

Annual Audit

Letter

Banbury 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

1 This report sets out the findings from my 2009/10 audit. It covers the audit of your financial statements and an assessment of your arrangements to achieve value for money in your use of resources. I have included one significant recommendation in this report. You have accepted this recommendation.

2 From 2009/10, the basis for preparing your financial statements was simplified to help you to achieve clearer financial reporting at less cost. You did not comply with the new way of financial reporting. You had to amend the financial statements you approved in June 2010 to comply with the new basis for reporting and to correct several errors.

3 Once you had corrected your financial statements, I was able to give you an unqualified opinion on them on 30 September 2010.

4 I issued a qualified value for money conclusion stating the Council did not have satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources except for having timely, reliable financial reporting that meets the needs of internal users, stakeholders and local people. This was because you did not comply with the new way of financial reporting and the financial statements contained several errors.

Audit fees

5 I agreed an audit fee with you of £9,764. In setting my fee I had assumed that the financial statements would comply with the new financial reporting basis; and would be largely free from error. This was not the case and I am charging an additional fee to cover the extra work I had to do as a result.

Financial statements and annual governance statement

Overall conclusion from the audit of the financial statements

6 Your published financial statements and annual governance statement show people in Banbury how you are looking after public funds.

7 I issued my unqualified opinion on your financial statements on 30 September 2010 in accordance with the 30 September deadline set by the Audit Commission.

8 You considered my annual governance report at your 9 September 2010 Council meeting. In my report, I set out the detailed findings from my audit of your financial statements.

9 From 2009/10, the basis for preparing your financial statements was simplified to help you to achieve clearer financial reporting at less cost. You did not comply with the new way of financial reporting. You had to amend the financial statements you approved in June 2010 to comply with the new basis for reporting and to correct several errors.

10 Once you had corrected your financial statements, I was able to give you an unqualified opinion on them on 30 September 2010.

Recommendation

R1 Exercise more control over the quality and accuracy of the financial statements before they are approved by the Council.

Weaknesses in internal control

11 I identified a number of areas where improvements can be made and in particular:

- Payroll - implement procedures to ensure contributions and deductions for pensions, income tax and national insurance are correctly calculated;
- Payroll - implement sufficient segregation of duties for the BACS payment processing; and
- Put in place a formal agreement with your supplier of accounting software and the production of your final accounts.

12 I included recommendations on these issues and included them in the action plan attached to my annual governance report that you received in September 2010.

Value for money

VFM conclusion

13 I considered how you manage Council business to make best use of your money, time and people to deliver value for money. I assessed your arrangements against criteria specified by the Audit Commission.

14 Table 1 is a summary of my findings.

Table 1: **Performance against criteria**

Criteria	Adequate arrangements 2008/09	Adequate arrangements 2009/10
Financial planning and financial health	No	Yes
Understanding costs and achieving efficiencies	No	Yes
Financial reporting	Yes	No
Good governance	Not assessed	Yes
Risk management and internal control	No	Yes

15 I issued a qualified value for money conclusion stating the Council did have satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources except for having timely, reliable financial reporting that meets the needs of internal users, stakeholders and local people. This was because you did not comply with the new way of financial reporting and the financial statements contained several errors.

Approach to local value for money work from 2010/11

16 For 2010/11 the Audit Commission is keeping the current approach to the value for money conclusion and criteria for larger town councils. Table 2 summarises the criteria applicable.

Table 2: **Value for money criteria for 2010/11**

The criteria are unchanged for 2010/11

Criteria to be assessed	2010/11
Financial planning and financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Risk management and internal control	Yes

Current and future challenges

The economic downturn

17 The Council faces some major challenges. The government announced details of its spending plans for the next few years on 20 October 2010. It requires every council across the country to make big financial savings. Local government finance will reduce by 28 per cent over the coming four years.

18 You will need to think about the spending review and how it affects you directly and indirectly through your partners. You will have to look at the impact on your finances and the services you want to keep providing, possibly with less resources.

Closing remarks

19 I have discussed and agreed this letter with the Town Clerk. The Town Council will consider the report at its next meeting. The letter will be published on your website and on the Audit Commission website.

20 Full detailed findings, conclusions and recommendations in the areas covered by the audit were included in my annual governance report dated September 2010 which you considered at your 9 September 2010 meeting.

21 I agreed an audit fee with you of £9,764. In setting my fee I had assumed that the financial statements would comply with the new financial reporting basis; and would be largely free from error. This was not the case and I am charging an additional fee to cover the extra work I had to do as a result.

Table 3: **Audit fee**

I had to do additional work for my audit of the financial statements

	Planned	Proposed	Variance
Financial statements and annual governance statement	£8,364	£10,864	£2,500
Value for money	£1,400	£ 1,400	--
Total audit fees	£9,764	£12,264	£2,500

Source: Annual audit fee letter to the Town Clerk dated 29/04/2009

22 The Council has taken a positive and helpful approach to the audit. I wish to thank you and your staff for their support and cooperation during the audit.

Maria Grindley
District Auditor

November 2010

Appendix 1 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.

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



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