



Accountants &
business advisers

Hastings Borough Council

Annual Governance Report
2008/09

28 September 2009

DRAFT

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Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are 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.

1 Executive summary

- 1.1 We report to you in accordance with the provisions of International Auditing Standard 260, which requires us to report to “those charged with governance”, before issuing our opinion on the financial statements and giving our conclusion on the adequacy of your arrangements for securing economy, efficiency and effectiveness in your use of resources (our VFM conclusion) for the year ended 31 March 2009.

Findings and conclusions

- 1.2 A summary of audit findings and conclusions is included in the table below:

Area of audit	Findings & Conclusion
Accounts	
Key financial systems	The key financial systems are adequate as a basis for preparing the financial statements and no significant control weaknesses were identified that impacted on our opinion.
Financial statements	<p>The financial statements produced by the Council were of a high standard and agreed to the underlying records prepared by officers. No significant issues arose from our work. We recommended one non-trivial amendment to the accounts and this amounts to £163,000 and affects the disclosure of a transfer to the Council’s earmarked reserves in respect of the surplus achieved on car parks operated in partnership with the County Council.</p> <p>The Council corrected a significant misstatement amounting to £740,000 we found in the notes to the accounts (useable capital receipts reserve) and there is no effect on the overall financial position.</p> <p>We have not identified any non-material or non-trivial errors.</p> <p>We are satisfied the Annual Governance Statement (AGS) is not inconsistent or misleading with other information we are aware of from our audit of the financial statements.</p> <p>Subject to the satisfactory completion of a small amount of outstanding work, we anticipate issuing an unqualified opinion on the financial statements.</p>
Use of resources	
Use of resources assessment	<p>Our overall assessment of the use of resources is that the Council is performing well (a ‘level 3 out of 4’ performance). At the detailed level, the Council:</p> <ul style="list-style-type: none"> • Performs well in managing finances (‘score ‘3 out of 4’) • Performs well in governing the business (‘score 3 out of 4’); and • Performs adequately in managing resources (score ‘2 out of 4’).
Data Quality	Management arrangements to ensure the quality of reported performance information are adequate.
VFM conclusion	We anticipate issuing an unqualified value for money conclusion.

Acknowledgement

- 1.3 We would like to thank the staff of the Council for the co-operation and assistance provided to us during the audit.

2 Introduction

- 2.1 This report summarises the results of our audit work completed to date in respect of the 2008/09 financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009. A small amount of work remains outstanding and we will update the Regularity and Audit Committee on any significant issues arising.
- 2.2 Our report is presented to Members in accordance with the provisions of International Auditing Standard 260 ("ISA 260") which requires us to report key findings from the audit to "those charged with governance", prior to issuing our opinion on the financial statements.

Findings

- 2.3 Detailed recommendations in response to the key findings identified by our audit are provided in the action plan at Appendix A. These recommendations have been discussed with appropriate officers and responses are included in the action plan where appropriate.
- 2.4 Our report does not provide a comprehensive statement of all weaknesses that may exist in the Council's accounting and control systems, but only those matters which have come to our attention as a result of the audit procedures performed. We have not restated recommendations already made by Internal Audit.

Fee outturn

- 2.5 The Audit Commission's *Standing Guidance for Auditors* requires us to report the outturn fee position for the year against the budgeted fee included within your Annual Audit and Inspection Plan. The table below sets out this analysis:

Audit plan 2008/09	Planned fees £	Actual fees £
Code of Audit Practice		
Accounts	59,032	59,032
Use of Resources	33,577	33,577
Subtotal audit	92,609	92,609
Grant Claims (estimated)	32,000	32,000
Questions and objections	0	0
Total	124,609	124,609

- 2.6 A number of grant claim audits are currently in progress or do not require certification until 31 December 2009 and therefore the actual fee remains an estimate of the expected final position.

Independence

- 2.7 We confirm we are not aware of any relationships that may bear on our independence and objectivity as auditor and that our independence declaration, included in the Annual Audit and Inspection Plan 2008/09, has remained valid throughout the period of the audit.

3 Accounts

Requirements

- 3.1 We are required to provide an opinion on whether your financial statements present fairly the financial position of the Council and its income and expenditure for the year, and whether they have been prepared properly in accordance with The Code of Practice for Local Authority Accounting in the United Kingdom and relevant legal and regulatory requirements.
- 3.2 We carry out procedures designed to obtain sufficient appropriate audit evidence to determine with reasonable confidence whether the accounts are free from material misstatement and evaluate the overall presentation in order to ascertain whether they have been prepared in accordance with relevant legislation and accounting standards.
- 3.3 We identify the principal areas of risk of material misstatement from our knowledge of the Council, of the environment in which it operates and from discussions with management. We address these risks by carrying out appropriate audit procedures.
- 3.4 We apply an appropriate level of materiality and as such our audit cannot be relied upon to identify all risks or potential and actual misstatements. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.
- 3.5 The level of materiality we set for the audit of the 2008/09 accounts was £909,000. We set a triviality level of £46,000 and have not reported to you any matters arising below this level.

Accounts risks

- 3.6 The findings from our review of accounts risks identified in our 2008/09 audit plan are summarised in the table below in points 1 and 2. A further risk in relation to asset valuations was also identified but has not been previously reported (see point below).

Risk area	Overall conclusion
Concessionary bus pass expenditure	We have reviewed the controls established by the external contractor (MCL Transport Consultants Ltd) to receive data from bus operators, calculate the reimbursements due for concessionary travel and to submit information to East Sussex County Council for payment of the bus operators and subsequent invoicing of the Council. We concluded the control environment is sufficient to support the production of materially accurate information for inclusion in the accounts. A report setting out our findings, and areas where the framework of controls could be strengthened, is due to be considered by the East Sussex Finance Officers Association on 18 September 2009.
Accounting for external funding	We confirmed the Council accounted correctly for the significant external funding it receives from the Government and other partners; and subsequently disburses through the Area Based Grant regime. This includes funding from the Working Neighbourhoods Fund and the Local Enterprise Growth Initiative.
Changes to the SORP (2008)	As reported below, the Council has implemented all relevant changes introduced by the 2008 SORP.
Fixed asset valuation	Discussions were held with officers to ensure adequate consideration was given to the Council's asset valuations in the light of the economic downturn in the year. We reviewed this area and confirmed the work completed by officers is reasonable. We also reviewed the outcome of the Council's post-implementation review of its new fixed asset register. Our detailed work confirmed the register produces materially accurate information to support the balances contained in the accounts.

Reporting to those charged with governance

3.7 In accordance with the requirements of International Standard on Auditing 260 ("ISA 260"), auditors are required to communicate relevant matters relating to the audit with those charged with governance. In particular we are required to report:

- qualitative aspects of **accounting practices and financial reporting**
- final draft **letter of representation** to be agreed by management and those charged with governance
- **uncorrected misstatements**
- expected modifications to the **audit report**
- material weaknesses in **accounting and internal control systems** identified during our work
- **matters required to be reported by other auditing standards**
- any **other audit matters of governance interest**.

3.8 Our comments in each of these areas are set out below:

Accounting practices and financial reporting

Application of accounting policies

3.9 The key changes introduced by the 2008 SORP were:

- the replacement of 'deferred charges' with a new description known as 'revenue expenditure funded from capital under statute'
- the prohibition of revaluing fixed assets on disposal
- further guidance and clarification of Financial Reporting Standards 25, 26 and 29 relating to the accounting treatment for financial instruments
- Restatement of the pension fund asset values from mid to bid prices (this was an optional change which the Council has chosen not to apply)

3.10 The Council has dealt with the implementation of these changes appropriately.

The accounts preparation process

3.11 The draft financial statements were approved by Members on 29 June 2009, in advance of the statutory deadline of 30 June 2009. As part of our planning for the audit, we prepared a document request which outlined the information we would require to complete the audit. The Council provided us with files of working papers on the first day of the audit (6 July 2009). Additional information requested by auditors was provided in a timely way.

Testing of transactions and balances

3.12 As part of our audit approach, all material balances were subject to audit testing and agreement, on a sample basis, to supporting documentation. As a result of this work we bring to your attention the following.

Adequacy of disclosures

We asked officers to make some additional disclosures in the light of our detailed work. Further disclosure was made regarding a loss of £386,000 incurred upon disposal of land because the South East England Development Agency was entitled to receive all of the

proceeds of the disposal (£740,000). An additional disclosure was made in the Capital Adjustment Account and the Useable Capital Receipts Reserve was amended to reflect the income and expenditure.

Letter of representation

- 3.13 The draft letter of representation has been attached as Appendix B. We do not anticipate any changes being required before providing our opinion on the financial statements.

Uncorrected misstatements

Transfer to earmarked reserves - £163,000

- 3.14 The Council achieved a surplus of £163,000 from the car parks it operates in partnership with the County Council. The income and expenditure has been properly accounted for within the net cost of services. However, the Council has not fully disclosed the transactions necessary to transfer the surplus to earmarked reserves. An appropriation should have been made from the Income and Expenditure account and then accounted for in the Statement of Movement in the General Fund.
- 3.15 As a consequence, the:
- surplus of income over expenditure is overstated by £163,000
 - net additional amount required by statute and non-statutory practices to be credited to the General Fund (through the statement of movement on the general fund) is understated by £163,000.
- 3.16 There is no effect on the overall financial position of the Council and the general fund balance is correctly stated. Officers have decided not to amend the accounts in respect of these transactions.

Audit report

- 3.17 We have completed almost all of our audit work and anticipate issuing an unqualified audit opinion on the accounts. We will update the Audit Committee should any further issues arise.

Accounting and internal control systems

- 3.18 We have reviewed the key financial systems, which contribute to the preparation of materially accurate financial statements, to assess the extent to which we can place reliance on them for this purpose. In carrying out this work we consider:
- the extent to which your accounting and internal control systems are a reliable basis from which to prepare the financial statements
 - the robustness of your accounts preparation processes.
- 3.19 In assessing the reliability of systems as a basis for providing financial information that is free from material misstatement, we prepared systems notes for each financial system and we evaluated the controls within those systems, with particular focus on assessing whether the controls in place to mitigate significant risks are suitably designed and operating as intended to meet their objective.

- 3.20 Your key financial systems are:
- Main accounting
 - Cash and bank
 - Payments and creditors
 - Non-contracting income and debtors
 - Payroll and employment costs
 - Information technology
 - Council tax
 - Housing and council tax benefits
 - NNDR
 - Housing rents income
 - Investments and investment income
 - Concessionary fares
- 3.21 We also have a responsibility to give specific consideration to the potential risk of material misstatement of your financial statements due to fraud and error, including the risk of fraudulent financial reporting. This requires us to:
- review internal controls that are designed to prevent, or detect and correct, misstatements in the accounts
 - review the arrangements for preparing the financial statements
 - select and test transactions and balances, including review of significant balances against expectations and substantiate individual items
 - assess the significant estimates and judgements made by officers in preparing the accounts
 - consider the adequacy of presentation and disclosures included in the financial statements.
- 3.22 The primary responsibility for ensuring your internal control frameworks are robust enough to prevent and detect material fraud and corrupt practices lies with management and those charged with governance.
- 3.23 Where possible, we have placed reliance on Internal Audit's work and thereby avoided unnecessary duplication of audit effort. To ensure this approach was valid, we have undertaken the following:
- reviewed Internal Audit's working papers and reports
 - considered the robustness of the key financial systems on the evidence of this work
 - re-performed Internal Audit's evaluation of controls and a sample of their testing of the effectiveness of controls, to ensure that their conclusions are soundly based.
- 3.24 In order to identify the fraud risks, and the controls you have put in place to mitigate those risks, we have:
- written to and received a response from the Chair of the Audit Committee about your anti fraud and corruption arrangements and discussed this with officers
 - considered the extent to which the work of Internal Audit is designed to detect material misstatements in the accounts arising through fraud
 - made enquiries regarding instances of actual fraud you have identified.
- 3.25 We were able to place reliance on Internal Audit's work for the testing of the effectiveness of specific controls. We will work with the Head of Internal Audit to streamline our joint approach for the 2009/10 audit of accounts.

Issues arising

- 3.26 We have no issues to report in relation to our review of the key financial systems.

Conclusions

- 3.27 As a result of our work, we have concluded that the key financial systems are generally adequate as a basis for preparing the financial statements and no significant control weaknesses were identified as a result of our audit.
- 3.28 We did not identify any significant fraud risks that affected our audit programme for the financial statements.

Matters required to be reported by other auditing standards

- 3.29 There are no other matters arising from our work that we are required by other auditing standards to bring to the attention of those charged with governance.

Other audit matters of governance interest

Annual Governance Statement

- 3.30 The Council has a responsibility to publish a Governance Statement, including the outcome of a review of its effectiveness, with its 2008/09 financial statements.
- 3.31 We have reviewed the Annual Governance Statement and the supporting review of effectiveness that has been undertaken and we are satisfied that the Statement is not inconsistent with the evidence provided in the review of effectiveness and our knowledge of the Council.

International Financial Reporting Standards

- 3.32 International Financial Reporting Standards (FRSs) will be adopted in local government from 2010/11 and will require transitional arrangements to be put in place by the Council. Entities adopting IFRSs need to commence work to restate the balance sheet two years' prior to the first year of reporting, that being a restatement of the balance sheet at 31 March 2009.
- 3.33 We have identified that officers have already completed an assessment of the implication of IFRS and have initially briefing Members as to the potential implications for the Council.

4 Use of resources

- 4.1 The Audit Commission's Code of Audit Practice ('the Code') requires us to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).
- 4.2 We are also required by the Code to undertake a use of resources assessment, the results of which are used to inform our VFM conclusion. The conclusion also draws on the results of local risk based audit, as well as consideration of the Council's processes underpinning its review of the effectiveness of its controls as described in the Annual Governance Statement.

Use of resources risks

- 4.3 The findings from our review of use of resources risks identified in our audit plan are summarised as follows:

Risk area	Findings and Conclusion
The need to demonstrate value for money in delivering the ambitious regeneration programme for the Hastings area.	We considered the value for money and outcomes achieved in assessing the Council's use of resources in 2008/09.

Use of resources assessment

- 4.4 The Audit Commission has specified that auditors review the arrangements to secure economy, efficiency and effectiveness against the "Specified Key Lines of Enquiry for 2008/09" contained in the use of resources framework. This assessment involves three themes that focusing on:
- sound and strategic financial management
 - strategic commissioning and good governance
 - the management of natural resources, assets and people.
- 4.5 The use of resources assessment scoring mechanism is defined as follows:

Score	Judgement	Conclusion
1	Failure to meet minimum requirements	Performing inadequately
2	Meets only minimum requirements	Performing adequately
3	Exceeds minimum requirements	Performing well
4	Significantly exceeds minimum requirements	Performing excellently

- 4.6 The results of this work are used in forming our overall conclusion on VFM. The KLOE for the scored use of resources assessment also form the criteria for the VFM conclusion.

4.7 The results of our work are set out below:

Theme	Code criterion	Criterion met	2008/09 score
Managing Finances	The organisation plans its finances effectively to deliver its strategic priorities and secure sound financial health	Yes	3
	The organisation has a sound understanding of its costs and performance and achieves efficiencies in its activities	Yes	3
	The organisation's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people	Yes	3
	Score		3
Governing the business	The organisation commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money	Yes	3
	The organisation produces relevant and reliable data and information to support decision making and manage performance	Yes	3
	The organisation promotes and demonstrates the principles and values of good governance	Yes	3
	The organisation manages its risks and maintains a sound system of internal control	Yes	3
	Score		3
Managing Resources	The organisation is making effective use of natural resources		n/a
	The organisation manages its assets effectively to help deliver its strategic priorities and service needs		n/a
	The organisation plans, organises and develops its workforce effectively to support the achievement of its strategic priorities	Yes	2
	Score		2
Overall Score			3

4.8 These scores have been subject to the results of the Audit Commission's national quality assurance processes to ensure that auditor judgements have been applied consistently. We will issue a separate report on the detailed findings from our use of resources assessment in due course.

Value for money conclusion

4.9 Our conclusion is that adequate arrangements are in place to secure value for money.

Appendix A: Action plan

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
International Financial Reporting Standards (IFRS)					
The Council has made some progress in raising awareness about the implications of IFRS among certain Council departments (such as the Estates department) the Council.	The Council should increase the pace of progress towards implementing IFRS, updating Members of the Audit Committee and senior management about the implications of IFRS for the Council.	M	A report on the implications of IFRS and progress made will be brought to the next Audit Committee meeting.	Chief Accountant	January 2010

Appendix B: Draft letter of representation

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

28 September 2009

Dear Sirs

Financial statements of Hastings Borough Council for the year ended 31 March 2009

Representations of the Chief Finance Officer

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009.

Responsibility for the financial statements

I acknowledge as the Chief Finance Officer and s151 Officer my responsibilities for the financial statements.

Completeness of information

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and committee meetings (held during the year and up to the date of this letter) have been made available to you.

Internal control

I acknowledge my responsibility for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that are free from misstatement, whether arising from fraud or error.

Fraud

I am not aware of any fraud or suspected fraud affecting the financial statements, nor have any allegations of fraud or suspected fraud affecting the financial statements been communicated to me by employees, former employees, councillors, regulators or others.

Compliance with law and regulations

I am not aware of any possible or actual instances of non-compliance with laws or regulations whose effects should be considered when preparing financial statements of the Council.

Transactions with related parties

I confirm that I have put in place appropriate arrangements to identify related party transactions.

I am satisfied that the disclosure in the financial statements of related party transactions is appropriate and complete and contains all the elements necessary for an understanding of the financial statements.

Contingent liabilities

I am not aware of any significant contingent liabilities, including pending claims, proceedings or litigation involving the Council.

Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

- | | |
|-------------------------------------------|-------|
| • Rate of inflation | 3.1 % |
| • Rate of increase in salaries | 4.6 % |
| • Rate of increase in pensions | 3.1% |
| • Rate for discounting scheme liabilities | 6.9 % |

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

Uncorrected misstatements

We have considered the uncorrected misstatements in the financial statements as listed in Appendix 1 to this letter together with the explanations provided by the Chief Finance Officer for not correcting these misstatements, and we consider them to be immaterial to the view given by the financial statements.

Contingent Asset

The Council has employed a national firm of accountants to pursue the recovery of a significant sum of overpaid VAT (plus interest) and a claim was lodged with HM Revenues and Customs(HMRC) in March 2009. The Council anticipates receiving an amount in the range of £750,000 to £1.9 million (including interest). A further claim, the outcome of which is less certain, has been submitted for compound interest which will be considered separately by HMRC at some future date.

It is probable that the Council will receive an amount before the end of March 2010. I have decided that the probable receipt of monies should be disclosed in the notes to the accounts as a Contingent Asset and have not included an accrual for the expected income in the 2008/9 accounts due to the continued high level of uncertainty surrounding the amount and timing.

Subsequent events

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. Should any material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Yours faithfully

Neil Dart
Chief Finance Officer

Representations of the Council

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's financial statements.

Responsibility for the financial statements

We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the financial statements.

Uncorrected misstatements

We have considered the uncorrected misstatements in the financial statements as listed in Appendix 1 to this letter together with the explanations provided by the Chief Finance Officer for not correcting these misstatements, and we consider them to be immaterial to the view given by the financial statements.

Annual Governance Statement

We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

Yours faithfully

Councillor S Springtorpe
Audit Committee Chairman

Signed on behalf of the Council

Appendix C: Uncorrected misstatements

The table below details the potential differences recorded during the audit that have not been adjusted for within the financial statements:

Uncorrected misstatements	Income Over/ (Under) £'000	Expenses (Over)/ Under £'000	Assets (Over)/ Under £'000	Liabilities Over/ (Under) £'000	Reserves Over/ (Under) £'000
Misstatements of fact (specific misstatements) Surplus transferred to earmarked reserve in respect of car parking. Net additional amount required by statute and non-statutory practices to be credited to the General Fund (through the statement of movement on the general fund) is understated by £163,000.	163	(163)			
Misstatements of subjective decisions (estimates or application of accounting policy)					
Likely misstatements (extrapolation of errors)					
Total net misstatements					
- Net understatement of costs					
- Net overstatement of net assets					

Appendix C: Unadjusted misstatements

The table below details the potential differences recorded during the audit that have not been adjusted for within the financial statements:

Unadjusted misstatements	Income Over/ (Under) £'000	Expenses (Over)/ Under £'000	Assets (Over)/ Under £'000	Liabilities Over/ (Under) £'000	Reserves Over/ (Under) £'000	Management comments
Misstatements of fact (specific misstatements) Surplus transferred to earmarked reserve in respect of car parking. Net additional amount required by statute and non-statutory practices to be credited to the General Fund (through the statement of movement on the general fund) is understated by £163,000.	163	(163)				The amount is not material and there is no effect on the Council's overall financial position.
Misstatements of subjective decisions (estimates or application of accounting policy)						
Likely misstatements (extrapolation of errors)						
Total net misstatements - Net understatement of costs - Net overstatement of net assets						

Appendix D: Draft audit report

Independent auditors' report to the Members of Hastings Borough Council

Opinion on the financial statements

We have audited the Authority accounting statements and related notes of Hastings Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hastings Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Signature: _____ Date: _____

Name: Robert Grant
Partner For and on behalf of PKF (UK) LLP
London, UK

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Hastings Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: _____ Date: _____

Name: Robert Grant
Partner For and on behalf of PKF (UK) LLP
London, UK