

Annual Audit Letter

Tyne and Wear Integrated Transport Authority
Audit 2009/10

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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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (page 3); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 4 to 5).**

I have included only significant recommendations in this report. The Authority has accepted these recommendations.

Audit opinion and financial statements

1 I gave an unqualified opinion on the financial statements on 23 September 2010.

Value for money

2 I gave an unqualified conclusion on 23 September 2010 stating that the Authority had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Current and future challenges

3 The Authority is reasonably well placed to meet the challenges it faces. However, the pressures on public spending are so great that Members will inevitably be faced with difficult choices about future services

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.

I gave an unqualified opinion on the Authority's 2009/10 financial statements on 23 September 2010.

Overall conclusion from the audit

4 I gave an unqualified opinion on the financial statements on 23 September 2010, well within the statutory deadline.

5 The draft statements presented for audit contained a number of minor errors and inconsistencies. All those identified have been corrected by management.

6 When the 2009/10 draft accounts were prepared, officers expressed concern regarding the accuracy of some of the assumptions used by the Actuary in compiling their FRS17 financial estimates. The Deputy Clerk and Treasurer requested the Actuary to revise their figures based on more reasonable assumptions. These figures were supplied and the accounts adjusted, resulting in a decrease in the Pensions Liability and Pensions Reserve of £1.19 million. Various other disclosures were also affected as a result of this adjustment.

Significant weaknesses in internal control

1 I did not identify any significant weaknesses in your internal control arrangements.

Recommendation

R1 Continue to build on the quality assurance approach already in place.

Value for money

I considered whether the Authority is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

VFM conclusion

2 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

3 This is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Risk management and internal control	Yes
Managing resources	
Natural Resources	Yes

4 I issued an unqualified conclusion on 23 September 2010 stating that the Authority had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

- 5 A Medium Term Financial Strategy (MTFS) was in place which was clearly linked to the Authority's objectives. In addition the MTFS identified how resources were directed towards achieving objectives.
- 6 As part of the budget monitoring process, officers identified areas of high spend. These areas were then subject to review and scrutiny, and action taken to address them. The Authority identified and pursued opportunities to reduce costs or improve quality within existing costs wherever possible.
- 7 The 2009/10 accounts complied with statutory requirements and an unqualified audit report was issued.
- 8 Robust financial plans were in place to support the delivery of the New Tyne Crossing.
- 9 An effective and appropriately challenging Standards and Audit Committee, with a detailed work programme, was in place. This Committee carried out the role and function of an Audit Committee.
- 10 An up to date Risk Management Framework was in place. Risk Management is included within the terms of reference of the Standards and Audit Committee, which received regular reports on this matter.
- 11 The Authority had a Fraud and Corruption Policy Statement which is available from the website.
- 12 The Authority signed up to the Nottingham declaration on Climate Change in September 2009.

Recommendation

- R2** Work with key partners to ensure that the Authority continues to reduce its use of natural resources and environmental impact.
-

Current and future challenges

13 The Authority is reasonably well placed to meet the future challenges. However, the pressures on public spending are so great that the Authority will inevitably be faced with difficult choices in relation to future services. Audit work may likely focus on financial resilience and the way in which the Authority balances the delivery of any reductions in its spending with the maintenance of effective service provision.

Future developments

14 International Financial Reporting Standards (IFRS) were introduced from 1 April 2010. This means that the Authority is required to prepare full IFRS-compliant financial statements under the new Code of Practice on Local Authority Accounting for 2010/11 by 30 June 2011. Officers are making progress in this area; however, there is a need to build on this in order to ensure the Authority meets the requirement by the statutory financial reporting deadline.

Recommendation

R3 Ensure that IFRS-compliant accounts for 2010/11 are prepared by the 30 June 2011.

Closing remarks

15 I have discussed and agreed this letter with the Deputy Clerk and Treasurer. I will present this letter at the Authority meeting on 25 November 2010 and will provide copies to all Authority members.

16 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Authority during the year.

Report	Date issued
Audit Plan	June 2009
Audit Progress Report	June 2009, September 2009, January 2010, April 2010, June 2010.
Opinion Audit Plan	April 2010
Annual Governance Report	September 2010

17 This is my final annual letter to the Authority. From 2010/11 the Authority's audit will be undertaken by Deloitte. The Authority has taken a positive and constructive approach to our audit. I wish to thank Authority staff for their support and co-operation during the 2009/10 audit and in previous years.

Steve Nicklin
District Auditor

October 2010

Appendix 1 – Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	37,600	37,600	Nil
Value for money	9,000	9,000	Nil
Total audit fees	46,600	46,600	Nil
Non-audit work	Nil	Nil	Nil
Total	46,600	46,600	Nil

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

Appendix 3 - Action Plan

Recommendations

Recommendation 1

Continue to build on the quality assurance approach already in place.

Responsibility

Priority 2

Date

Comments

Recommendation 2

Work with key partners to ensure that the Authority continues to reduce its use of natural resources and environmental impact.

Responsibility

Priority 2

Date

Comments

Recommendation 3

Ensure that IFRS-compliant accounts for 2010/11 are prepared by the 30 June 2011.

Responsibility

Priority 2

Date

Comments

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