

Annual Audit Letter

Tyne and Wear Museums Joint Committee

Audit 2007/08

November 2008



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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 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.
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Summary

Key messages

- I issued an unqualified opinion on Tyne and Wear Museums Joint Committee's accounts on 30 September 2008. The draft accounts were submitted on time and were supported by good quality working papers. I gave an unqualified value for money conclusion on the same day.
- Good arrangements were developed to prepare the new Annual Governance Statement.
- Robust budget management arrangements are in place and reserves increased to £1.94 million, which will help the Joint Committee meet the financial pressures it faces and deliver service objectives. The increase in reserves is held in earmarked balances for each district to support future revenue expenditure and project funding.

Purpose, responsibilities and scope

- 1 This Annual Audit Letter summarises the key issues arising from our work carried out during the year. I have addressed it to Members as it is the responsibility of the Joint Committee to ensure that arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.
- 2 The letter also communicates the significant issues to key external stakeholders, including members of the public and I will publish it on the Audit Commission website at www.audit-commission.gov.uk.
- 3 I have prepared this letter as required by the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.
- 4 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).
- 5 This letter summarises the significant issues arising from both of 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 Committee relating to the 2007/08 audit at the end of this letter.

Audit of the accounts

- 6 As your appointed auditor, I issued an unqualified opinion on the Joint Committee's accounts on 30 September 2008.
- 7 Before giving my opinion I reported to the Joint Committee on the issues arising from the 2007/08 audit.
- 8 The draft accounts were submitted on time and were supported by good quality working papers covering all necessary areas. Officers responded quickly to queries and requests for evidence for transactions tested. Amendments to the accounts were agreed and addressed promptly.
- 9 One material adjustment was made in the accounts. This adjustment, which did not affect the net expenditure position or the surplus for the year, related to an amount of £300k incorrectly included in the net cost of services. The amount properly related to 2008/09; a corresponding amount of £300k of grant income was incorrectly included in gross income.
- 10 This was the first year of the new Annual Governance Statement (AGS) which replaced the former Statement on Internal Control (SIC). The Joint Committee has responded well to the challenges of this new requirement, undertaking a robust review of its arrangements to support the statement and identifying a number of areas for continuing development. These included the introduction of a new Counter Fraud Policy to provide improved advice, information and support to officers and promote a consistent appropriate response to suspected fraud cases.
- 11 The Audit Committee has continued to develop its role, establishing a sub group which took a lead in reviewing corporate governance arrangements and on the production of the AGS.

Use of resources

Value for Money Conclusion

- 12 As your appointed auditor, I am required to conclude whether I am satisfied the Joint Committee has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the Value for Money conclusion.
- 13 I concluded that the Committee did have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- 14 The Committee has continued to build on the sound arrangements which were in place last year, with developments in several areas. In particular significant progress was made during the year in the ongoing development of risk management arrangements. A comprehensive Communications Strategy is being developed, to ensure that procedures are consistently good across all sites whilst permitting some flexibility for each site to tailor its communication approach to the needs and expectations of users in the most appropriate way.

Data Quality

- 15 As part of our work on the Value for Money Conclusion we assessed the Committee's arrangements for securing data quality. Appropriate arrangements are in place for monitoring the quality of performance information and reporting, although these are not drawn together in a single data quality policy. We have discussed this matter with the Senior Manager - Corporate Affairs and further discussions are ongoing within Tyne and Wear Museums as to the best way to provide an appropriate framework which reflects the organisation's commitment to data quality.
- 16 Recent developments, in national requirements and in funding arrangements, have led to some reduction in the number of performance indicators the Committee needs to report. The Committee has recognised that these data are nevertheless essential for the proper oversight of museums activities and will continue to collect and examine them. This is a positive sign that the Committee appreciates that good quality data are the essential basis for financial and performance information to support decision making.

Financial Position

- 17** The Committee continues to manage its budget well, with spending during 2007/08 in line with the original budget. At the close of the 2007/08 financial year the Committee had increased its reserves by £396,000 to £1.94 million. This will allow the Committee to continue to fulfil its service objectives in the face of financial pressures both sector-specific and in the wider economy. The increase in reserves is held in earmarked balances for each district to support future revenue expenditure and project funding. An example of this is the amount arising from the refund of NNDR for the Laing Art Gallery, a total of £480k, which is earmarked for the future development of the gallery.
- 18** The latest budget monitoring report, September 2008, indicates that the financial position in the current financial year is in line with expectations, and the Committee is on target to stay within its budget.

Closing remarks

- 19 I have discussed and agreed this letter with the Director and Senior Manager - Corporate Affairs. I will present this letter at the Joint Committee on 27 November 2008 and will provide copies to all Committee members.
- 20 Further detailed findings, conclusions and recommendations on the areas covered by our audit are included in the reports issued to the Joint Committee during the year.

Table 1 Reports issued

Report	Date of issue
Audit plan	April 2007
Report to those charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Annual audit letter	November 2008

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

Steve Nicklin
District Auditor
November 2008

The Audit Commission

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, covering the £180 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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