

Annual Audit Letter

November 2007



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Tyne and Wear Museums Joint Committee

Audit 2006/07

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Summary	4
Key messages	4
Purpose, responsibilities and scope	5
Joint Committee's use of resources	6
Value for money conclusion	6
Audit of the accounts	7
Other work	8
Data quality	8
Your Business at Risk	8
Closing remarks	9

Summary

Key messages

- 1 We gave an unqualified opinion on the financial statements in advance of the deadline of 30 September 2007. The draft accounts were submitted on time and were supported by high quality and comprehensive working papers.
- 2 Improvements in internal audit and risk management arrangements and the newly established Audit Committee ensured that the Statement on Internal Control was prepared in line with proper practice.
- 3 We issued an unqualified conclusion that the Joint Committee had proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Risk management arrangements have been improved. Weaknesses in this area last year meant that we qualified the 2005/06 Value for Money conclusion.
- 4 Robust budget management arrangements are in place and reserves increased to £1.54 million, which will help the Joint Committee meet the financial pressures it continues to face and deliver service objectives.

Purpose, responsibilities and scope

- 5 This letter summarises the key issues arising from our work carried out during the year. I have addressed this letter to members as it is the responsibility of the Joint Committee to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. I have made recommendations to assist the Joint Committee in meeting its responsibilities.
- 6 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk.
- 7 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Joint Committee's accounts; and
 - whether the Joint Committee has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).
- 8 This letter summarises the significant issues arising from these areas of work and highlights the key recommendations that I consider the Joint Committee should be addressing. I have listed the reports issued to the Joint Committee relating to the 2006/07 audit at the end of this letter.

Joint Committee's use of resources

Value for money conclusion

- 9 As your appointed auditor I am required to conclude whether I am satisfied the Joint Committee (the Committee) has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.
- 10 Last year, we qualified the VFM conclusion due to weaknesses in risk management arrangements. We have noted that the Joint Committee's approach to risk management has been improved and the Committee is committed to further developing these arrangements through the development of operational risk registers for each of the museums. Last year, we also noted a small number of other areas which could be improved. These have been successfully addressed including establishment of an Audit Committee, which met for the first time in March 2007, establishing separate registers of interests for officers and members and developing an internal audit plan. However the Committee has not yet been able to fully update its service level agreements with Newcastle City Council and action is needed on this.
- 11 As a result of the improvements noted above I was able to give an unqualified VFM conclusion that the Joint Committee had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Financial position

- 12 The Committee continues to maintain robust budget management arrangements and spending during 2006/07 was managed within the original budget. The most recent budget monitoring report for 2007/08 indicated that spending was in line with expectations. At the close of the 2006/07 financial year the Joint Committee reserves increased by £236,000 to £1.54 million. This positive budget position will help the Committee meet the financial pressures it continues to face and fulfil its service objectives.

Audit of the accounts

- 13 I issued an unqualified opinion on the Joint Committee's accounts on 28 September 2007. Before giving my opinion, I reported to the Audit Committee and the Joint Committee on the issues arising from the 2006/07 audit.
- 14 The draft accounts were submitted on time and were supported by high quality and comprehensive working papers. Officers responded promptly to our queries and although there were some presentational changes required to the draft accounts, these were quickly addressed.
- 15 Robust arrangements meant that the Statement on Internal Control (SIC) was prepared in accordance with proper practice specified by CIPFA and was consistent with the findings of our audit work. Arrangements for preparing the SIC are supported by new developments including the new Audit Committee and more formalised internal audit arrangements.

Other work

Data quality

- 16 Public services need reliable, accurate and timely information to manage services, inform users and account for performance. Good quality data is the essential ingredient for reliable performance and financial information to support decision making. Financial and performance information used to account for activities, both internally and externally must be appropriate providing the required level of accuracy, reliability and consistency.
- 17 Our overview of the Committee's arrangements for securing data quality showed that appropriate arrangements are in place for monitoring the quality of performance information and reporting the results to members.

Your Business at Risk

- 18 Effective IT security is important to all organisations. We carried out an internet based survey developed by the Audit Commission to help public sector organisations focus on business risks associated with IT. Overall the survey showed that Committee staff understand IT security risks and that appropriate arrangements and controls are in place.
- 19 However, we identified some specific areas where improvements could be made in relation to fraud, data protection and awareness of the Committees IT security policy and supporting arrangements. There were areas where responses to the survey suggested that staff were not aware of existing arrangements.
 - Only 16 per cent of staff were aware of the Joint Committees anti fraud strategy.
 - Three quarters of respondents did not know that there is a data protection officer.
 - Fewer than one quarter of respondents were aware of the Joint Committees IT Security Policy.
- 20 We have agreed an Action Plan to address these issues and plan to run the survey again during 2007/08.

Closing remarks

- 21 The Letter has been discussed and agreed with the Director and Senior Manager (Corporate Affairs). The Letter has been presented to the Audit Committee on 8 November 2007 and has been distributed to all Committee members.
- 22 Further detailed findings, conclusions and recommendations on the areas covered by audit work are included in the reports issued to the Committee during the year.

Table 1 Reports issued

Report	Date of issue
Audit plan	May 2006
Your Business at Risk	May 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Annual audit letter	November 2007

- 23 Officers and Members of the Joint Committee have continued to take a positive and constructive approach to our audit work, and I wish to thank them for their support and cooperation.

Mrs Lynne Snowball
District Auditor

November 2007