

Annual Audit Letter

North of England Open Air Museum

Audit 2009/10

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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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (page 3); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (page 4).**

Audit opinion and financial statements

1 I issued my audit report including an unqualified opinion on the Joint Committee's 2009/10 financial statements on 28 September 2010.

Value for money

2 I issued an unqualified VFM conclusion stating that the Joint Committee has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Current and future challenges

3 Beamish Museum, operated through the Joint Committee's subsidiary companies, has performed well over the last couple of years, turning a deficit into a healthy surplus and significantly increasing visitor numbers. This has been achieved against the backdrop of difficult trading conditions and in a period of general economic downturn.

4 The Government's October 2010 comprehensive spending review has set out an unprecedented level of cuts in public spending. The impact on the Joint Committee and the subsidiary companies is lessened, as a relatively small proportion of funding comes directly from public bodies. However, there are risks if these cuts lead to deeper economic recession and start to impact on visitor numbers. A prudent approach is being adopted to budget projections.

5 In relation to future financial reporting, the Joint Committee will need to ensure the successful implementation of International Financial Reporting Standards (IFRS) for the production of its 2010/11 financial statements.

Financial statements and annual governance statement

The Joint Committee's financial statements and annual governance statement are an important means by which it accounts for its stewardship of public funds. I gave an unqualified opinion on the Joint Committee's 2009/10 financial statements on 28 September 2010, within the statutory target date.

Overall conclusion from the audit

- 6** I issued my audit report including an unqualified opinion on the Joint Committee's 2009/10 financial statements on 28 September 2010.
- 7** A small number of relatively minor amendments were agreed to the draft financial statements. Working papers were comprehensive and officers were responsive to the queries raised with them.
- 8** I did not identify any significant weaknesses in your internal control arrangements.
- 9** Officers display a strong technical knowledge of accounting standards and requirements. This will be important next year as 2010/11 will be the first year that the financial statements need to be prepared under International Financial Reporting Standards (IFRS). It is essential that the Joint Committee continues to make its preparations for IFRS implementation and keeps on course against the timetable that has been set.

Value for money

I considered whether the Joint Committee is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

VFM conclusion

10 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

11 This is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Good governance	Yes
Risk management and internal control	Yes

12 I issued an unqualified conclusion stating that the Joint Committee had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Current and future challenges

Future developments

13 Beamish Museum, operated through the Joint Committee's subsidiary companies, has performed well over the last couple of years, turning a deficit into a healthy surplus and significantly increasing visitor numbers. This has been achieved against the backdrop of difficult trading conditions and in a period of general economic downturn.

14 The Government's October 2010 comprehensive spending review has set out an unprecedented level of cuts in public spending. The impact on the Joint Committee and the subsidiary companies is lessened, as a relatively small proportion of funding comes directly from public bodies. However, there are risks if these cuts lead to deeper economic recession and start to impact on visitor numbers. A prudent approach is being adopted to budget projections.

15 In relation to future financial reporting, the Joint Committee will need to ensure the successful implementation of International Financial Reporting Standards (IFRS) for the production of its 2010/11 financial statements.

Closing remarks

16 I have discussed and agreed this letter with the Treasurer. I will present this letter to the Joint Committee and copies will be provided to all Members.

17 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Joint Committee during the year.

Report	Date issued
Fee letter	April 2009
Opinion audit plan	June 2010
Annual governance report	September 2010
Opinion on the financial statements	September 2010
Value for money conclusion	September 2010
Annual audit letter	October 2010

18 The Joint Committee has taken a positive and helpful approach to our audit. I wish to thank officers for their support and cooperation during the audit.

Steve Nicklin
District Auditor

November 2010

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	13,700	13,700	0
Value for money	1,800	1,800	0
Total audit fees	15,500	15,500	0
Non-audit work	0	0	0
Total	15,500	15,500	0

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Joint Committee on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

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; and,
- whether they have been prepared properly, following the relevant accounting rules.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

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 money, people and time.

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