

30 November 2009

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— Dear Laura

## **Annual Audit Letter 2008/09 - Shrewsbury and Atcham Borough Council**

Please find below the findings from our audit of Shrewsbury and Atcham Borough Council for the year ending 31 March 2009.

### **Financial statements and annual governance statement**

I issued an unqualified opinion on the Council's accounts on 30 September 2009, in accordance with the deadline requirements. In my opinion the accounts present fairly the Authority's financial affairs and of its income and expenditure for the year.

I also assessed the arrangements to secure economy, efficiency and effectiveness in the Council's use of resources against criteria specified by the Audit Commission. For 2008/09, I am satisfied that, in all significant respects, Shrewsbury and Atcham Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

### **Significant issues arising from the audit**

I identified errors in the financial statements (other than those of a trivial nature) and reported these to management who adjusted the financial statements. The adjustments primarily reflect the need to ensure proper classification of transactions within balance sheet headings. There was also a notional transaction relating to the disposal of the trade waste business, which had not been included within the financial statements. However, there was no overall impact on the general fund.

There was a material compensating adjustment of £840k which increased the level of local taxpayers' debtor and creditor values within the financial statements. This was due to the incorrect reduction of the debtor valuation by an adjustment for individuals' account balances which were in credit. These were more appropriately classified within creditors.

## **Material weaknesses in internal control**

### **Revenues and Benefits system**

I identified weaknesses in the internal control environment relating to Revenues and Benefits systems. This was the result of the transfer between the outgoing systems which did not officially operate post early December 2008 and the introduction of the new systems in February 2009. As a result of the volume of the work involved in undertaking the transfer, controls which we would normally place reliance upon for gaining assurance of the relevant transactions within the financial statements, did not operate. I understand that Shropshire Council have ensured that appropriate arrangements and controls are now operating. However, I did note that towards the end of August, there had not been any arrears collection activity in all areas, including sundry debtors. It is important that Shropshire Council view this as a priority area as the failure to recover arrears can result in future financial pressures, as well as being politically sensitive.

## **Accounting practice and financial reporting**

### **Impairment of fixed assets**

The impairment value in the financial statements reduced the fixed asset valuation to £104.3m. Using Audit Commission guidance on impairments, I identified that the valuation of fixed assets (excluding Theatre Severn and Sports Village) could be understated by £6.5m. The main reason for this potential undervaluation is that no upward revaluations have been carried out since the previous full revaluation in 2004. This is in accordance with the Council's accounting policy and consistent with requirements for five yearly revaluations. However, Shropshire Council have recently completed a revaluation of the Theatre Severn and Sports Village and identified that the valuation in the financial statements for these assets is potentially overstated by approximately £6m. Thus the net effect of any potential understatement was £0.5m and was below materiality. Shropshire Council will complete its review of asset valuations during this year in readiness for the 2009/10 financial statements

## **Audit Fees**

I reported our fee proposals as part of the Audit Plan for 2008/09. The planned fee was £90,319 and I can confirm that this is the outturn fee for the year.

## **Independence**

I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

## **Closing remarks**

I have discussed and agreed this letter with the Director of Resources. I will present this letter at the Audit Committee in February 2010 and will provide copies to all committee members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Yours sincerely

Tony Corcoran  
*District Auditor*

## **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.