

CHILTERN CREMATORIUM JOINT COMMITTEE - 24 FEBRUARY 2010

REPORT OF THE TREASURER

1 ANNUAL AUDIT OF ACCOUNTS 2007/08 AND 2008/09

Contact Officers: Alison Howes (01494 732260) and Tina Pearce (01494 732233)

2007/08 Accounts

1. Members will recall that at the last meeting of the Joint Committee on 24 June 2009 it was reported that sign off of the 2007/08 Accounts was still awaited from the then appointed External Auditors, Grant Thornton.
2. By 2007/08 the Crematorium had reached a position whereby it had recorded three consecutive years of income exceeding £1 million and as a result it no longer qualified for a limited assurance audit and had to produce financial statements that were fully compliant with Codes of Practice. An unqualified audit opinion on the 2007/08 accounts was finally received on 26 October 2009, a copy of this is attached at *Appendix 1.1*.
3. The other major change was that the external auditors were required to reach a conclusion on the Crematorium's arrangements for securing economy, efficiency and effectiveness in its use of resources – this is known as the Value for Money (VFM) conclusion.
4. This involved an assessment, by the external auditors, of the Crematorium's arrangements against a series of criteria and its level of compliance with each. Evidence had to be presented to the external auditors by the Crematorium to demonstrate that the following criteria had been met.
5. The body has put in place:-
 - i. arrangements for setting, reviewing and implementing its strategic and operational objectives.
 - ii. channels of communication with service users and other stakeholders, including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.
 - iii. arrangements for monitoring and scrutiny of performance to identify potential variances against strategic objectives, standards and targets, for taking action where necessary and reporting to members
 - iv. arrangements to monitor the quality of its published performance and to report the results to members
 - v. arrangements to maintain a sound system of control
 - vi. arrangements to manage its significant business risks
 - vii. arrangements to manage and improve value for money
 - viii. a medium term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities
 - ix. arrangements to ensure that its spending matches its available resources
 - x. arrangements for managing performance against budgets
 - xi. arrangements for the management of its asset base

- xii. arrangements that are designed to promote and ensure probity and propriety in the conduct of its business
6. The external auditors issued an unqualified VFM conclusion on 26 October 2009, see **Appendix 1.1**, but noted that their assessment was that criteria (iii), (v), (vi), (ix), (x), (xi) and (xii) had not been fully met. In reaching their conclusion the areas where they felt there was lack of evidence to support the criteria were as follows:-
- a) Evidence to show that the Crematorium has its performance reviewed on a regular basis by Members
 - b) A requirement for the Joint Committee to review the Annual Governance Statement
 - c) Lack of a formal Risk Management policy
 - d) Lack of a formal Treasury Management Strategy
 - e) Evidence to show review of performance against budget
 - f) Lack of a formal Asset Management Plan
 - g) Evidence of Members signing up to code of conduct and utilisation of gifts and hospitalities register
7. Further consideration of these issues is dealt with in later reports with the exception of item 6(g) where officers disagree with the external auditor's assessment. The officers' view is that the Joint Committee is not an autonomous body and that Joint Committee members are acting as representatives of the constituent authorities and that as such they have signed up to the code of conduct and gifts and hospitalities protocols of their own authorities.

2008/09 Accounts

8. A draft Annual Governance Report (AGR) has been received from the external auditors, now the Audit Commission, that reports on the results of their 2008/09 audit. A copy of the report is attached at **Appendix 1.4**. The external auditors expect to be able to issue an unqualified opinion on the accounts subject to the finalisation of two outstanding issues with officers and also to give an unqualified VFM conclusion. It is recommended that delegated authority be given to the Treasurer, in consultation with the Chairman of the Joint Committee, to respond to the Annual Governance Report and to finalise the 2008/09 accounts for audit sign off. The Joint Committee is also required to formally approve the Letter of Representation as set out on the AGR.
9. It should be noted that the criteria for the VFM conclusion changed in 2008/09 and the same criteria will apply for 2009/10. A copy of the criteria issued by the Audit Commission is attached at **Appendix 1.2** for information. The criteria are more stringent than before, with a view to driving continuous improvement. For the purposes of understanding which of the Key Lines of Enquiry (KLOEs) apply to the Crematorium, it should be noted that it falls into the category of "other" bodies. To summarise there are four KLOEs that apply:-
- a) KLOE 1.2 Understanding costs and achieving efficiencies
 - b) KLOE 1.3 Financial Reporting
 - c) KLOE 2.3 Good Governance
 - d) KLOE 2.4 Risk Management and Internal Control

10. In respect of the requirement referred to in paragraph 6(b) above regarding the Annual Governance Statement, the statement in respect of 2008/09 is attached at **Appendix 1.3**. The statement has already been published as part of the unaudited accounts but was not presented at the 24 June 2009 meeting of the Joint Committee along with the financial statements so Members are now asked to formally review and approve the statement in order to regularise the situation.

RECOMMENDATIONS

That the Joint Committee:-

- a) Note the receipt of the external audit opinion on the 2007/08 accounts.**
- b) Review and approve the Annual Governance Statement for 2008/09**
- c) Note the draft Annual Governance Report of the external auditor in respect of 2008/09.**
- d) Give delegated authority to the Treasurer to respond to the draft Annual Governance Report and to finalise the 2008/09 accounts for audit sign off.**
- e) Approve the Letter of Representation.**

Background Papers: None