

Annual Audit Letter

Hatfield 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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Key messages

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

- **the audit of your financial statements (page 3); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 4 to 6).**

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

Audit opinion and financial statements

1 I issued a qualified (adverse) opinion on the Town Council's financial statements for 2009/10 on 24 September 2010, before the 30 September 2010 deadline set in the Accounts and Audit Regulations. My opinion was qualified due to a disagreement over the inclusion of the Birchwood Playing Fields and Leisure Centre (including the Town Council's own office) and the associated income and expenditure streams within the Town Council's financial statements, given the uncertainty over the legal title of the land upon which that asset is sited. This issue was not resolved before the end of the financial year.

2 This was the first year in which the Town Council has prepared its financial statements under the Financial Reporting for Smaller Entities (FRISSE) regime.

Value for money

3 I have not been able to satisfy myself that the Town Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A qualified (adverse) conclusion has been issued as a result.

Financial statements and annual governance statement

The Town Council's financial statements and annual governance statement are an important means by which the Town Council accounts for its stewardship of public funds.

Overall conclusion from the audit

4 Members will recall that the Town Council's 2008/09 financial statements included a qualified audit report in respect of the inclusion of the Birchwood playing fields and leisure centre (including the Town Council's own office) and the associated income and expenditure streams within the Town Council's accounts, given the uncertainty over the legal title of the land upon which that asset is sited.

5 Due to the late closure of the 2008/09 audit, the Town Council was not able to fully resolve this issue by 31 March 2010. Therefore, the 2009/10 financial statements continue to include the Birchwood playing fields and leisure centre and the associated income and expenditure. As a result, I concluded that a qualified (adverse) audit opinion was appropriate for the 2009/10 financial statements.

6 I reported the results of my audit to those charged with governance, (in this case the Audit Committee) on the issues arising from the 2009/10 audit. I presented this report on 22 September 2010, prior to giving my opinion on 24 September.

7 My audit identified a number of errors in the draft financial statements, three of which were material. The financial statements were amended for these errors.

8 This was the first year in which the Town Council has prepared its financial statements under the Financial Reporting for Smaller Entities (FRISSE) regime. I identified some non-compliance with this standard for which amendments were made.

Significant weaknesses in internal control

9 I did not identify any significant weaknesses in your internal control arrangements that might result in a material error in your financial statements of which you are not aware. I have not provided a comprehensive statement of all weaknesses which may exist in internal control, or of all improvements which may be made.

Value for money

I considered whether the Town 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

1 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.

2 My overall assessment is detailed in Table 1 below.

Table 1: **Value for money assessment**

Criteria	Adequate arrangements 2008/09?	Adequate arrangements 2009/10?
Managing finances		
Planning for financial health	No	No
Understanding costs and achieving efficiencies	Yes	Yes
Financial reporting	No	No
Governing the business		
Good governance	Not a specified criteria in 2008/09	Yes
Risk management and internal control	No	No

3 I issued a qualified (adverse) conclusion stating that the Town Council does not have adequate arrangements to secure economy, efficiency and effectiveness in its use of resources, in the areas set out above.

Managing finances

4 The Town Council has strengthened elements of its arrangements for managing its finances this year, for example, the development of a medium term financial strategy and the introduction of a policy on the level of reserves and balances. However, as work is still in progress to define the Town Council's strategic objectives, it is not possible to conclude that its financial planning is effective to ensure that these priorities will be achieved alongside managing a sound financial position.

5 The Town Council continues to understand its costs and uses financial information to support its decision making.

6 The Town Council has good financial reporting arrangements in relation to publicising its accounts and the results of my audit to the community, together with keeping them updated through quarterly newsletters.

However, further work is required:

- to provide Members with budget monitoring and forecasting information which is fit for purpose; and
- to produce draft accounts that are compliant with accounting requirements and standards, free from material misstatements and approved by the deadline of 30 June.

Governing the business

7 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 whistleblowing.

8 The Town Council's arrangements for risk management and internal control are not adequate. A number of policies and strategies are in place, for example a risk management policy and a counter fraud and corruption strategy. However, the following key issues identified were:

- the risk register was not reviewed or updated during the year;
- the significant legal issue in relation to Birchwood playing fields, which was identified and reported upon in last year's audit, was not resolved during this year; and
- the draft annual governance statement did not reflect the significant issues which resulted in the 2008/09 audit opinion and VFM conclusion being qualified.

Recommendations

- R1** Define the Town Council's strategic objectives, and ensure that existing policies underpin these.
 - R2** Provide Members with budget monitoring information that compares actual to date to budget date, and include a covering report to highlight the salient financial points.
 - R3** Approve draft accounts prior to the 30 June deadline which are compliant with statutory guidance and which are materially correct.
 - R4** Regularly review and update the risk register during the year.
 - R5** Resolve the legal issue in relation to the ownership of the Birchwood playing fields.
 - R6** Appropriately reflect the results of identified governance issues from completed audits in the draft annual governance statement.
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Closing remarks

9 I have discussed and agreed this letter with the Town Clerk and the Deputy Town Clerk. Copies of the letter will be provided to all Members.

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

Report	Date issued
Annual Governance Report	September 2010
Opinion on the 2009/10 Financial Statements	September 2010
Value for Money Conclusion	September 2010
Annual Audit Letter	October 2010

11 The Town Council has taken a positive and helpful approach to our audit. I wish to thank the Town Council staff for their support and cooperation during the audit.

Mark Hodgson
District Auditor
October 2010

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£8,500	£8,500	£0
Value for money	£1,000	£1,000	£0
Total audit fees	£9,500	£9,500	£0
Non-audit work	£0	£0	£0
Total	£9,500	£9,500	£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;
- 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

Define the Town Council's strategic objectives, and ensure that existing policies underpin these.

Responsibility	Carrie Lloyd, Town Clerk and Council
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Priority	High
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Date	February 2011
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Comments	Work is ongoing.
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Recommendation 2

Provide Members with budget monitoring information that compares actual to date to budget date, and include a covering report to highlight the salient financial points.

Responsibility	Paul Widdicombe, Responsible Finance Officer
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Priority	Medium
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Date	December 2010
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Comments	Completed early October 2010 but omitted from October Resources and Policy agenda in error by Town Clerk.
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Recommendation 3

Approve draft accounts prior to the 30 June deadline which are compliant with statutory guidance and which are materially correct.

Responsibility	Paul Widdicombe, Responsible Finance Officer
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Priority	High
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Date	30 June 2011
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Comments	Calendar of meetings will reflect this requirement.
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Recommendation 4

Regularly review and update the risk register during the year.

Responsibility	Carrie Lloyd, Town Clerk
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Priority	Medium
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Date	31 March 2011
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Comments	Ongoing work.
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Recommendation 5

Resolve the legal issue in relation to the ownership of the Birchwood playing fields.

Responsibility	Carrie Lloyd, Town Clerk
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Priority	High
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Date	31 March 2011
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Comments	Working with the Charity Commission.
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Recommendation 6

Appropriately reflect the results of identified governance issues from completed audits in the draft annual governance statement.

Responsibility	Paul Widdicombe, Responsible Finance Officer
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Priority	High
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Date	30 June 2011
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Comments	
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