity, or to any third party.

Auditors Report

AUDITOR'S REPORT TO TAUNTON DEANE BOROUGH COUNCIL

I have audited the financial statements on pages 21 to 53 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 14 to 19.

This report is made solely to Taunton Deane 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 and Auditor

As described on page 3 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. My responsibility, as independent auditor, is established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on pages 4 and 5 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. 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 the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review was 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 evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the financial statements present fairly the financial position of Taunton Deane Borough Council as at 31 March 2003 and its income and expenditure for the year then ended.

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.

K Marston
Audit Manager, Audit Commission
December 2003