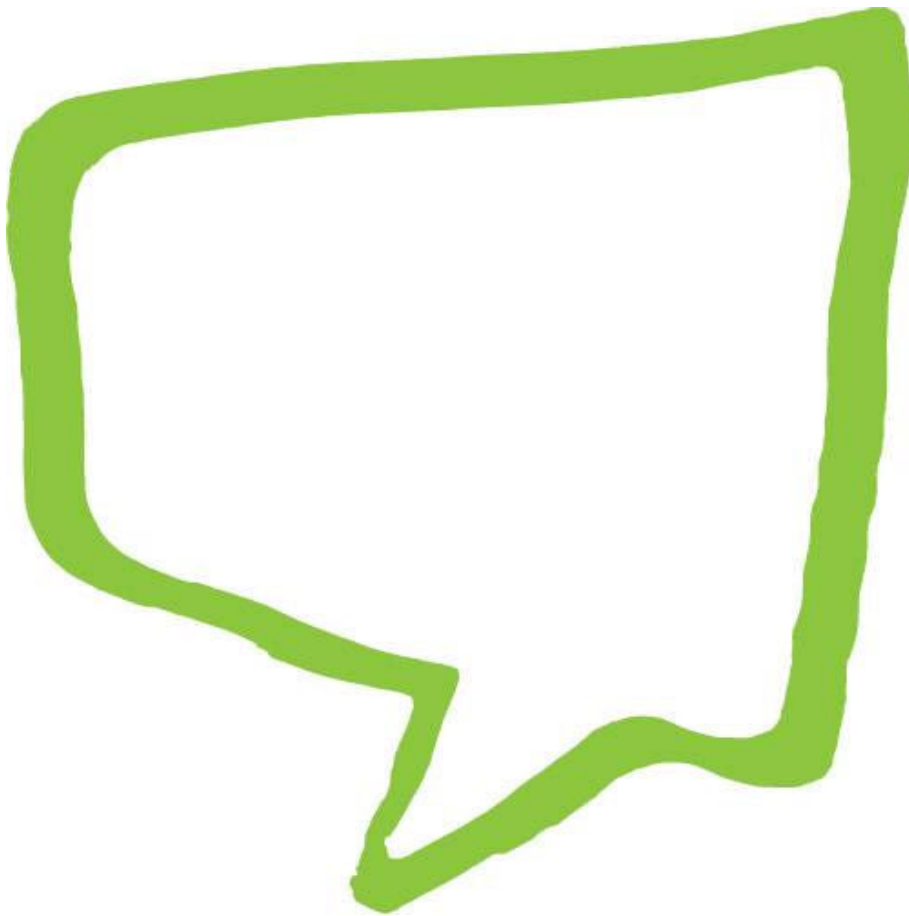


Final Accounts Memorandum

Cherwell District Council
Audit 2007-2008



Contents

Introduction	3
Conclusions	4
Appendix 1 – Significant Amendments to the Accounts	5
Appendix 2 – Summary of Key Issues from Final Accounts and Interim Audits	6

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.
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Introduction

- 1 The Code of Audit Practice requires that we give an opinion on the Council's annual financial statements as well as document and test the core financial systems on which those statements are based.
- 2 This report outlines the key findings from the work on the financial statements and the core financial systems. Officers should use this report to improve both the operation of the core systems and to avoid errors in the financial statements.

Conclusions

- 3 We were able to issue an unqualified opinion and certificate on 30 September 2008. The quality of the accounts this year was a significant improvement on prior years. This has been reflected in a considerably lower level of amendments and issues arising. Officers responded to last year's audit issues proactively with a strong focus on SORP compliance and overall improvement.
- 4 To further ensure SORP compliance the authority brought in PWC to check the accounts before they were approved the Audit Committee. This shows the commitment from the officers to ensure that the accounts were as accurate as possible prior to the audit.
- 5 During the audit, the officers were prompt and helpful with audit queries and requests and this kept the audit running smoothly. They were also able to bring in expertise knowledge during the course of the audit as and when it was required. This was namely from staff who had helped put the accounts together but had since left the authority. This increased our confidence in the accounts and the accounts process.
- 6 Improved member involvement was noted throughout the year. This was shown through the members challenging the process of the accounts and through the set up of a specific accounts panel. This panel looked at the accounts and raised questions of officers for further discussion at the Accounts, Audit and Risk Committee before the accounts were signed as reviewed by members,
- 7 However, significant amendments to the accounts were identified and reported to the Audit Committee as part of the Annual Governance Report, see Appendix 1.
- 8 The accounts process has clearly and significantly improved; this was shown in the reduced number of versions of accounts, errors and amendments. The errors noted in this report can be further reduced next year by taking a step back and ensuring that the accounts reflect the key events of the year. Overall the officers at Cherwell District Council worked hard to make sure that the audit progressed efficiently.
- 9 A summary of the key issues raised during our final accounts and interim audit is attached at Appendix 2 along with recommendations. The appendix focuses only on the emerging issues that will have relevance to the future.

Appendix 1 – Significant Amendments to the Accounts

£'s	Amendment Made
£1.3m	The additional costs payable by Cherwell in respect of early retirements and discretionary enhancements to redundancy ought to be charged to services once there is sufficient certainty over the financial obligation. This had not been done so a provision has now been set up with a corresponding charge to the services.
£0.4m	The last wave of payments to buy out Performance Related Pay were made in April 2008 but related to a decision made within the 2007/08 financial year. As a result these payments should have been charged to services in 2007/08 so an amendment was made to do this. There has been a corresponding release of the Council Tax Equalisation Reserve.
£0.4m	Amendments made to a note to the Cash flow Statement that reflect adjustments to debtors and creditors prior to submission of the accounts.

Appendix 2 – Summary of Key Issues from Final Accounts and Interim Audits

Table 1 Action Plan

Finding	Recommendation	Priority	Target Date	Response/Responsible Officer
Creditors				
It was found while performing a walkthrough on the creditors system, that purchase orders are not always being raised for the ordering of goods and services.	Raise purchase orders for all goods and services as it is part of the authority's procedures.	Low	Ongoing	Ruth Hopkins A reminder has been issued on 21/10/08 to all departments to reinforce the need for PO's. This will be monitored quarterly and further reminders will be issued where necessary.
The cheque payment run is not reviewed prior to cheques being printed and sent out.	Review and evidence the cheque payment run in order to ensure payments made are valid.	Medium	31 December 2008	Jessica Lacey Procedure to be reviewed and set up as per the BAC's run approvals.

Appendix 2 – Summary of Key Issues from Final Accounts and Interim Audits

Finding	Recommendation	Priority	Target Date	Response/Responsible Officer
Car Parking				
The authority keep a record of all car park tickets from the machines that are emptied by the external security firm. These tickets are numbered consecutively to provide an audit trail. However where gaps are noted in the monitoring document these are not followed up by the authority.	<p>Follow up missing cash receipts from car park machines to provide assurance all income is accounted for.</p> <p>Risk of fraud if reasons for gaps in the monitoring spreadsheet are not investigated.</p>	Low	31 March 2009	<p>Jo Harwood</p> <p>Procedure to be reviewed and track follow up.</p>
Council Tax				
Although independent checks of the accuracy of the input of Band D Council Tax Rates to I-World were carried out for 2007/08, this was not evidenced.	Retain documentation to demonstrate that the input of Band D Council Tax rates is subject to an independent check of accuracy.	Medium	31 March 2009	<p>Andy Taplin</p> <p>Procedure Update - supporting evidence is to be included in the annual billing procedure in the future.</p>
Review of the final RRV411 run as part of the 2007/08 CTAX billing run identified that there were 486 items classified as 'Unbanded without Request'. Staff were not readily able to identify why there were this number of items or what the classification meant.	Review all accounts classified as 'Unbanded without Request' and take appropriate action as required, (eg bill, delete account).	Medium	31 March 2009	<p>Andy Taplin</p> <p>Procedure update - the RRV411 report is to be checked for any discrepancies as part of the annual billing process.</p>

Appendix 2 – Summary of Key Issues from Final Accounts and Interim Audits

Finding	Recommendation	Priority	Target Date	Response/Responsible Officer
<p>The authority carries out checks on information processed on I-world by staff. However for work carried out in May 2007 the checks weren't preformed until January 2008. The lack of timeliness of the checking reduces it's value as any issues arising, eg incorrect processing are not promptly identified and addressed.</p>	<p>Ensure that sample checking of staff's work is carried out on a prompt basis.</p>	<p>Medium</p>	<p>Ongoing</p>	<p>Andy Taplin These checks are time consuming and work is being carried out to make the process timelier. As and when issues are identified individuals are informed and training issues addressed.</p>
National non-domestic rates				
<p>Whilst we were informed that the input of NDR multipliers for 2007/08 onto I-World was subject to an independent check of accuracy, no supporting evidence to show this important check was prepared/retained.</p>	<p>Prepare/retain documentation to substantiate independent review of accuracy of input of NDR multipliers.</p>	<p>Medium</p>	<p>31 March 2009</p>	<p>Ray Cox Evidence of 2008/09 has been retained. This will be part of the annual billing process in the future.</p>
Treasury Management				
<p>Whilst we were informed that Counterparty confirmations received are checked to details of the loan, interest rate, etc. held on LOMAS, this check is not documented.</p>	<p>Retain evidence of the check of LOMAS back to third party confirmations. This should show who did the check and what details were checked and results.</p>	<p>Medium</p>	<p>31 March 2009</p>	<p>Karen Curtin Procedure to be reviewed and treasury management Manual to be amended accordingly.</p>

Appendix 2 – Summary of Key Issues from Final Accounts and Interim Audits

Finding	Recommendation	Priority	Target Date	Response/Responsible Officer
Payroll				
There is no regular confirmation from budget holders about the names, grade, cost centre and salary of their staff. This increases the risk that payroll costs are inaccurate.	Ensure that budget holders confirm the pay of their staff on a regular basis ie six monthly.	Medium	31 March 2009	HR/Karen Curtin The details are checked annually as part of the budget process and the creation of the salary working papers. Procedure to be reviewed to consider a further review as part of 6 or 9 month projections and budget monitoring.
Bad Debt Provision				
<p>The bad debt provision is zero on all debts under 60 days - this includes some items from debtors control and some debtors accruals 'provisional debtors'.</p> <p>The reasoning for this is that the level of write offs at CDC is negligible but still unless collection is 100 per cent they need to ensure that the BDP continues to reflect overall collection rates on new debts.</p>	Keep under review the BDP and ensure that the zero BDP on new debts is justified.	Low	31 March 2009	Jessica Lacey Bad debt policy is reviewed annually and current circumstances relating to write offs and collection rates is used to evaluate BDP.

Appendix 2 – Summary of Key Issues from Final Accounts and Interim Audits

Finding	Recommendation	Priority	Target Date	Response/Responsible Officer
Community Assets				
<p>Woodgreen Leisure Centre is currently classed as a community asset.</p> <p>However this needs to be reassessed when it is developed and it becomes part of CDC services.</p>	<p>Reassess classification of Woodgreen Leisure Centre when developed.</p>	<p>Medium</p>	<p>31 March 2009</p>	<p>Jessica Lacey</p> <p>This will be picked up as part of the asset review and ongoing asset register management. Liaison on PWC technical helpline and Audit commission prior to Closedown to agree treatment in light of expenditure relating to the pool.</p>
Prior Year Amendments				
<p>The Council had considered the appropriateness of prior year adjustments with the auditors prior to issuing the draft statements. However detailed consideration revealed that adjustments put through on the accounts were not FRS3 compliant.</p>	<p>Ensure that all prior year amendments are FRS 3 compliant; either a change in accounting policy or a fundamental error in a prior year period that needs correcting.</p>	<p>Medium</p>	<p>31 March 2009</p>	<p>Karen Curtin</p> <p>Noted – all further adjustments will fall within the 2 categories.</p>

Appendix 2 – Summary of Key Issues from Final Accounts and Interim Audits

Finding	Recommendation	Priority	Target Date	Response/Responsible Officer
Impairment				
Impairments have been made on investments properties in the accounts, this entry is not allowed on the Whole of Government accounts return.	Resolve the appropriateness of charging impairment on investment properties.	Medium	31 January 2009	Jessica Lacey Noted – this will be reviewed as part of the trial closedown in December 2008 and procedures will be updated for the 2008/09 closedown.
Disclosure				
<p>The disclosure of the exceptional items in the Income and Expenditure account was not fully SORP compliant.</p> <p>All items were put below the net cost of services line. Items that relate to specific service need to be disclosed separately, but just below the service line so that it is clear that the service does contain an exceptional item.</p> <p>Where exceptional items are not allocated to a particular service, this needs to be shown below the individual services but above the net cost of services line.</p>	Ensure that the disclosure of exceptional and extraordinary items is SORP compliant.	Medium	31 May 2009	Karen Curtin Noted – all disclosures will be recorded as per SORP guidelines.

Appendix 2 – Summary of Key Issues from Final Accounts and Interim Audits

Finding	Recommendation	Priority	Target Date	Response/Responsible Officer
Redundancy and Retirement costs				
Due to the reorganisation future early retirement and redundancy costs have been incurred but not taken into account within the financial statements.	When accounts are compiled ensure that key events are appropriately reflected. For example the £1.3m or early retirement and redundancies.	High	31 January 2009	Karen Curtin Noted – any key events in 2008/09 will be reviewed as part of the December trial closedown and accounting treatment will be considered prior to Closedown and discussed as necessary with Audit Commission.
Whole of Government Accounts				
This was received close to the deadline and contained a number of errors which increased the time being spent on the work.	Ensure that the Whole of Government Accounts is provided on a timely basis and agree to the figures in the accounts.	High	August 09	Jessica Lacey An agreed timetable for the provision of the WGA will be agreed at the start of the audit. This will allow adequate time to complete and ensure a review period that will reduce the minor errors.

The Audit Commission

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