

Mountsett Crematorium Joint Committee

30 October 2009

2008/09 Statement of Accounts - External Auditor's Report



Joint Report of Corporate Directors of Neighbourhood Services and Corporate Resources.

Purpose of the Report

1. The purpose of this report is to present the findings and recommendations arising from the external audit of the 2008/2009 Statement of Accounts, which were presented to, and approved by this Committee on 12th June 2009.
2. The report seeks approval of the audited Annual Return (attached at Appendix 2) and sets out for members' consideration the issues and actions emanating from the Auditors report.

Background Information

3. Since 2004/05, separate and fully SORP-compliant Statement of Accounts have been presented to and approved by the Crematorium Joint Committee.
4. In 2007 the Crematorium was classified as a "smaller body" as its income and expenditure is below £1M and is now required to complete an annual return, Section 1 of which is now the legal set of accounts and replaces both the Income and Expenditure Account and Balance Sheet, and Section 2 of which replaces the Annual Governance Statement. These are the only sections of the return which are legally required to be presented to members for approval prior to audit, however the full return and issues arising report must be presented to members after the conclusion of the audit.
5. Members will recall that the decision taken at the time was to continue to present a full SORP-compliant Statement of Accounts to members, however, in 2007/08 the Committee were criticised by the external auditors (BDO Stoy Hayward) for failing to present Sections 1 & 2 of the annual return to members for approval (despite the fact that we presented a SORP-Compliant set of Accounts). BDO Stoy Hayward were appointed as external auditors to Mountsett Crematorium Joint Committee for a five year period commencing with the 2007/08 accounts.

External Audit 2008/09

6. The audit of the 2008/09 accounts has been completed and as part of the process the audited version of the Annual Return (attached at Appendix 2) is presented to Members for approval.

7. Although there were no adjustments required to the Primary Financial Statements as a result of the audit, the auditors have issued two points of qualification to the accounts, along with a number of recommendations to be incorporated for the production of future statements.
8. The Issues Arising report produced by BDO Stoy Hayward is attached at Appendix 3 and the main points are summarised below:

9. *Issues Requiring Immediate Action*

The auditors identified two matters as requiring immediate action on behalf of the Crematorium Committee in order to comply with the Accounts and Audit (Amendment) (England) Regulations 2006:-

Issue	External Auditors Recommendation	Action Taken / Proposed
There was no review of the effectiveness of internal audit carried out during 2008/09	The Crematorium Committee must ensure that a review of the effectiveness of internal audit is undertaken annually and minuted as such during the year. The auditors have recommended that this is undertaken when reviewing risk assessment	A report on the effectiveness of internal audit in 2008/09 was presented to members at the 12 th June meeting. The Forward Plan commits the Joint Committee to considering the 2009/10 Review by 31/03/2010.
There was no Risk Assessment carried out and minuted during 2008/09	The Crematorium Committee must ensure that an annual risk assessment is carried out and reviewed and minuted by the Committee	A Risk Assessment report was presented to members at the 12 th June meeting. The Forward Plan commits the Joint Committee to considering an update to the Risk assessment by 31/01/10.

NB: Whilst both issues have been addressed, this was not sufficient to avoid a qualified opinion being issued on the 2008/09 Statement of Accounts.

10. *Matters to be Brought to the attention of the Joint Committee*

The auditors have also identified the following matters to be brought to the attention of the Crematorium Committee as a result of the audit of the 2008/09 Annual Return :-

Issue	External Auditors Recommendation	Action Taken / Proposed
Budget Monitoring procedures were not adequate in 2008/09	The auditor has recommended that the Crematorium budget financial monitoring should be reported to members on at least a quarterly basis	The auditor's recommendation has been noted, and quarterly budgetary control reports have been incorporated in the Treasurer's forward plan for 2009/10.
The committee has not minuted the formal adoption of the Freedom of Information Act new model scheme	The committee should minute the adoption of the new scheme as soon as possible	Members should consider formally adopting the existing Durham County Council scheme, attached at Appendix 4

Conclusions

11. Despite the best efforts of the finance team to address the auditors concerns and the action subsequently taken, the external auditors have issued a qualified opinion on the 2008/09 Statement of Accounts of the Crematorium Joint Committee. However, the action already taken and proposed in this report should resolve these matters and therefore not be an issue in the 2009/10 external audit.

Recommendations and reasons

12. That Members formally approve the Audited Annual Return, as attached at Appendix 2;

13. That Members accept the External Auditors "Issues Arising" report and the recommendations for future years, as attached at Appendix 3, and in doing so:

- a. Commit to the Forward Plan of Meetings proposed by the Treasurer to the Committee;
- b. Formally adopt the Durham County Council Freedom of Information Publication Scheme, as attached at Appendix 4.

Background Papers

- 2008/09 Statement of Accounts Report – Mountsett Crematorium Committee 12th June 2009.
- CIPFA Accounting Code of Practice on Local Government Accounting in Great Britain.
- Accounts and Audit Regulations 2003
- Accounts and Audit (Amendment) (England) Regulations 2006

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Appendix 1: Implications

Finance

Failure to implement the external auditors recommendations may result in the Crematorium Committee's accounts being qualified in future years..

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Sustainability

None

Human rights

None

Localities and Rurality

None

Young people

None

Consultation

Officers of Gateshead Council were consulted on the contents of this report.

Health

None