

Annual governance report

Great Aycliffe Town Council

Audit 2010/11

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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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Ladies and Gentlemen

2010/11 Annual Governance Report

I am pleased to present the results of my audit work for 2010/11.

I discussed and agreed a draft of my report with officers.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 2).

Yours faithfully

Gavin Barker
Engagement Lead and Senior Audit Manager

July 2011

Key messages

This report summarises the findings from the 2010/11 audit which is complete. It includes the messages arising from my 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.

Table 1: **Key messages - financial statements**

Financial statements	Results	Page
Unqualified audit opinion	Yes	6
Important weaknesses in internal control	No	6

Table 2: **Key messages - value for money**

Value for money		
Proper arrangements to secure value for money	Yes	7

Audit opinion

1 My audit work is complete and I plan to issue an unqualified opinion on the financial statements.

Financial statements

2 This year we were able to undertake most of our work on the financial statements at an early stage, and prior to approval of the financial statements by the Council on 29 June 2011. Our work did identify a number of relatively minor issues, but there was time for officers to address these issues prior to the accounts being submitted for approval. There are no amendments to the approved financial statements arising from the audit.

Value for money

3 My audit work is complete and I plan to issue an unqualified value for money conclusion. There are no recommendations arising from my work.

Independence

4 I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I am satisfied there were no relationships resulting in a threat to independence, objectivity and integrity.

5 The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

6 I ask the Council to:

- consider the matters raised in the report;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 2).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements.

Opinion on the financial statements

7 I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Key areas of judgement and audit risk

8 I considered specific risks and areas of judgement as part of my audit. There are no significant matters arising from my consideration of these issues.

Errors in the financial statements

9 This year we were able to undertake most of our work on the financial statements at an early stage, and prior to approval of the financial statements by the Council on 29 June 2011. Our work did identify a number of relatively minor issues, but there was time for officers to address these issues prior to the accounts being submitted for approval. There are no amendments to the approved financial statements arising from the audit.

Important weaknesses in internal control

10 My work has not identified any important weaknesses in internal control.

Quality of your financial statements

11 I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statement disclosures. There are no significant matters arising from my consideration of these issues.

Letter of representation

12 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 2 contains the draft letter of representation.

Value for money

I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

13 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against the criteria specified by the Audit Commission. The table below shows my conclusion by criterion.

Table 3: **Value for money conclusion criteria**

Criterion	Criteria met?
Managing finances	
Financial planning and financial health Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Yes
Understanding costs and efficiencies Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes
Financial reporting Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
Governing the business	
Risk Management and Internal Control Does the organisation manage its risks and maintain a sound system of internal control?	Yes

Source: 2010/11 audit

Value for Money conclusion summary

14 I intend to issue an unqualified conclusion stating the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

Future audit work

15 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.

16 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.

17 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.

18 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.

19 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).

20 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.

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

Appendix 1 Draft independent auditor's report to the Members of Great Aycliffe Town Council

Opinion on the Authority accounting statements

I have audited the accounting statements and related notes of Great Aycliffe Town Council for the year ended 31 March 2011, under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement of Reserves, the Balance Sheet and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Great Aycliffe Town Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Finance Manager and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Finance Manager is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in relevant legal and regulatory requirements and the Financial Reporting Standard for Smaller Entities (Effective April 2008), are set out in the Statement of Responsibilities for the Statement of Accounts. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Great Aycliffe Town Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008).

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Governance and Accountability for Local Councils: A Practitioners' Guide (England) 2010' issued by the Joint Practitioners Advisory Group (JPAG) and jointly published by the National Association of Local Councils (NALC) and the Society of Local Council Clerks (SLCC) in 2010.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and to regularly review the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the criteria for other local government bodies published by the Audit Commission in October 2010.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit commission in October 2010, I am satisfied that, in all significant respects, Great Aycliffe Town Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Great Aycliffe Town Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed

Date

Gavin Barker
Officer of the Audit Commission
Nickalls House
The Metrocentre
Gateshead
Tyne and Wear
NE11 9NH

Appendix 2 Draft letter of representation

To:
Gavin Barker
Engagement Lead and Senior Audit Manager
Audit Commission
Nickalls House
Metro Centre
Gateshead
Tyne and Wear
NE11 9NH

Great Aycliffe Town Council - Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of officers of Great Aycliffe Town Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounting Standards Board Financial Reporting Standard for Smaller Entities (FRSSE) which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

There are no significant uncorrected misstatements.

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates.

Related party transactions

I confirm that I have disclosed the identity of Great Aycliffe Town Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Great Aycliffe Town Council.

I confirm that the this letter has been discussed and agreed by the Council on 21 July 2011.

Signed

Name

Position

Date

Signed

Name A Bailey

Position Town Clerk

Date

Signed

Name D Austin

Position Finance Manager

Date

Appendix 3 Glossary

Annual governance statement

1 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.

2 It comprises the systems and processes, and 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.

3 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 closure certificate

4 A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

5 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.

Qualified

6 The auditor has some reservations or concerns.

Unqualified

7 The auditor does not have any reservations.

Value for money conclusion

8 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 resources.

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- any director/member or officer in their individual capacity; or
- any third party.



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July 2011