

Annual Governance Report

Chorley and South Ribble Shared Services Joint
Committee

Audit 2009/10

Date **27 September 2010**

Contents

Key messages	4
Next steps	5
Financial statements	6
Value for money	8
Glossary	9
Appendix 1 – Independent auditor’s report to Members of Chorley and South Ribble Shared Services Joint Committee	10
Appendix 2 – Draft letter of representation	13
Appendix 3 – Value for money criteria	16

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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Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2009/10.

A draft of the report has been agreed with the Statutory Finance Officer.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 8); and
- approve the letter of representation on behalf of the Joint Committee before I issue my opinion and conclusion (Appendix 2).

Yours faithfully

Fiona Blatcher

Engagement Lead

27 September 2010

Key messages

This report summarises the findings from the 2009/10 audit which is substantially complete. It includes the messages arising from my 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.

Financial statements	Results	Page
Unqualified audit opinion	Yes	6
Financial statements free from material error	Yes	6
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	8

Audit opinion

- 1 I intend to give an unqualified opinion on the statements.

Financial statements

- 2 The accounts and supporting working papers were of a good quality, which added to the efficiency of the audit process. A small number of minor amendments have been made to the statements to improve clarity and internal consistency.

Value for money

- 3 I intend to issue an unqualified conclusion stating that the Joint Committee had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. During the year, the Joint Committee has overseen the progress of the shared services arrangement and provided effective challenge. This progress is reflected in the annual report, which indicates a good performance measured against the targets for improvement established at the beginning of the year.

Independence

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

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

5 I ask the Joint Committee to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 8); and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 2).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 6 I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Errors in the financial statements

- 7 This is the second year of accounts for the Joint Committee, and the first for a full twelve month period. No errors have been identified in the core financial statements. Some minor errors have been identified in the wider disclosure notes, largely of a presentational nature, which have been corrected by management.

Letter of representation

- 8 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 2 contains the draft letter of representation.

Key areas of judgement and audit risk

- 9 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Allocation of costs between the two partner authorities	Costs have been allocated in the manner approved by the Joint Committee
New disclosures required for Senior Officer remuneration	The disclosure note has been prepared in accordance with the relevant guidance

Financial statements

Accounting practice and financial reporting

10 I consider the qualitative aspects of our financial reporting. My judgement is that the statement of accounts has met the appropriate accounting requirements relevant to the nature of the operations of the Joint Committee.

Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Value for money conclusion

- 11 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 3.
- 12 I intend to issue an unqualified qualified conclusion stating that the Joint Committee had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

Glossary

Annual governance statement

13 A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

14 A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

15 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.
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Qualified

16 The auditor has some reservations or concerns.

Unqualified

17 The auditor does not have any reservations.

Value for money conclusion

18 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 resources.

Appendix 1 – Independent auditor’s report to Members of Chorley and South Ribble Shared Services Joint Committee

Opinion on the financial statements

I have audited the accounting statements and related notes of South Ribble and Chorley Financial & Assurance Shared Services Partnership for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement 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 Chorley and South Ribble Shared Services Joint Committee 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 Statutory Finance Officer and auditor

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

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

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the Joint Committee and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my

Glossary

audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Joint Committee's corporate governance procedures or its risk and control procedures.

I 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 and the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my 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 Joint Committee in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Joint Committee's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Partnership's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the South Ribble & Chorley Financial & Assurance Shared Services Partnership as at 31 March 2010 and its income and expenditure for the year then ended.

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

Joint Committee's Responsibilities

The Joint Committee 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.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Joint Committee for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009¹ I report if significant matters have come to my attention which prevent me from concluding that the Joint Committee has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my 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 October 2009 and the supporting guidance, I am satisfied that, in all significant respects, Chorley and South Ribble Shared Services Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I 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.

Fiona Blatcher

Engagement Lead

Audit Commission
Aspinall Close
Aspinall House
Middlebrook
Bolton

27th September 2010

Appendix 2 – Draft letter of representation

**Ms F Blatcher, Engagement Lead
Audit Commission
2nd Floor
Aspinall House
Aspinall Way
Middlebrook
Bolton BL6 6QQ**

Dear Fiona

RE: CHORLEY AND SOUTH RIBBLE SHARED FINANCIAL SERVICES – AUDIT FOR THE YEAR ENDED 31 MARCH 2010

I understand that auditing standards require you to obtain representations from management on certain matters material to your opinion. Accordingly I confirm to the best of my knowledge and belief, having made appropriate enquiries, the following representations given to you in connection with your audit of the Shared Services financial statements for the year ended 31 March 2010.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements, in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice, which give a true and fair view of the financial position and financial performance of the Committee, and for making accurate representations to you.

Supporting records

To the best of my knowledge, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by Shared Services have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and Council meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

I have disclosed to you my knowledge of any:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed to you:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the Committee's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

I am not aware of any actual or potential instances of non-compliance with laws, regulations and codes of practice, likely to have a material effect on the finances or operations of the Committee.

Contingent liabilities

There are no contingent liabilities. In particular:

- there is no significant pending or threatened litigation,
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Shared Services Joint Committee, no significant post balance sheet events have occurred.

Glossary

Unadjusted misstatements in the accounts

No misstatements have been identified.

Signed on behalf of the Shared Financial Services Joint Committee:

I confirm that this letter has been discussed and agreed by the Shared Financial Services Joint Committee on 27 September 2010.

Signed:

Name: Gary Hall

Position: Treasurer to the Joint Committee

Date: 27 September 2010

Appendix 3 – Value for money criteria

KLOE	Met
Managing finances	
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Good governance	Yes
Risk management and internal control	Yes