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# Annual Governance Report

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Portchester Crematorium Joint Committee  
Audit 2008/09

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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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Ladies and Gentlemen

**2008/09 Annual Governance Report**

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements;
- 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

Yours faithfully

Name  
District Auditor  
Date

# Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

<b>Financial Statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	6
Financial statements free from error	Yes	6
Adequate internal control environment	Yes	7
<b>Use of resources</b>	<b>Results</b>	<b>Page</b>
Arrangements to secure value for money	Yes	8

## Audit opinion

- 1 The work on Portchester Crematorium Joint Committee's Statement of Accounts is now substantially complete and I have not identified any material unadjusted errors. I expect to issue an unqualified audit opinion by 30 September 2009. 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, I will communicate these directly to the Chairman of the Audit Committee.

## Financial statements

- 2 The Joint Committee has prepared a good set of financial statements supported by comprehensive working papers. The Joint Committee has dealt well with complex accounting issues surrounding accounting for fixed assets and FRS17 reporting, including the distinction between funded and unfunded benefits.
- 3 During our audit we did highlight a small number of errors which have been duly adjusted, these are shown in the appendices to this report.

## Key messages

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### Use of resources

- 4 The work on the Joint Committee's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. Based on our audit work, we expect to issue an unqualified value or money conclusion by 30 September 2009.
- 5 Overall the Joint Committee is performing well. It generally exceeds the minimum requirements set out in the Audit Commission's Use of Resources guidance, and there is evidence of good outcomes for staff and stakeholders.

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# 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.**

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**6** I ask the Joint Committee to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- take note of the VFM Conclusion; and
- approve the letter of representation on behalf of the Joint Committee before I issue my opinion and conclusion (Appendix 3);

# 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 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.

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## Opinion on the financial statements

- 7 I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

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## Errors in the financial statements

- 8 **Depreciation.** An adjustment of £800 was required to decrease the charge for the year and to increase the Net Book Value of fixed assets as depreciation had been calculated incorrectly.

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## Audit Fees

- 9 I am satisfied that the original fee estimate for the opinion stage was appropriate and no adjustment is therefore required to the fee at this stage. However, I will keep the fee under review as the audit draws to a close. If I need to amend the fee subsequently, I will first discuss it with you.

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## Letter of representation

- 10 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

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## Key areas of judgement and audit risk

- 11 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

**Table 1** Key areas of judgement and audit risk

Issue or risk	Finding
In previous years fixed assets have not been accounted for correctly and there is therefore a risk this year that they may not be accounted for correctly given the likelihood for downward revaluations/impairments	We have concluded that after adjustments have been made fixed assets there are no material errors in accounting for fixed assets.
During the current financial year, the buildings have not been revalued. This includes the crematorium. The last review was carried out in 2005/06. Given the current market conditions, this may result in fixed assets being materially overstated	Buildings were last valued in 2005/06. There was no revaluation adjustment made to the accounts in this period as the movement from the prior period was not material. Per the report prepared by Gerald Eve on behalf of the Audit Commission, the property market was at its lowest in 2004. In 2005/06 the net book value of buildings was £3.16m. In 2008/09 the NBV of buildings was £3.04m. There have been no disposals since the last time assets were revalued. Given the specialist nature of the building and the assets not having been revalued upwards in 2005/06 we are satisfied that the asset is not materially impaired.

**Accounting practice and financial reporting**

I consider the qualitative aspects of your financial reporting and have not identified any significant issues to raise with you.



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## Value for money conclusion

- 12** I am required to conclude whether the Joint Committee put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.
- 13** I assess 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 will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 5.
- 14** I intend to issue an unqualified conclusion stating that the Joint Committee had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

# Appendix 1 – Independent auditor’s report to Members of Portchester Crematorium Joint Committee

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## **Opinion on the financial statements**

I have audited the Joint Committee accounting statements and related notes of Portchester Crematorium Joint Committee for the year ended 31 March 2009 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 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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## ***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 Code of Practice on Local Authority Accounting in the United Kingdom 2008 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 present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 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

## Appendix 1 – Independent auditor’s report to Members of Portchester Crematorium Joint Committee

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 and the financial information included in the Annual Report. 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.

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### ***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.

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### ***Opinion***

In my opinion the Joint Committee’s financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Joint Committee as at 31 March 2009 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 specified by the Audit Commission for principal local authorities. 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.

### ***Conclusion***

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Portchester Crematorium Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

### ***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.

Patrick Jarvis

(Officer of the Audit Commission)

Collins House, Bishopstoke Road, Eastleigh.

Xx September 2009

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# Appendix 2 – Adjusted amendments to the accounts

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The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

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**Table 2**

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £s	Cr £s	Dr £s	Cr £s
Depreciation	Depreciation had been incorrectly calculated		800	800	

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# Appendix 3 – Draft letter of representation

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## **Portchester Crematorium Joint Committee- Audit for the year ended 31 March 2009**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers and directors of Portchester Crematorium Joint Committee, the following representations given to you in connection with your audit of the Joint Committee's financial statements for the year ended 31 March 2009.

### **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 present fairly 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 the Joint Committee have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all the Joint Committee's 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 employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees or Members 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:

## Appendix 3 – Draft letter of representation

- my knowledge of fraud, or suspected fraud, involving either management, employees 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 employees, former employees, 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 arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements, including:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to the fair value measurement.

### Group entities

I can confirm that my review of our relationships with other organisations has not identified any group relationships for accounting purposes.

### Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in notes to the financial statements we have no other lines of credit arrangements.

**Contingent liabilities**

There are no contingent liabilities that should be accrued for. In particular:

- there is no significant pending or threatened litigation;
- there are no material commitments or contractual issues; and
- no financial guarantees have been given to third parties.

**Related party transactions**

I confirm the completeness of the information provided 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 Members of the Joint Committee, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Joint Committee 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 Portchester Crematorium Joint Committee**



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# Appendix 4 – Use of resources key findings and conclusions

The following tables summarise the key finding and conclusions for each of the three use of resources themes.

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**Table 3 Managing finances**

<b>KLOE 1.2 (understanding costs and achieving efficiencies)</b>	
Key findings and conclusions	
<p>The Joint Committee has a Revenue Budget for 2008/09 as well as revised budget for 07/08 were approved on 3 Dec 07. The report shows awareness for risks to future revenue due to declining mortality rates.</p> <p>The body has a formal financial management system which includes comprehensive budgeting, regular reviews of monthly financial reports which are then compared to forecasts and transaction monitoring of transactions and income levels.</p> <p>Budgets are monitored by Finance staff on a weekly basis with any arising concerns being escalated to the appropriate officer. The Treasurer is provided with budgetary control information on a monthly basis with respect of capital and revenue expenditure. The budgetary responsibilities of the Joint Committee and the appointed officers are well-defined.</p>	
<b>KLOE 1.3 (financial reporting)</b>	

Key findings and conclusions	
<p>The Joint Committee provides the most recent accounts (07/08) including the audit letter on its website. The Joint Committee also provides a preliminary revenue budget on 3 December 2007. This presents a proposed budget for 08/09 and offers a revised budget for 07/08 providing evidence of effective budget monitoring and forecasting.</p> <p>The Joint Committee discusses, every quarter, key non-financial information including the trend in the number of cremations compared to prior years. This is used to inform their budget forecasts.</p> <p>The Joint Committee facilitated an efficient audit by providing working papers of a suitable standard. There were also minimal adjustments required to the accounts.</p>	

**Table 4 Governing the business**

<b>KLOE 2.3 (good governance)</b>	
Key findings and conclusions	
<p>Portchester Crematorium is managed by a Joint Committee of eight councillors, two from each of the constituent authorities of Fareham, Gosport, Havant and Portsmouth. The different roles and responsibilities are defined in the Memorandum of Agreement dated 23 November 2006.</p> <p>As of 2 March 2009 the Joint Committee approved a Whistleblowing Policy. Before, the elected councillors from each of the four local authorities would bring their own protocols, however it was decided in the Annual Governance Statement for</p>	

## Appendix 4 – Use of resources key findings and conclusions

07/08 that the body would benefit from a more tailored policy, specific to the nature of the organisation. The policy outlines the importance of investigating any concerns raised, with the option of referring to external agencies where appropriate. It clearly outlines how a concern can be raised, how it would be handled and how anonymity is protected.

### **KLOE 2.4 (risk management and internal control)**

#### Key findings and conclusions

The Joint Committee introduced formal and comprehensive risk arrangements in 2006 including a set of strategic and operational risk registers. These are periodically reviewed by the Officers including an exercise to identify new risks. The Joint Committee reviews the risk management arrangements in place and proposes new strategic risks to be added to the register. Review of the existing operational risks has found one risk, relating to potential capacity, that requires closer attention.

The Annual Governance Statement 07/08 proposed the need for a Counter-fraud and Corruption Policy and one was therefore produced in 2008/09. The Policy outlines the Joint Committee's resources for identifying fraud and corruption, including fraud awareness training. It encourages whistleblowing in-line with the Whistleblowing Policy. The policy also is very clear on the varying levels of responsibility of different parties, and details procedures of how investigations are to be handled. This document is to be reviewed annually with performance reported to the Joint Committee.

# The Audit Commission

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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.

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## Copies of this report

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