

Annual Audit Letter

Great Aycliffe Town Council

Audit 2008/09

October 2009



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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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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion

- 1 The audit is now complete and I have issued an unqualified opinion on the Council's financial statements.

Financial Statements

- 2 As part of my audit, I obtained reasonable assurance that the Council's financial statements are free from material error. My audit identified only a small number of errors and uncertainties, which are summarised in my Annual Governance Report.

Value for money

- 3 My work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is complete. I issued an unqualified value for money conclusion.

Table 1 Audit fees

	Actual	Proposed
Financial statements and annual governance statement	£11,984	£11,984
Value for money	£2,016	£2,016
Total audit fees	£14,000	£14,000

Actions

- 4 Recommendations are referred to within the body of this report and have been agreed with the audited body.

Independence

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

Financial statements 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.

Significant issues arising from the audit

- 6** My audit identified a small number of errors and uncertainties in the draft financial statements submitted for audit. The most significant of these was the inclusion of £50,880 expenditure as provisions which did not meet the requirements of FRS12 Provisions, Contingent Liabilities and Contingent Assets. This was amended before I gave my opinion on the accounts.
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Material weaknesses in internal control

- 7** I did not identify any significant weaknesses in your internal control arrangements.
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Accounting Practice and financial reporting

- 8** I did not have any issues to raise with you in relation to the qualitative aspects of your financial reporting.

Value for money conclusion

I assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

VFM Conclusion

- 9 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 10 I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 11 Without qualifying my conclusion there is one important issue that I raised with you.

Budget setting process

- 12 The Council needs to set realistic budgets, so that it can make informed decisions about its levels of spending and the level of precept that it raises from council tax payers.
- 13 There has been a continuing trend of significant under spends against revenue budget and increasing levels of reserves in recent years, as shown in the table below.

Table 2 Budget under spends and reserve levels

	2006/07	2007/08	2008/09
Revenue Budget Under spend	£374,635	£293,687	£263,969
Under spend as a percentage of Precept	23%	19%	17%
Total Reserves and Balances	£595,247	£839,855	£757,569

Source: GATC financial statements

- 14** As part of my audit, I identified a number of improvements that could be made in the budget setting process.
- The annual budget should more clearly take account of the latest experience in the current financial year, rather than take the previous year's budget (which may have been significantly under spent) as its starting position.
 - The incorporation of a sizeable contingency sum, when prudent estimates of inflation have already been taken into account, should be re-considered; however, I recognise that it would be appropriate to budget for a contribution to capital reserves, provided that this is based on an estimate of future capital needs and all options have been considered.
 - The budget needs to consider all options for financing capital expenditure, not just the option of financing capital expenditure from previously accumulated reserves.
- 15** This would enable greater clarity in consultation with the public in relation to the budget. In addition, improved budget planning will make the Council better aware if there is potential for additional resources to be made available for investment in local services or the potential to reduce the precept raised from local council tax payers.
- 16** I have discussed my recommendations with officers and the Council, and it has been agreed that they will be taken into account in the budget process for 2010/11.

Closing remarks

- 17** I have discussed and agreed this letter with the Town Clerk and Finance Manager. Copies of the letter will be provided to all Council members and it will be published on your website.
- 18** 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.

Table 3

Report	Date issued
Audit Plan	June 2008
Annual Governance Report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Annual Audit Letter	October 2009

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- 19** From 1 April 2009, town councils will no longer be required to prepare their accounts according to the Statement of Recommended Practice. The financial reporting framework has not been finalised, and there may be related implications for audit arrangements. We will continue to monitor developments.
- 20** 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.

Gavin Barker
Engagement Lead and Senior Audit Manager
October 2009

Appendix 1 – Value for money conclusion

The following tables summarise the key findings and conclusions for each of the use of resources themes.

Table 4 Managing finances

KLOE 1.1 (financial planning) VFM criterion met	Yes
The Council plans its finances effectively to deliver its strategic priorities and secure sound financial health.	
KLOE 1.2 (understanding costs and achieving efficiencies) VFM criterion met	Yes
The Council has a sound understanding of its costs and performance, and achieves efficiencies in its activities.	
KLOE 1.3 (financial reporting) VFM criterion met	Yes
The Council's financial reporting is timely, reliable, and meets the needs of internal users, stakeholders and local people.	

Table 5 Governing the business

KLOE 2.4 (risk management and internal control) VFM criterion met	Yes
The Council manages its risks and maintains a sound system of internal control.	

The Audit Commission

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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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk