

Final Accounts and FACG Memorandum Hatfield Town Council

INSIDE THIS REPORT

PAGES 2 - 4

Summary Report

- Introduction
- Background
- Audit approach
- Main conclusions

PAGE 5

Appendices

- Appendix 1 - Action plan

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| Reference: | HA192 Final Accounts and FACG Memorandum |
| Date: | December 2004 |

Introduction

This report sets out the findings of our work on the Statement of Accounts and the financial aspects of corporate governance.

Background

Our audit is carried out in accordance with the Code of Audit Practice for England and Wales. The Code requires us to give an opinion on whether your Statement of Accounts presents fairly the financial position of the Town Council and to review whether you have adequate arrangements for the financial aspects of corporate governance and performance management.

We will be reporting on our work on performance management separately.

Audit approach

Statement of accounts

We are required to give an opinion on your accounts, as to whether your accounts present fairly the financial position of the Town Council.

We do this by undertaking detailed testing of the figures in the Statement of Accounts. This is carried out in accordance with our assessment of risk and materiality.

Financial aspects of corporate governance

We have carried out a detailed review to determine whether you have adequate arrangements for:

- ensuring your financial standing is soundly based;
- satisfying yourselves that your systems of internal financial control are both adequate and effective;
- ensuring proper standards of financial conduct and preventing and detecting fraud and corruption; and
- ensuring the legality of transactions with a significant financial consequence.

Main conclusions

Our overall conclusions and recommendations are set out below. Our findings are reported on an exception basis. We have only included the issues where we feel the Council should consider strengthening its arrangements, and have not included the many areas where we found the Council's arrangements to be satisfactory.

Statement of accounts

The audit of the 2003/04 Statement of Accounts is complete and we will be issuing an unqualified opinion shortly. The standard of working papers provided to support the Statement of Accounts were good albeit there was an error in the trial balance supplied which meant it did not agree to the draft account. Officers have agreed to pursue this matter with the general ledger software supplier for resolution in time for next year.

As a result of audit the Statement of Accounts was amended as follows.

- The Council undertook the fixed asset revaluation missed last year. However, the data supplied from the valuer was not sufficient to make the appropriate accounting entries. As a result of the audit land and buildings are now shown separately in the analysis and the depreciation charge for buildings amended.
- The interest rate element of the capital charge to the net cost of services was amended as a result of the revised revaluation data.
- Whilst an FRS17 Actuarial report was received in respect of the Council's share of the Pension Fund's assets and liabilities the accounting entries to the consolidated revenue account and balance sheet had not been made. These have now been advised and actioned. Disclosure has now been made to this change in accounting policy.
- All community fixed assets have now been included in the statements at nominal value as required by the SORP.
- A fuller disclosure of accounting policies has been made.
- There were also some minor presentational amendments and additional disclosures required by the SORP made to the Statements agreed with your officers.

Last years recommendation in respect of capital charges (depreciation element) has been successfully implemented.

Financial aspects of corporate governance

Our work in this area concluded that the arrangements in place were generally satisfactory. It was pleasing to note that last years recommendation in respect of updating the Council's Standing Orders (SOs) Financial Regulations (FRs) has been implemented.

Similarly, the findings of the University of Hertfordshire Business School review of staff requirements and pay levels has resulted in the withdrawal of the local allowance payment to staff.

However, this year's review found:

- that the scope of internal audit (IA) work is still not adequately defined and it is not clear what IA work was undertaken in year;
- there is a need for bank reconciliations to be agreed as completed by someone other than the preparer;
- recruitment procedures may not be compliant with Asylum and Immigration Act requirements. Officers have received additional information on this point have started to review procedures;
- the control of cash takings from other establishments are not confirmed when deposited at the Birchwood Centre. Officers have confirmed that remedial action in respect of this point has already been actioned at the Council;
- emergency planning in term of disaster recovery needs to be considered; and
- business risks (principally in regard to the Birchwood Centre) are being considered but need to be agreed and appropriate courses of action taken.

Finally, we would like to thank the Clerk, Assistant Town Clerk and their staff for their help and co-operation throughout the audit.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Action plan

| Recommendation | Priority 1=Low 2=Medium 3=High | Responsibility | Agreed Yes/No | Comments | Date |
|--|---|----------------|------------------|---|------------|
| R1 Define a programme of IA work at the beginning of the year and make arrangements for the findings to be reported back to members. | 2 | | | | |
| R2 Ensure that bank reconciliations are agreed (have been prepared on a timely basis and balances are within expectations) by someone other than the preparer. | 2 | | | | |
| R3 Review recruitment procedures to ensure that they comply with Asylum and Immigration Act criteria. | 2 | | | | |
| R4 Ensure that cash takings from other establishments are verified at the Birchwood Centre prior to deposit with the bank. | 2 | | Yes | The Deputy Town Clerk has confirmed that this has already been implemented. | Immediate. |
| R5 Review operations and prepare Business contingency/emergency plans. | 2 | | | | |
| R6 Progress the review of business risks at the Birchwood centre and agree a course of action appropriate to council objectives. | 3 | | | | |
| R7 A Statement of Total Movement in Reserves should be added to the financial statements. This information has been disclosed previously as separate notes but should be shown as a primary financial statement. | 3 | | | | |