

Annual Audit Letter

Great Aycliffe Town Council

Audit 2010/11

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Key messages

This report summarises my findings from the 2010/11 audit. My audit comprises two elements:

- **the audit of your financial statements (page 5); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (page 6).**

Audit opinion and financial statements

1 I issued my audit report including an unqualified opinion on the Council's 2010/11 financial statements on 21 July 2011.

Value for money

2 I issued an unqualified VFM conclusion stating that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Current and future challenges

3 The economic downturn has had a significant impact on local communities and there are further challenges that will have a continuing impact. The Government's recent comprehensive spending review set out an unprecedented level of cuts in public spending, and this has been reflected in principal authority budgets for 2011/12.

4 The Council's financial position and governance arrangements mean that it is relatively well placed to meet the future challenges. The Council does not rely on central government grant, so it has not experienced any funding cuts, but it did elect to freeze council tax in 2011/12. There is likely to be a continuing impact on overall public sector provision within the Council's communities and there may be difficult challenges and decisions ahead for Members.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which it accounts for its stewardship of public funds. I gave an unqualified opinion on the Council's 2010/11 financial statements on 21 July 2011, within the statutory target date.

Overall conclusion from the audit

- 5** I issued my audit report including an unqualified opinion on the Council's 2010/11 financial statements on 21 July 2011.
- 6** The Council produced good quality draft accounts, and my audit did not highlight any material errors or misstatements.
- 7** I did not identify any significant weaknesses in your internal control arrangements.

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

8 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

9 This is a summary of my findings.

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

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

Future audit work

11 Changes made in the Accounts and Audit Regulations 2011 increased the threshold for smaller relevant bodies from £1 million to £6.5 million. Smaller relevant bodies are subject to a limited assurance audit. The changes in the regulations meant that Great Aycliffe Town Council was brought within the scope of the limited assurance audit for the first time.

12 The default position is that all small bodies are subject to limited assurance audit unless they elect to prepare accounts as a larger relevant body under Regulation 12. The Council elected to be treated as a larger relevant body for the 2010/11 audit.

13 If a small body elects to prepare accounts as a larger relevant body, they will be subject to a full Code audit. This requires the auditor to express an opinion whether the statement of accounts presents a true and fair view of the body's financial position and to give a value for money conclusion.

14 In future, auditors will apply a light touch approach to their VFM work based primarily on a review of the annual governance statement or statement on internal control. Auditors will be required to conclude whether or not there are any matters arising from their VFM work that they need to report. This will be included in their formal audit report issued at the end of the audit.

15 For 2011/12 the Audit Commission has published a scale of fees setting out the fee for individual bodies for a full Code audit. The fee for Great Aycliffe Town Council if it chooses to elect once again for a full Code audit will be £12,750 (£15,000 fee for the 2010/11 audit).

16 The scale of fees for a limited assurance audit indicates a fee of £3,500 would be charged for Great Aycliffe Town Council for the 2011/12 audit. If the Council moves to the limited assurance regime there will be a change of auditor.

17 The Council will need to decide how it wishes to proceed for the 2011/12 audit and inform the Audit Commission of its decision.

Closing remarks

18 I have discussed and agreed this letter with the Town Clerk, and a copy of the letter will be provided to all Members.

19 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
Fee letter	April 2010
Opinion audit plan	June 2011
Annual governance report	July 2011
Opinion on the financial statements	July 2011
Value for money conclusion	July 2011
Annual audit letter	July 2011

20 The Council has taken a positive and helpful approach to our audit. I wish to thank the Council and its officers for their support and cooperation during the audit.

Gavin Barker
Engagement Lead and Senior Audit Manager

July 2011

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	13,300	13,300	0
Value for money	1,700	1,700	0
Total audit fees	15,000	15,000	0
Non-audit work	0	0	0
Total	15,000	15,000	0

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; and,
- whether they have been prepared properly, following the relevant accounting rules.

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.

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