

# St Neots Leisure Centre Management Committee

Audit of Accounts 2008/09  
Annual Report to those Charged with Governance

September 2009

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**Contents**

**1 Executive Summary**

**Page**

**2**

**2 Detailed Findings**

**4**

**Appendices**

**A Reporting requirements of ISA 260**

# 1 Executive Summary

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

## 1.1 Purpose of the report

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Corporate Governance Panel of Huntingdonshire District Council ('the Council'). The purpose of this report is to highlight the key issues arising from the audit of the St Neots Leisure Centre Management Committee's (the Committee's) financial statements for the year ending 31 March 2009.

Until 1 April 2009, the Committee operated in accordance with Huntingdonshire District Council's (the Council) Constitution. All employees of the leisure centre were Council employees and the leisure centre was administered by the Council using the Council's financial management systems, processes and procedures. The Committee was decommissioned on 1 April 2009, at which time, all of the assets and liabilities of the Committee were transferred to the Council.

This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Corporate Governance Panel. The requirements of ISA260, and how we have discharged them, are set out in more detail in Appendix A.

The Committee was responsible for the preparation of financial statements which record its financial position as at 31 March 2009, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Committee's financial statements 'present fairly' the financial position of the Committee at this date.

Under the Audit Commission's Code of Audit Practice, we are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. To reach this conclusion, we have carried out Use of Resources ('UoR') audit work using criteria prescribed by the Audit Commission.

## 1.2 Status of Audit

We were presented with financial statements on 23 June 2009. We have performed our final accounts audit in accordance with the Audit Commission's Code of Audit Practice, and applicable auditing standards.

At the time of writing this report the following audit procedures are outstanding:

- Review of the Annual Governance Statement.
- Review of the final version of the statement of accounts, including cash flow statement and supporting notes
- Receipt of the signed management representation letter.

### **1.3 Overall conclusions**

#### *Financial Statements Opinion*

We anticipate providing an unqualified opinion on the Committee's financial statements, following the acceptance of the accounts by the Corporate Governance Panel on 22 September 2009.

The Council prepared good quality accounts for the Committee and the overall quality of the working papers to support the 2008/09 accounts was of a good standard.

#### *Use of Resources Conclusion*

In providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Committee's arrangements for ensuring economy, efficiency and effectiveness in its use of resources ('the Use of Resources conclusion').

Our Use of Resources conclusion is informed by our work on the UoR assessments. In order for us to provide a positive conclusion, the Committee has to achieve a 'yes' judgement against relevant Key Line of Enquiry (KLOE) criteria as determined by the Audit Commission.

At the time of writing this report, we expect to issue an unqualified VFM conclusion.

Further information on the outcome of our Use of Resources audit is contained in Section Two.

### **1.4 The way forward**

The Corporate Governance Panel is required to approve the annual accounts of the Committee for the year ended 31 March 2009.

### **1.5 Use of this report**

This report has been prepared solely for use by the Council to discharge our responsibilities under ISA260, and should not be use for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the Council's Letter of Representation.

### **1.6 Acknowledgements**

We would like to record our appreciation for the positive co-operation and assistance provided to us by the finance department and other staff at the Council during the course of our audit.

Grant Thornton UK LLP

8 September 2009

## 2 Detailed Findings

### 2.1 Introduction

This section provides a summary of findings arising from our audit of the financial statements. This includes matters arising from our evaluation of key controls.

### 2.2 Audit conclusions

#### *Financial Statements Opinion*

We anticipate providing an unqualified opinion on the Committee's financial statements, following approval of the accounts by the Corporate Governance Panel on 22 September 2009.

No issues arose during the audit that were material to the reported financial performance and require consideration by the Corporate Governance Panel.

#### *Use of Resources Conclusion*

Our Use of Resources conclusion is drawn from our work on the Audit Commission's assessment framework. In order for us to provide a positive conclusion, the Committee needs to achieve a 'yes' judgement against criteria determined by the Audit Commission to assess whether it has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our assessment for the Committee is summarised below.

**Table 1: Provisional UoR Judgements**

Key Line of Enquiry	2009
1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities	Yes
1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
2.3 Does the organisation promote and demonstrate the principles and values of good governance?	Yes
2.4 Does the organisation manage its risks and maintain a sound system of internal control?	Yes

Based on the UoR assessment above, we propose to provide an unqualified VFM conclusion.

**Scoring scale:**

- 1 - Below minimum requirements - inadequate performance
- 2 - Only at minimum requirements – adequate performance
- 3 - Consistently above minimum requirements – performing well
- 4 - Well above minimum requirements – performing strongly

### **2.3 Audit of the accounts**

No accounting issues considered material to the reported financial position were identified during the course of our audit.

### **2.4 Adjusted misstatements**

There were no misstatements identified by the Council during the course of the audit.

Our audit identified the following adjustment which has been processed by management:

The 2008/9 audit fee disclosed in the accounts had been overstated by £273. An amendment to the disclosure note has been made and the prior year comparative included in the Note.

A number of other presentation and disclosure adjustments have been agreed to improve clarity and presentation of the accounts which do not affect the reported financial position.

### **2.5 Unadjusted misstatements**

There were no unadjusted errors.

### **2.6 Evaluation of key controls**

The Committee was serviced by the Council's financial systems. We have evaluated the Council's key financial control systems as part of the audit planning process. This work was conducted primarily during the Interim Audit of the Council in April 2009. We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. We have documented the key control systems and undertaken tests to ensure that the system is operating as described. Compliance with key financial controls has been tested by the Council's Internal Audit Function and the findings have been presented to the Council. We have reviewed the work of Internal Audit and concluded that the scope and conduct of the testing was appropriate to provide adequate assurance on the effective operation of controls. We have therefore placed reliance on the work of Internal Audit in our evaluation of controls.

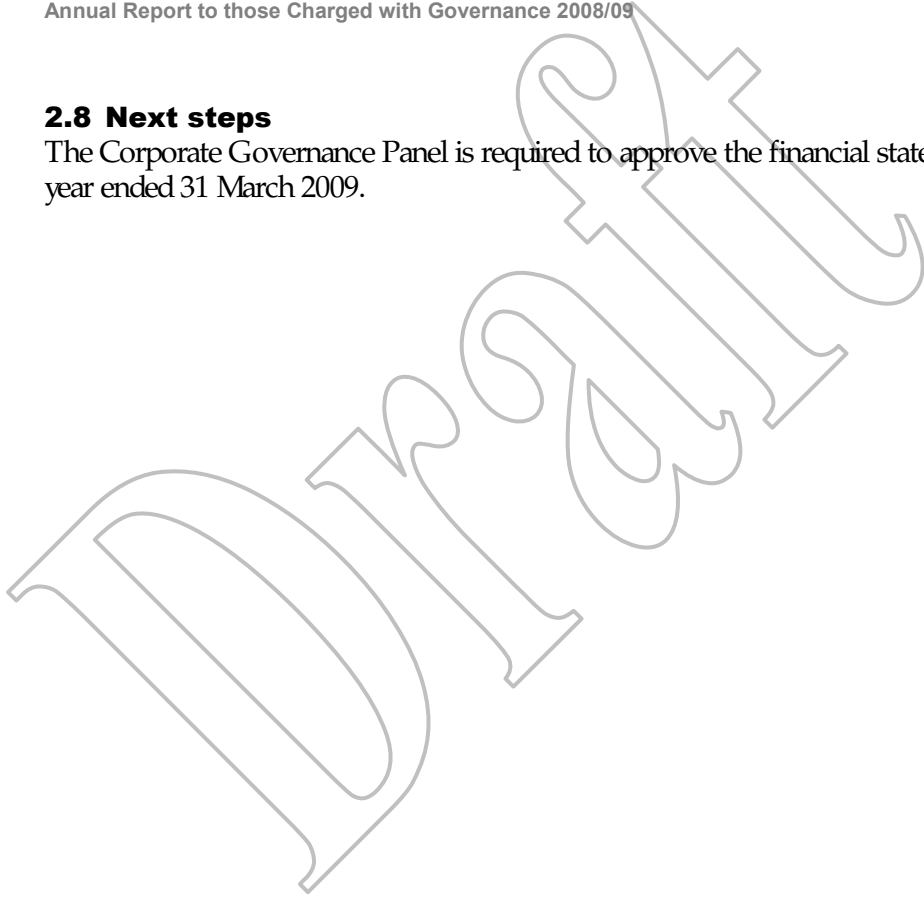
Our financial controls work did not identify any control issues which present a material risk to the accuracy of the financial statements. However, we did note a weakness with regard to the authorisation of journals. There is no authorisation or review process in place at the Council in respect of journals which can be posted by all accountancy staff. There is therefore an increased risk of errors or other misstatement arising from journal processing. We recommend that all journal entries should be reviewed and signed off by an independent officer prior to processing.

### **2.7 Annual Governance Statement (AGS)**

The Committee was required to comply with the Council's governance arrangements and we have examined the Council's arrangements and process for compiling the AGS. In addition, we read the AGS and consider whether the statement is in accordance with our knowledge of the Council and whether any specific issues relating to the Committee should have been highlighted. The draft AGS provided for audit was consistent with our knowledge of both the Council and the Committee.

**2.8 Next steps**

The Corporate Governance Panel is required to approve the financial statements for the year ended 31 March 2009.



## A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.
- To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.
- To provide to those charged with governance constructive observations arising from the audit process.

ISA260 reporting requirement	Key messages
Independence	<p>We are able to confirm our independence and objectivity as auditors and draw attention to the following points:</p> <ul style="list-style-type: none"> <li>• We are independently appointed by the Audit Commission.</li> <li>• The firm has been assessed by the Audit Commission as complying with its required quality standards.</li> <li>• The appointed auditor and client service manager are subject to rotation every 5 years.</li> <li>• We comply with the Auditing Practices Board's Ethical Standards.</li> <li>• We have not provided any non audit services.</li> </ul>



ISA260 reporting requirement	Key messages
Audit Approach	<p>Our approach to the audit was set out in our 2008/09 audit plan. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice. Other key factors to highlight include:</p> <ul style="list-style-type: none"> <li>• We consider the materiality of items in the financial statements in determining the audit approach and in determining the impact of any errors.</li> <li>• We have been able to place appropriate reliance on the key accounting systems operating at the Council for financial statement audit purposes.</li> <li>• In 2008/09, we have been able to place reliance on the work of internal audit.</li> </ul>
Accounting Policies	<p>The Council has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies are in accordance with the Local Government Statement of Recommended Practice (SORP) 2008.</p> <p>The Corporate Governance Panel should confirm that it is satisfied that the accounting policies adopted are the most appropriate, as required by FRS 18.</p> <p>We have considered the Committee's financial plans and its decommissioning at midnight on 1 April 2009 with the transfer of assets and liabilities to the Council as at this date. It was appropriate that the Committee continued to account on a going concern basis as at 31 March 2009 on the basis of the on-going operation of the Leisure Centre under the control of Huntingdonshire District Council.</p>
Material Risks	<p>We have requested, from the Council, a Letter of Representation, to state that there are no additional material risks and exposures as at 22 September 2009, which should be reflected in the financial statements.</p> <p>We will also perform our own audit procedures to ensure that all significant risks and exposures to the Council have been recognised in the accounts as at 22 September 2009.</p>

ISA260 reporting requirement	Key messages
<b>Audit Adjustments</b>	We have discussed with management adjustments to the accounts, primarily to improve the fair presentation of the financial statements, as well as the clarity and presentation of disclosure notes. These adjustments are summarised in paragraph 2.4.
<b>Unadjusted Errors</b>	There are no unadjusted errors.
<b>Other Matters</b>	We have identified a weakness in the Council's journal authorisation processes. This has been summarised in paragraph 2.6.

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