

# Annual Audit Letter

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Abingdon Town Council

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Audit 2008/09

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December 2009

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the 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.**

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## Audit Opinion

- 1 My work on your financial statements is complete, and I gave an unqualified opinion on 30 September 2009.

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## Financial Statements

- 2 The accounts adopted by the Town Council on 24 June 2009 were made available for audit and they were supported by appropriate working papers.
- 3 There were a significant number of adjustments to the accounts, covering both accounting and presentational issues. We identified two material errors during the course of our audit: the consideration of impairment of fixed assets due to economic conditions and classification of expenditure as Civic Expenses. Both of these have been adjusted.
- 4 There were two non-material adjustments which the Council chose not to amend and these were reported in the Annual Governance Report.

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## Value for money

- 5 We reviewed the Council's progress against the following key lines of enquiry.
  - Financial planning.
  - Understanding costs and achieving efficiencies.
  - Financial reporting.
  - Risk management and internal control.
- 6 My work on your arrangements to secure Value for Money is complete, and I am pleased to confirm that there are no areas where you do not meet expected standards. I therefore gave an unqualified value for money conclusion on 30 September 2009.

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## Audit Fees

- 7 In May 2009 we issued an Audit Plan which detailed the planned fees for 2008/09. As I indicated in my Annual Governance Report, we would charge additional fee. This related to our work on impairments, year end cut off testing and auditing the changes to the accounts. Our fees are detailed in Table 1.

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**Table 1      Audit fees**

	<b>Planned</b>	<b>Actual</b>	<b>Variance</b>
Financial statements	£6,145	£7,945	+£1,800
Value for money	£3,309	£3,309	
Total audit fees	£9,454	£11,254	+£1,800

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**Economic Conditions**

- 8** The economic downturn has had an impact on public finances and the bodies that manage them. The impact on Abingdon Town Council was around the value of its properties, with the need for it to recognise impairment of £93,000 in 2008/09.

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**Independence**

- 9** I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

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# Financial statements and annual governance statement

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

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## Significant issues arising from the audit

**10** There were a number of adjustments to the financial statements adopted by the Audit and Corporate Governance Committee. These fall into two categories – presentational and accounting errors. All the material ones were corrected before I gave my opinion.

### Presentational errors

**11** These were a number of presentational issues identified during the audit. All of these were adjusted. These were fully disclosed and discussed with Members before the revised accounts were approved.

### Accounting errors

**12** Two material errors identified during the audit, relating to consideration of impairment of fixed assets due to economic conditions, and classification of expenditure as Civic Expenses. Both of these have been adjusted. These adjustments were fully disclosed and discussed with Members before the revised accounts were approved.

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## Material weaknesses in internal control

**13** Our audit work identified a number of weaknesses in internal control.

- The Council could not demonstrate ownership of a number of its Land and Building assets, as it neither holds Deeds nor has the Council's interest been registered at the Land Registry.
- The Council do not have a co-ordinated system in place to physically verify the existence and condition of its assets.
- A number of control procedures (eg review of payroll reports and control/suspense accounts) were not found to be documented.
- The Council was unable to demonstrate that there was a Contract or Service Level Agreement in place between itself and its Payroll provider.
- Cash received is not posted on the system until the item appears on the bank statement (and not at the time of banking).

**14** These were reported to you in our Annual Governance Report. The Town Council agreed to our recommendations and completed the action plan. We will follow up your progress as part of next year's audit.

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## Accounting Practice and financial reporting

- 15** I considered the qualitative aspects of your financial reporting.
- 16** Both the accounts and working papers were ready by the due date of 30 June 2009. This, and the support of the Town Clerk and his team in responding to our information requests, meant that I was able to give my opinion on the due date of 30 September 2009.
- 17** The timing of the preparation of the statements and the audit was tight. The Town Council struggled to meet the statutory local government deadline so that we could be in a position to report by the deadline of 30 September 2009. Looking ahead to next year, we will work with the Town Council to ensure that there are appropriate arrangements in place for the preparation of the accounts and the audit.
- 18** A significant number of errors were identified during the course of the audit, and three versions of the accounts were provided to us. We identified the following issues in our Annual Governance Report.
- The Council was unable to provide us with information to substantiate that the apportionment of overheads over service headings and central services is appropriate.
  - The Fixed Asset Register does not contain the required information to enable the identification of balances on the Revaluation Reserve for individual assets as required by the SoRP.
  - The Explanatory Foreword does not provide the reader with the information suggested by the SoRP.
  - The Council's 2007/08 Statement of Accounts has not been published on its website.
  - The Statement of Accounting Policies does not disclose the de minimis level applied to the capitalisation of expenditure.
- 19** The Town Council agreed to our recommendations and completed the action plan. We will follow up your progress as part of next year's audit.

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## Economic downturn

- 20** The economic downturn has had an impact on public finances and the bodies that manage them. In order to assess the impact of the general downturn in property values, the Council carried out an impairment review of its land and buildings. This identified a need to recognise impairment of £93,000 in 2008/09 and the accounts were amended to include this.

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# Value for money and use of resources

I assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

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## VFM Conclusion

- 21** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 22** The following tables summarise the key findings and conclusions for each of the two use of resources themes.

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## Managing finances

<b>KLOE 1.1 (financial planning)</b> <b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions - no issues identified	
<b>KLOE 1.2 (understanding costs and achieving efficiencies)</b> <b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions - no issues identified	
<b>KLOE 1.3 (financial reporting)</b> <b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
Whilst the draft accounts approved by the body were not free from material misstatement, the required adjustments required were made.	

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## Governing the business

<b>KLOE 2.4 (risk management and internal control)</b> <b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions - no issues identified	

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**23** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources on 30 September 2009.

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## Closing remarks

- 24** I have discussed and agreed this letter with the Town Clerk. I will present this letter at the Audit and Corporate Governance Committee in December 2009 and will provide copies to all Members.
- 25** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

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**Table 2**

<b>Report</b>	<b>Date issued</b>
Audit Plan	May 2009
Annual Governance Report	September 2009
Annual Audit Letter	December 2009

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- 26** The Council has taken a positive and constructive approach to our audit. I wish to thank the Town Clerk and his staff for their co-operation during the audit.

Maria Grindley  
District Auditor  
December 2009

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# The Audit Commission

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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