

30 November 2009

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Dear Laura

Annual Audit Letter 2008/09 – South Shropshire District Council

Please find below the findings from our audit of South Shropshire District 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, Bridgnorth District 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

Fixed Assets

Revaluations of assets were undertaken by Shropshire valuers as at 1/4/08 despite a request by SSDC for a valuation at 31/3/09. The original accounts were compiled on the basis of the valuations relating to 31/3/09 until the error was identified at audit. An impairment review was then required and the accounts were restated and received for audit on 3 September 2009, enabling our audit of capital assets, depreciation and associated capital balances to be undertaken.

The valuation report included a value of £45,000 for the Bio Digester which is the only asset of this type within the UK and consequently there is no known market value. However, the accounts include a value of £1.9million in respect of the Bio Digester based on cost less depreciation. Given that there is no market for this asset it is unlikely that the net current replacement cost or EUV can be determined. In such circumstances, cost would appear to be the most appropriate basis of valuation. As the asset is being depreciated the estimated useful life should be regularly reviewed to ensure that depreciation charges are appropriately calculated.

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. We understand that Shropshire Council have ensured that appropriate arrangements and controls are now operating. However, we 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.

Housing benefits system

I also reviewed the Authority's IBS housing benefits system upon which we intended to bring forward assurance from 2007/08. However, the controls on which we intended to place reliance did not operate during 2008/09 mainly due to a number of benefits staff being seconded onto the Northgate project group. Assurance was subsequently obtained via testing of the grant claim during September 2009.

Audit Fees

We reported our fee proposals as part of the Audit Plan for 2008/09. The planned fee was £94,387. Despite additional work required in reviewing the revenues and benefits reconciliations and the audit of the revised capital accounts there is no need for this fee to increase.

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.