

Tyne & Wear Archives & Museums Joint Committee

Annual audit letter to the Members of the Joint
Committee for the year ended 31 March 2015

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The big picture

We are required to issue an annual audit letter to the Tyne & Wear Archives & Museums Joint Committee (the "Committee") following completion of our audit procedures for the year ended 31 March 2015. The letter is to be published on the Committee's website.

Below are the conclusions we have formed on the significant areas of the audit process.

The Committee's financial statements	We issued an unqualified opinion on the Committee's financial statements for the year ended 31 March 2015 on 28 September 2015.
Value for money conclusion	We issued an unmodified conclusion on the Committee's arrangements for securing value for money for the year ended 31 March 2015 on 28 September 2015.
Audit certificate	When our audit is complete we are required to certify the closure of the audit. The audit completion certificate was issued on 28 September 2015.

1. Purpose and responsibilities

Purpose of this letter

The purpose of this Annual Audit Letter (“Letter”) is to summarise the key issues arising from the work that we have carried out during the year.

We have addressed this Letter to the members of the Joint Committee (the Committee) as it is the responsibility of the members to ensure that proper arrangements are in place for the conduct of its business and that the Committee has relevant safeguards and properly accounted for public money.

The Letter will be published on the Public Sector Audit Appointments Limited website at www.psa.co.uk and should also be published on the Committee’s website.

Responsibilities of the appointed auditor and the Committee

Responsibilities of the appointed auditor

We were appointed as the Committee’s independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England for 2014/15.

As your appointed auditor, we are 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, we review and report on:

- the Committee’s financial statements; and
- whether the Committee has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion) in respect of its functions.

Note: 2014/15 is our final year as appointed auditors, with the Joint Committee being able to decide on their own audit arrangements going forward.

Responsibilities of the Committee

It is the responsibility of the Committee to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

As part of our procedures we have considered how the Committee has fulfilled these responsibilities.

2. Financial reporting

Key issues arising from the audit of the Committee's financial statements

We issued a separate report to the Audit Committee for the year ended 31 March 2015, which detailed the findings from our audit of the financial statements and the Committee's value for money arrangements. In that report we explained how we focused our work on areas which involve more complex accounting judgements and estimation. A summary of the significant risks identified as part of our audit is included below:

Significant audit risk	Conclusion
Revenue recognition	Grant income was a significant audit risk due to the requirement for management to consider each type of grant individually to consider appropriate treatment, and the associated judgement in relation to this. Our testing concluded that grant income recognition was appropriate.
Ring fencing of Local Authority funding	From our testing of a sample of expenditure and income received, we considered management's allocation of funding received from the local authorities to be appropriate. We did not consider management's estimates to be unreasonable nor did we identify any evidence of bias.
Management override of controls	We did not identify any material weaknesses in controls or any evidence of management override. We did not identify any improper use of accounting estimates or judgements.

We did not identify any significant issues arising from these areas and we consider management's judgements to be reasonable.

3. Value for Money

Background

Under the Audit Commission Code of Audit Practice, as appointed auditors, we are required to draw a conclusion regarding the organisation's arrangements to secure economy, efficiency and effectiveness of its use of resources (the value for money (VFM) conclusion).

Audit work completed to address the significant risk

In 2014/15 as set out in the Work Programme and Scales of Fees 2014/15: Local Government, the approach to local VFM audit work at specified bodies, including the Committee, is not based on criteria specified by the Commission. For 2014/15, auditors of these bodies continued to meet their VFM duty by:

- reviewing the Annual Governance Statement;
- reviewing the results of the work of the Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- undertaking other local risk-based work as appropriate, or any work mandated by the Commission.

Audit work completed

We have reviewed the Annual Governance Statement. We did not identify any work undertaken by other regulatory bodies or the need to undertake any local risk-based work. No additional work was mandated by the Commission.

No issues impacting our VFM conclusion were identified and we issued an unqualified conclusion.

Financial resilience

We considered the financial standing of the Committee as at 31 March 2015. We assessed this based on current and on-going expenditure demands, expected income levels and the current cash position of the Committee.

In the prior year South Tyneside Council notified TWAM that they would 'probably' leave the Joint Committee arrangement at the end of 2014/15. In the current year confirmation was received that they would remain part of the Joint Committee for 2015/16 and no formal notice has been provided that they will leave following this. The position and potential implications are kept under review by management.

Following the Government's comprehensive spending review and the extent of reduction in the funding settlement, and major changes in Government policy, the Committee continues to face severe financial pressures over the next few years but we have no specific concerns over the response to those challenges or the financial standing of the Committee.

5. Purpose of our report and responsibility statement

What we report

Our report is designed to help the Committee discharge its governance duties and includes:

- Results of our work on key audit judgements and our observations on the quality of your Financial Statements.
- Our value for money conclusion, based on work undertaken in response to our risk assessment and guidance issued by the Audit Commission in October 2014.
- Results of any other work undertaken in relation to our responsibilities and duties in line with the Audit Commission Act 1998 and Code of Audit Practice 2010.
- Any conclusion, opinion or comments expressed herein are provided within the context of our opinion on the financial statements and our conclusion on value for money as a whole, which was expressed in our auditors' report.

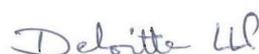
What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Committee.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by Officers or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

- 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 and in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.
- This report should be read alongside the supplementary "Briefing on audit matters" circulated to you previously.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP
Chartered Accountants

Newcastle
23 October 2015

This report has been prepared for the Joint Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Appendix 1: Independence and fees

Independence confirmation	We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
Non-audit services	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Committee's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of engagement leads and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	There are no other relationships with the Committee and its known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

	Current year £	Prior year £
Fees payable in respect of our work under the Code of Audit Practice in respect of the Committee's annual accounts and the value of money conclusion	14,564	14,564
Total fees payable in respect of our role as Appointed Auditor	14,564	14,564

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