

Annual governance report and Annual Audit Letter

CNC Building Control Joint Committee

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.

Ladies and Gentlemen

2009/10 Annual Governance Report

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

My report sets out the key issues that you considered before I completed the audit.

It asked you to:

- consider the matters raised in the report before approving the financial statements (page 6);
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Joint Committee before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 4).

Yours faithfully

Rob Murray
District Auditor

October 2010

Contents

Key messages	4
Audit opinion	4
Financial statements	4
Value for money	4
Independence	4
Next steps	5
Financial statements	6
Opinion on the financial statements	6
Errors in the financial statements	6
Letter of representation	6
Value for money	7
Value for money conclusion	7
Criteria assessed as inadequate	7
Glossary	9
Appendix 1 Independent auditor’s report to the Members of CNC Building Control Joint Committee	10
Opinion on the financial statements	10
Respective responsibilities of the Chief Financial Officer and auditor	10
Basis of audit opinion	11
Opinion	11
Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources	12
Joint Committee’s Responsibilities	12
Auditor’s Responsibilities	12
Qualified Conclusion	12
Certificate	13
Appendix 2 Amendments to the accounts	14

Appendix 3 Letter of representation 15
 Audit of CNC Building Control Joint Committee (CNC) for the year ended
 31 March 2010 15

Appendix 4 Action Plan 18

Key messages

This report summarises the findings from the 2009/10 audit which is now 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
Adequate internal control environment	Yes	6
Value for money	Results	Page
Adequate arrangements to secure value for money	Qualified	7

Audit opinion

1 We issued an unqualified opinion on the financial statements on 27 October 2010.

Financial statements

2 The financial statements submitted for audit were complete and were free from material error. However, we have agreed a number of amendments to the accounts with officers for smaller amounts and to improve the disclosure of various notes.

Value for money

3 Our work on the Joint Committee's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We issued a qualified value for money conclusion on 27 October 2010.

Independence

4 I can confirm that there were no relationships giving rise to a threat to independence, objectivity and integrity.

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 asked the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (page 6);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Joint Committee before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 4).

Financial statements

The Joint Committee's financial statements and annual governance statement are important means by which the Joint Committee accounts for its stewardship of public funds. As Joint Committee 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 We issued an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my audit report.

Errors in the financial statements

7 We identified a number of material errors in the notes to the financial statements and reported these to management. These are summarised in Appendix 2. Management has agreed to adjust the financial statements for these errors.

8 In addition to these amendments, a number of minor issues were identified. Where there is scope for improvement, we will raise these in our final accounts report for the attention of finance staff.

Letter of representation

9 Auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the letter of representation which we received prior to giving the audit opinion.

Value for money

I am required to decide whether the Joint Committee 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

10 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission specifies each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.

11 I identified weaknesses in your arrangements to:

- promote and demonstrate the principles and values of good governance; and
- manage risks and maintain a sound system of internal control

12 The specific weaknesses in these areas have been identified below and recommendations are made to seek to address the areas of weakness.

13 I issued a qualified conclusion stating that the Joint Committee had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources, except in the areas identified above.

14 Appendix 1 contains the wording of my report.

Criteria assessed as inadequate

Promoting and demonstrating the principles and values of good governance

15 The Committee does not have its own formal counter fraud and corruption policy nor arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct. These issues were identified in last year's annual governance report and are also identified as significant governance issues in the Committee's 2008/09 annual governance statement.

16 We also found that the roles and responsibilities of the Joint Committee's members and senior officers are not published.

Management of risks and maintaining a sound system of internal control

17 Whilst we recognise that risk management arrangements have improved in the year, internal controls in some of the Joint Committee's key financial systems need to be improved as identified by the internal audit annual report to the Joint Committee. This has resulted in a fall in internal audit's level of assurance from adequate in 2008/09 to limited in 2009/10. As such the VFM conclusion qualification has been qualified on this basis.

Recommendations

- R1** Adopt a counter fraud strategy and put arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct.
 - R2** Publish the roles and responsibilities of the Joint Committee's members and senior officers.
 - R3** Seek to implement the recommendations made in internal audits' reports as soon as possible to improve internal controls.
-

Glossary

Annual governance statement

18 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.

19 It comprises the systems and processes, and 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.

20 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 closure certificate

21 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

22 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

Qualified

23 The auditor has some reservations or concerns.

Unqualified

24 The auditor does not have any reservations.

Value for money conclusion

25 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 the Members of CNC Building Control Joint Committee

Opinion on the financial statements

I have audited the Joint Committee's accounting statements and related notes of CNC Building Control Joint Committee for the year ended 31 March 2010 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, 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 CNC Building Control 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial 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 2009: A Statement of Recommended Practice 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: A Statement of Recommended Practice, of 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 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. 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 Joint Committee's financial 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: A Statement of Recommended Practice, of the financial position of the Joint Committee 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 other local government bodies specified by the Audit Commission and published in January 2009. 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.

Qualified Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I identified the following:

- the Committee did not have its own formal counter fraud and corruption policy nor arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct. Also, the roles and responsibilities of the Joint Committee members and senior officers were not published; and
- Internal Audit identified internal control weaknesses in some of the Joint Committee's key financial systems which resulted in them only giving limited assurance for the year ended 31 March 2010.

Having regard to the criteria for other local government bodies specified by the Audit Commission and published in January 2009, and the supporting guidance, I am satisfied that, in all significant respects, CNC Building Control Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010 except for:

- promoting and demonstrating the principles and values of good governance; and
- managing its risks and maintaining a sound system of internal control.

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.

Rob Murray

Officer of the Audit Commission
Audit Commission
Regus House
1010 Cambourne Business Park
Cambourne
Cambridge
CB23 6DP

27 October 2010

Appendix 2 Amendments to the accounts

I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

This table only includes the most significant items. I have provided the Chief Finance Officer with a full list of amendments.

		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Trading Account note 5	This note was incorrectly analysed. £262,000 was moved out of miscellaneous income and re-analysed into other income heads within this note.	No direct impact on the face of the Income and Expenditure account or the Balance Sheet (disclosure only).			
Creditors note 7	This note was incorrectly analysed. £198,000 was moved out of sundry creditors and re-analysed into other heads within this note.	No direct impact on the face of the Income and Expenditure account or the Balance Sheet (disclosure only).			

Appendix 3 Letter of representation

To:

Mr R Murray
Audit Commission
Regus House
1010 Cambourne Business Park
Cambourne
Cambridge
CB23 6DP

October 2010

Audit of CNC Building Control Joint Committee (CNC) for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the Joint Committee, the following representations given to you in connection with your audit of CNC's 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 Joint Committee and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by CNC have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all members' 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.

There have been no:

- irregularities involving management or staff who have significant roles in the system of internal accounting control;
- irregularities involving other staff 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:

- my knowledge of fraud, or suspected fraud, involving either management, staff 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 entity's financial statements communicated by staff, former staff, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Joint Committee.

The Joint Committee has complied with all aspects of contractual arrangement that could have a material effect on the financial statements in the vent of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statement in the vent of non-compliance.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- • 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 CNC, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements. CNC has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of CNC

Name	Name
Position	Position
Date	Date

Appendix 4 Action Plan

Recommendations

Recommendation 1

Adopt a counter fraud strategy and put arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct.

Responsibility	CNC Managing Director/SNC Finance
Priority	High
Date	31 January 2011
Comments	Recommendation accepted. CNC to amend SNC's strategy and seek approval at JC meeting at the end of January 2011.

Recommendation 2

Publish the roles and responsibilities of the Joint Committee's members and senior officers.

Responsibility	CNC Managing Director
Priority	High
Date	31 December 2010
Comments	Recommendation accepted. Roles and responsibilities will be published on CNC's website.

Recommendation 3

Seek to implement the recommendations made in internal audits' reports as soon as possible to improve internal controls.

Responsibility	CNC Managing Director
Priority	High
Date	28 February 2011
Comments	Recommendation accepted.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2010.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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.



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946