

# **Portchester Crematorium Joint Committee**

## **Report to those charged with governance 2007/08**

**Report to the Joint Committee meeting of 29 September 2008**

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## **Statement of Responsibilities of Auditors and of Audited Bodies**

Our audit letters and reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies, issued by the Audit Commission.

Reports prepared by appointed auditors and addressed to Members or Officers are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or Officer in their individual capacity, or to any third party.

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# 1 Executive summary

## 1.1 Statement of Accounts

- 1.1.1 Our work on Portchester Crematorium Joint Committee's Statement of Accounts is now substantially complete and we expect to issue an unqualified audit opinion on 29 September 2008. If any further matters arise between the date of this report and the signing of the audit opinion that require to be reported to those charged with governance, we will communicate these directly to the Chairman of the Portchester Crematorium Joint Committee (referred to below as "the Joint Committee").

## 1.2 Use of resources

- 1.2.1 Our work on the Joint Committee's arrangements to secure economy, efficiency and effectiveness in its use of resources is in progress. Based on the audit work carried out so far, we expect to issue an unqualified value for money conclusion on 29 September 2008.

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## 2 Background to the report

### 2.1 Purpose of report

- 2.1.1 Mazars LLP are the external auditors appointed by the Audit Commission to undertake the audit of the Statement of Accounts of the Joint Committee for the financial year ended 31 March 2008. Our Audit Plan outlining the scope of our audit was presented to the Joint Committee in September 2007.
- 2.1.2 We are now in the process of completing our audit work and are required by the Audit Commission's statutory Code of Audit Practice for local government bodies (the Code) to issue a report to "those charged with governance" summarising the significant matters arising. The Joint Committee is considered to fulfil the role of those charged with governance and references to the Joint Committee in this report should be read as such.
- 2.1.3 We are also required by International Standard on Auditing (ISA) (UK & Ireland) 260: "Communication of audit matters with those charged with governance", to report certain matters before we give our opinion on the Statement of Accounts. Section 3 of this report, covering the Statement of Accounts, fulfils this requirement.

### 2.2 Scope of the report

- 2.2.1 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
- The Joint Committee's Statement of Accounts; and
  - Whether the Joint Committee has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2.2.2 This report covers the audit of the Joint Committee for the year ended 31 March 2008 and includes the significant findings, conclusions and recommendations arising from our work.

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## 3 Statement of Accounts

### 3.1 Respective responsibilities of the Joint Committee and the external auditors

3.1.1 The Statement of Accounts, which comprise the published accounts of the Joint Committee, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. It is the Joint Committee's responsibility to:

- Put in place systems of internal control to ensure the regularity and lawfulness of financial transactions;
- Maintain proper accounting records; and
- Prepare financial statements that present fairly the financial position of the Joint Committee and its expenditure and income.

3.1.2 The Joint Committee is also responsible for preparing and publishing an Annual Governance Statement with its financial statements.

3.1.3 In accordance with the Audit Commission Act 1998 and the Code, the external auditors are required to audit the financial statements and to provide an opinion on whether the Joint Committee has met its statutory and regulatory responsibilities.

### 3.2 Status of the audit

3.2.1 Our work on the Joint Committee's Statement of Accounts is substantially complete and we expect to issue our audit opinion on 29 September 2008. If any matters arise between the date of this report and the signing of the audit opinion that require to be reported to those charged with governance, we will communicate these directly to the Chairman of the Joint Committee.

### 3.3 Matters to be reported to those charged with governance

3.3.1 Under ISA 260, the auditor is required to communicate the following findings from the audit to those charged with governance:

- The auditor's views about the qualitative aspects of the Joint Committee's accounting practices and financial reporting;
  - The final draft of the representation letter that the auditor is requesting management to sign;
  - Uncorrected misstatements;
  - Expected modifications to the auditors' report;
  - Material weaknesses in internal control identified during the audit
  - Matters specifically required by other ISAs (UK and Ireland) to be communicated to those charged with governance; and
  - Any other audit matters of governance interest.
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3.3.2 The matters that we wish to draw to your attention are outlined below.

#### **Qualitative aspects of accounting practices and financial reporting**

3.3.3 In the course of our audit, we considered qualitative aspects of the financial reporting process. This included evaluation of the accounting statements and related notes to determine if they are relevant, reliable, comparable material and understandable. There are no matters that are required to be drawn to your attention.

#### **Letter of representation**

3.3.4 It is necessary for us to obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the accounting statements and related notes and as audit evidence on matters material to the financial statements. We have provided the Treasurer of the Joint Committee with a draft of the letter of representation. The text of which is included at Appendix A.

#### **Uncorrected misstatements**

3.3.5 We are required to report to you any uncorrected misstatements, other than those of a clearly trivial nature (trivial is defined as inconsequential, whether taken individually or in aggregate, either quantitatively or qualitatively). There were no such uncorrected misstatements in respect of the 2007/08 accounts.

#### **Expected modifications to the auditors' report**

3.3.6 We are required to report to you any proposed modifications to the auditors' report on the accounting statements and related notes to ensure that you are aware if the reasons for the modifications and have the opportunity to provide any further information and explanations in respect of the matter(s) giving rise to the modification. On the basis of our audit work, no matters have been identified that would require any modification to the audit opinion. Our proposed audit opinion is attached at Appendix B.

#### **Material weaknesses in internal control identified during the audit**

3.3.7 A material weakness in internal control is defined in ISA 260 as a deficiency in design or operation which could adversely affect the entity's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements'.

3.3.8 We do not, however, normally report information to you concerning a material weakness you know about and have taken appropriate action to correct, unless the weakness is symptomatic of broader weaknesses in the overall control environment and there is a risk that other material weaknesses may occur.

3.3.9 Our audit did not identify any material weaknesses in internal control which require to be reported to those charged with governance. You should be aware that we do not provide a comprehensive statement of all weaknesses which may exist in internal controls or all improvements which may be made, but have addressed only those matters which have come to our attention as a result of audit procedures we have performed.

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**Matters specifically required by other ISAs to be communicated**

**3.3.10** Other auditing standards require us to communicate with those charged with governance in a number of specific circumstances, for example:

- Where we suspect or detect fraud;
- Where there is inconsistency between the financial statements and other information in documents contained in the financial statements; and
- Where we believe there may be non-compliance with legislative or regulatory requirements.

**3.3.11** There are no such matters that we require to report to you in relation to this year's audit.

**Any other audit matters of governance interest**

**3.3.12** There are no other matters arising from our audit work which we feel are of governance interest.

**3.4 Action required by those charged with governance**

**3.4.1** We are drawing the above matters to the attention of those charged with governance so that:

- you can consider them before the audit opinion is signed; and
- the letter of representation can be approved for signing on behalf of the Joint Committee by the Treasurer before we issue our audit opinion.

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## 4 Use of resources

### 4.1 Respective responsibilities of the Joint Committee and external auditor

- 4.1.1 It is the responsibility of the Joint Committee to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.
- 4.1.2 The Code requires the external auditors to reach a conclusion on whether we are satisfied that the Joint Committee has proper arrangements in place (the value for money conclusion). In meeting this responsibility, we review evidence that is relevant to the Joint Committee's corporate performance management and financial management arrangements.
- 4.1.3 Our work in reaching the value for money conclusion is integrated with our work on use of resources. Use of resources is a qualitative assessment of the Joint Committee's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are:
- financial reporting;
  - financial management;
  - financial standing;
  - internal control; and
  - value for money.

### 4.2 Status of the audit

#### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

- 4.2.1 On the basis of our audit work, we propose to issue a report that, in all significant respects, the Joint Committee has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008. Our draft value for money conclusion is attached at Appendix B.

#### **Other matters arising from our audit work in relation to the use of resources**

- 4.2.2 There are no matters which we wish to draw to the attention of those charged with governance.

### 4.3 Action required by those charged with governance

- 4.3.1 The Joint Committee is requested to note the above findings. There are no matters that require specific action.



## 5 Other matters

### 5.1 Integrity, objectivity and independence

5.1.1 As part of our communication with those charged with governance, ISA (UK and Ireland) 260 and the Auditing Practices Board Ethical Standard 1 require us to communicate the following matters:

- the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Joint Committee, Committee Members and the auditor;
- any safeguards adopted and the reasons why they are considered to be effective;
- any independent partner review;
- the overall assessment of threats and safeguards; and
- information about the general policies and processes for maintaining objectivity and independence.

5.1.2 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards. Details of our arrangements in relation to independence and objectivity are included, each year, in the Audit & Inspection Plan.

### 5.2 Fee information

5.2.1 The fee for the 2007/08 audit is in accordance with the budget outlined in the Audit & Inspection Plan.

Audit area	Budget 2007/08 £	Actual 2007/08 £
Accounts	4,150	4,150
Use of Resources including data quality	600	600
<b>Total audit fee</b>	<b>4,750</b>	<b>4,750</b>

### 5.3 Acknowledgements

5.3.1 During the course of the year, we have received considerable support and assistance from the Joint Committee's employees. We would like to take this opportunity to thank them for the time they have made available to help us complete our work and for the positive and constructive approach to the audit.

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## Appendix A

### Draft letter of representation

Mazars LLP  
Regency House  
3 Grosvenor Square  
Southampton  
Hampshire  
SO15 2BE

Dear Sirs

#### **Portchester Crematorium Joint Committee – audit for year ended 31 March 2008**

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of other Officers of the Joint Committee, the following representations given to you in connection with your audit of the Joint Committee 's statement of accounts for the year ended 31 March 2008.

I confirm that the following representations are made on the basis of enquiries by management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

#### **Responsibility for the financial statements and accounting information**

I acknowledge, as the responsible finance officer for the Joint Committee, my responsibility for preparing a Statement of Accounts that presents fairly the state of affairs, income and expenditure, total recognised gains and losses and cash flows of the Joint Committee for the year ended 31 March 2008. All the accounting records have been made available to you for the purpose of your audit and all the transactions of the Joint Committee have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and Joint Committee meetings have been made available to you.

#### **Responsibility to disclose relevant information**

I confirm that I have taken all the necessary steps to make myself aware, as responsible financial officer, of any relevant audit information and to establish that you as auditors are aware of the information.

As far as I am aware, there is no relevant audit information of which, as the Joint Committee's auditors, you are unaware.

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## Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Financial Reporting Standard 18 and consider them appropriate for the year.

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- i. information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- ii. the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Joint Committee have been brought to your attention.

## Charges on assets

All the Joint Committee's assets are free from any charges exercisable by third parties except as disclosed within the Statement of Accounts.

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve actual or possible non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

There have been no frauds or irregularities involving Committee Members, management or employees who have significant roles in the accounting system and internal control structure and which could have a material effect on the Statement of Accounts.

The Joint Committee has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## Fraud

I acknowledge my responsibility as the responsible financial officer for the Joint Committee, for the design and implementation of systems of internal control to prevent and detect fraud. We have disclosed to you:

- all the results of our assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
  - there were no cases of fraud or suspected fraud affecting the Joint Committee involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and
    - others where fraud could have a material effect on the statement of accounts.
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We have made known to you all knowledge of any allegations of fraud, or suspected fraud, affecting the Joint Committee 's Statement of Accounts communicated by employees, former employees, regulators or others.

**Related party transactions**

All transactions and balances with related or associated parties, including sales, purchases, loans, transfers, leasing arrangements and guarantees have been made available to you and have, where material and appropriate for presentation purposes, been disclosed in the accounts.

**Future commitments**

The Joint Committee has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Post balance sheet events**

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. Should further material events occur, which may necessitate revision of the figures included in the statement of accounts or inclusion of a note thereto, I will advise you accordingly.

**Going concern**

To the best of my knowledge there is nothing to indicate that the Joint Committee will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the going concern basis is not less than twelve months from the date of approval of the accounts.

**Uncorrected misstatements**

I am not aware of any uncorrected misstatements, other than those which are 'clearly trivial', which require amendment to the Statement of Accounts.

Yours faithfully

**A Wannell**  
Treasurer

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## Appendix B

### Independent auditors' report to the Members of Portchester Crematorium Joint Committee

#### Opinion on the financial statements

We have audited the accounting statements and related notes of Portchester Crematorium Joint Committee for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the 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 Portchester Crematorium Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Portchester Crematorium Joint Committee and the Portchester Crematorium Joint Committee's Members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Portchester Crematorium Joint Committee and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Portchester Crematorium Joint Committee's corporate governance procedures or its risk and control procedures

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We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our 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 Portchester Crematorium Joint Committee in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Portchester Crematorium Joint Committee's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us 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 our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

## **Opinion**

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Portchester Crematorium Joint Committee as at 31 March 2008 and its income and expenditure for the year then ended.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Portchester Crematorium Joint Committee's Responsibilities***

The Portchester Crematorium 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.

### ***Auditors' Responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Portchester Crematorium Joint Committee for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other

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local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the Portchester Crematorium Joint Committee has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Portchester Crematorium Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, the Portchester Crematorium Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### **Certificate**

We certify that we 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.

### **Mazars LLP**

Chartered Accountants and Registered Auditors