

Annual Audit Letter

Harpenden Town Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Summary

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (pages 3 and 4) and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 7).**

I have included only significant recommendations in this report. The Council has accepted these recommendations.

Audit opinion and financial statements

1 The Council is required to prepare and approve its financial statements by the 30 June. The Council met that deadline. The financial statements were complete and were supported by a good set of working papers. This enabled me to complete my audit programme by the 30 September deadline.

2 My audit identified a small number of errors in the approved financial statements. None of these were material. The Council agreed to correct these errors. I reported these amendments to Council. As a result of my work, I concluded that the accounts gave a 'true and fair' view of the Council's financial position at the 31 March 2010 and its income and expenditure for that financial year (an unqualified audit opinion).

Value for money

3 I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Audit fees

4 I have been able to complete my audit work within my estimated fee. Appendix 1 on page 10 provides further details of my fees.

Financial systems and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds. I gave an unqualified opinion on the Council's 2009/10 financial statements on 29 September 2010, within the statutory target date.

Overall conclusion from the audit

5 I issued an unqualified opinion on the Council's financial statements on 29 September 2010, thereby meeting the deadline set within the Accounts and Audit Regulations 2003. I concluded that the financial statements gave a 'true and fair' view of the Council's financial position at the 31 March 2010, and its income and expenditure for that financial year (an unqualified audit opinion).

6 Before giving my opinion, I reported to Council on the issues arising from my audit. I issued my report on 27 September 2010.

Significant issues arising from the audit

7 The Council's draft financial statements were approved at a meeting of Full Council on 28 June, prior to the 30 June deadline specified in the Accounts and Audit Regulations 2003.

8 The Council's 2009/10 financial statements were the first it had prepared under International Financial Reporting Standards. Despite extensive changes in the format of the financial statements and the disclosures required, my audit demonstrated the Council had prepared well for what was a significant change in the basis on which the financial statements were prepared. I found that working papers supporting the financial statements were of a good standard, and responses to queries and requests for additional information were dealt with fully and promptly.

9 My audit of the Council's financial statements identified a small number of errors. None of these errors were material, and they had no impact on the net surplus reported by the Council, or its net worth. Officers corrected most of these errors. Where officers chose not to correct errors that I identified, I reported details of these to the Council.

Weaknesses in internal control

10 My audit identified a small number of weaknesses in internal control. Details of these were included in my Annual Governance Report, together with my recommendations for improvement. Officers have agreed to address the issues identified by my audit. The Council should, through its Policy and Finance Committee, monitor the progress made by Officers in implementing these recommendations.

Recommendation

R1 The Policy and Finance Committee should monitor the progress made by the Council in implementing the recommendations included in my Annual Governance Report.

11 I did not consider the weaknesses identified significant enough to impact on my VFM conclusion (see paragraphs 12 – 19).

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

VFM conclusion

12 The Audit Commission Act 1998 (the Act) sets out my statutory duties and powers. In discharging these duties and powers, I am required to carry out my work in accordance with the Audit Commission's Code of Audit Practice (the Code).

13 Under the Code, I have a responsibility to conclude whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This conclusion is the value for money conclusion. Section 3 of the Code sets out the scope of these arrangements and the way in which I undertake this work.

14 In meeting my responsibilities relating to economy, efficiency and effectiveness, the Code requires me to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance and financial management arrangements. In doing so, I must 'have regard to' criteria specified by the Commission and apply a yes/no judgement against the criteria to indicate whether the Council has proper arrangements in place or not.

15 In reaching my conclusion I did not need to undertake specific work to support my value for money conclusion. I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources. The table below sets out a summary of my findings against each of the VFM conclusion criteria applying to 2009/10.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Risk management and internal control	Yes

Managing finances

16 The Town Council has established effective arrangements for managing its finances. The Council has developed a medium term financial strategy that reflects the Council's strategic objectives. The Council has established effective processes for approving and monitoring its budget. The Council understands its costs and uses financial information to support decision making.

The Council has good financial reporting arrangements in relation to publicising its accounts and the results of my audit. In paragraphs 5 - 9 of my letter, I noted that the Council had arrangements in place to produce financial statements that are free from material error, and comply with relevant accounting requirements. Elsewhere in my letter I have noted that and the results of my audit to the community, together with keeping them updated through quarterly newsletters. However, further work is required:

Governing the business

17 The Town Council has appropriate arrangements in place to govern itself. Roles and responsibilities are defined, constructive working relationships are in place, and arrangements are in place for proper standards of conduct, complaints and whistle blowing.

18 The Council's arrangements for risk management and internal control are effective. The Council has put in place a risk management policy, and has developed a risk register which is reviewed by Members and officers on a regular basis.

19 The Council has appointed an independent internal auditor, who undertakes a programme of work on an annual basis. The findings from this work are reported to Members, and inform the Council's Annual Governance Statement.

Approach to value for money work in 2010/11

20 The Commission has determined that in reaching my 2010/11 VFM conclusion, I should continue to 'have regard to' the criteria I assessed the Council against in 2009/10. The Commission has published detailed guidance on the VFM conclusion criteria applying to Local Council's in 2010/11 on its website. This is available at: <http://www.audit-commission.gov.uk/sitecollectiondocuments/methodologyandtools/guidance/20101021codeofauditpracticeVfmconclusioncriteria201011otherLGbodies.pdf>

Closing remarks

21 I have discussed and agreed this letter with the Town Clerk. I will present this letter at the Policy and Finance Committee on 8 December 2010 and will provide a copy to all members.

22 Full detailed findings, conclusions and recommendations in the areas covered by my audit were included in the reports I issued to the Council during the year.

Report	Date issued
Audit Fee Letter	April 2009
Opinion Audit Plan	August 2010
Annual Governance Report	September 2010
Opinion on Financial Statements	September 2010
VFM Conclusion	September 2010
Annual Audit Letter	November 2010

23 The Council has taken a positive and helpful approach to my audit. I wish to thank the Council's staff for their support and cooperation during the audit.

Mark Hodgson
District Auditor
November 2010

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£11,053	£11,053	-
Value for money	£1,000	£1,000	-
Total	£12,053	£12,053	-

I set out my estimated fee for 2009/10 in my letter of 28 April 2010 to the Town Clerk. I have been able to complete my audit work within my estimated fee. The table above gives a breakdown of my fees.

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

Appendix 3 Action Plan

Recommendations	
Recommendation 1	
The Policy and Finance Committee should monitor the progress made by the Council in implementing the recommendations included in my Annual Governance Report.	
Responsibility	Town Clerk
Priority	Low
Date	31 March 2011
Comments	The Town Clerk has accepted this recommendation and agreed to implement it.

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