

# **SOUTH THAMES GATEWAY BUILDING CONTROL JOINT COMMITTEE**

**25 SEPTEMBER 2008**

## **APPOINTMENT OF AUDITOR AND STATEMENT OF ACCOUNTS 2007 – 2008**

Report from: Mick Hayward, Treasurer to the Joint Committee

### **Summary**

The report addresses the requirement for the Joint Committee to appoint an external auditor and to approve the draft statement of accounts for the first six months of operation, October 2007 – March 2008.

### **1. Budget and Policy Framework**

- 1.1 The Memorandum of Agreement (MoA) requires that an auditor appointed by the Audit Commission shall audit the accounts of the Partnership. This accords with Section 2 of the Audit Commission Act 1998, which requires the Commission to appoint an external auditor for a joint committee of two or more authorities.
- 1.2 The MoA further provides for the accounts of the Partnership to be reported to the Joint Committee and the meeting on 10 June noted a provisional surplus of £18,720 for the initial six months of trading from 1 October 2007 to 31 March 2008. However, the Accounts and Audit Regulations 2003 require formal statements to be approved by the Joint Committee and these are provided at Appendix 1 to this report.

### **2. External Auditor**

- 2.1 In the interests of efficiency and to avoid duplication of effort it is normal practice for the Audit Commission to appoint the auditor of the lead financial authority. The external auditor for Medway Council is currently PKF (UK) and they will be appointed as the external auditor unless the Joint Committee makes representations to the contrary.

### **3. Statement of Accounts**

- 3.1 In view of the turnover for 2007/2008 the draft Partnership accounts are presented in an abridged format. For future years the statements will be far more extensive in order to be fully SORP (Statement of

Recommended Practice) compliant. The sections within Appendix 1 are as follows:-

### 3.1.1 *Section 1 – Statement of Account*

As previously noted, the Partnership reported a trading surplus of £18,720 to the previous meeting of the Joint Committee. This statement reports a revised surplus of £16,761 for 2007/2008 reflecting the following further adjustments:-

- a balance of £18,041 remained unspent from contributions made towards set up costs.
- Provision of £3,000 has been made for audit fees
- A bad debt provision of £17,000 has been established

In accordance with the MoA the retained surplus of £16,761 as at 31/3/2008 is held pending allocation in the Business Plan.

### 3.1.2 *Section 2 – Governance Statement*

This section summarises the expectation on the Joint Committee in the way it manages the Partnership.

### 3.1.3 *Section 3 – External auditor’s certificate and opinion*

To be completed in due course by the external auditor with issues reported back to the Joint Committee.

### 3.1.4 *Section 4 – Annual Internal Audit Report*

The accounts of the Partnership are currently hosted by Medway Council and maintained on Medway’s financial systems. As such there was no bespoke internal audit of the Partnership in 2007/2008 but the Chief Internal Auditor is able to provide the necessary certification on the basis of work undertaken on Medway’s systems.

3.2 Further detail of the 2007/2008 accounts (Income/Expenditure & Balance Sheet), although not required for the statutory return, is provided for information at Appendix 2 along with an analysis of trading activity as required by the Building (Local Authority Charges) Regulations 1998.

## **4. Contributions to implementation**

4.1 Prior to 1 October 2007, Gravesham and Swale contributed funding of £192,730 and £94,873 respectively towards STG set up costs whilst Medway provided officer support valued at £22,063. The MoA provided that the Joint Committee should identify a means of reducing the budgetary contributions of the Councils’ to offset these advances. This has not happened.

4.2 At the present time the Partnership has two work streams:-

- work undertaken on behalf of the constituent authorities in execution of statutory duties or powers. This is calculated at 23% of

total cost and is reimbursed by the constituent authorities in agreed proportions (Medway 53%, Swale 27% and Gravesham 20%).

- chargeable work, covered by fees and charges, in respect of which any surpluses must be ring fenced for reinvestment in the building control service. In theory the Joint Committee could determine, via its Business Plan, to distribute these surpluses back to the constituent authorities, but they would remain ring-fenced.

- 4.3 A potential solution, to address the aspiration outlined in 4.1 above, would be if the Partnership were to generate non ring-fenced surpluses in the future through the provision of consultancy services. At this stage it is suggested that the Joint Committee agree in principle that the first call on any such surpluses would be to repay the contributions outlined in 4.1 above.

## **5. Financial Implications**

- 5.1 These are contained in the body of this report.

## **6. Legal Implications**

- 6.1 There is a legal requirement for the Joint Committee to appoint an external auditor and to approve the draft Statement of Accounts.

## **7. Recommendations**

- 7.1 That the Joint Committee approve
- the appointment of PKF (UK) as its external auditor
  - the Statement of Accounts as presented
  - that the advances for the set up of the Partnership be the first call on any future surpluses achieved through the provision of consultancy services.



**SOUTH THAMES GATEWAY  
(STG)  
BUILDING CONTROL  
PARTNERSHIP**

**ANNUAL RETURN  
2007/08**

GRAVESHAM BOROUGH COUNCIL AND MEDWAY COUNCIL AND  
SWALE BOROUGH COUNCIL

Section 1 – Statement of accounts

SOUTH THAMES GATEWAY BUILDING CONTROL PARTNERSHIP

	Year ending	
	31 March 2007 £000's	31 March 2008 £000's
<b>Balances brought forward</b>	<b>0</b>	<b>0</b>
Contributions from constituent authorities	0	(180)
Total other receipts	0	(549)
Staff costs	0	639
Total other payments	0	73
<b>Balances carried forward</b>	<b>0</b>	<b>(17)</b>
Total cash and short term investments (see note)	0	0
Total fixed / long term assets	0	0
Total borrowings	0	0

*Note:- The Partnership's accounts are hosted by Medway Council and as such the Partnership does not have its own cash / bank balances. At 31 March 2008 the Partnership owed the Council £79,000 in respect of its notional cash balance.*

<p>I certify that the statement of accounts contained in this annual return presents fairly the financial position of the Partnership and its income and expenditure , or properly presents receipts and payments, as the case may be, for the year ended 31 March 2008.</p> <p>Signed by the Responsible Financial Officer</p> <p>.....</p> <p>Date .....</p>	<p>I confirm that these accounts were approved by the Partnership Joint Committee and recorded as minute reference .....</p> <p>Date .....</p> <p>Signed by Chair of meeting approving Partnerships accounts</p> <p>.....</p> <p>Date .....</p>
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## Section 2 – Annual governance statement

We acknowledge, as the members of STG Building Control Joint Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the statement of accounts. We confirm, to the best of our knowledge and belief, with respect to the partnership's statement of accounts that

- We have approved the statement of accounts, which has been prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practice.
- We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.
- We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice which could have a significant financial effect on the ability of the Partnership to conduct its business or on its finances.
- We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.
- We have carried out an assessment of the risks facing the Partnership and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.
- We have maintained throughout the year an adequate and effective system of internal audit of the Partnership's accounting records and control systems and carried out a review of its effectiveness.
- We have taken appropriate action on all matters raised in reports from internal and external audit.
- We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Partnership and, where appropriate, have included them in the statement of accounts.

This annual governance statement is approved by the joint committee and recorded as minute reference ..... Dated .....

Signed on behalf of the Partnership Joint Committee

Signed by ..... (Chair) Date .....

Signed by..... (Clerk) Date.....

### Section 3 – External auditor’s certificate and opinion

#### CERTIFICATE

We certify that we have completed the audit of the annual return for the year ended 31 March 2008 of

SOUTH THAMES GATEWAY BUILDING CONTROL PARTNERSHIP

#### **Respective responsibilities of the Partnership and the auditor**

The Partnership is responsible for the preparation of the accounts in accordance with the requirements of the Accounts and Audit Regulations and for the preparation of an annual return which:

- Summarises the Partnership’s accounting records for the year ended 31 March 2008; and
- Confirms and provides assurance on those matters that are important to our audit responsibility.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

#### **External Auditor’s Report**

(Except for the matters reported below) on the basis of our review, in our opinion the information contained in the annual return is in accordance with the Audit Commission’s requirements and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (\*delete as appropriate)

Other matters not affecting our opinion which we draw to the attention of the Joint Committee

External Auditor’s signature .....

External Auditor’s name.....

Date.....

Note: The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further

information please refer to the Audit Commission's publication entitled Statement of Responsibilities of Auditors and of Audited Small Bodies.

## Section 4 – Annual internal audit report

**Note** - *The accounts of the Partnership are currently hosted by Medway Council and maintained on Medway's financial systems. As such the head of internal audit is able to provide the necessary certification on the basis of work undertaken on Medway's systems.*

The Council's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2008.

Internal audit has been carried out in accordance with the Council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and, opposite, are the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

	Agreed? Yes / No / Not covered
Appropriate books of account have been properly kept throughout the year	Covered by external audit in their Medway Council 2007/08 accounts audit
The council's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for	Agreed – Covered by Medway Council creditors audit.
The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	Agreed – Covered by Medway Council risk management audit.
Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for	Not covered in 2007/08
Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for	Not covered in 2007/08
Salaries to employees and allowances to members were paid in accordance with approvals and PAYE and NI requirements properly applied	Agreed – Covered by Medway Council payroll audit.
Asset and investment registers were complete and accurate and properly maintained	Agreed – Covered by Medway Council Treasury Management audit.
Periodic and year end bank reconciliations were properly carried out	Not covered in 2007/08
Year end accounts were prepared on the correct accounting basis (receipts and payments, income and expenditure), agreed with cash book, were supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded	Covered by external audit in their Medway Council 2007/08 accounts audit

Name of person who carried out the internal audit

Signature

R Humphrey

Date: 16 September 2008



**STG BUILDING CONTROL****INCOME & EXPENDITURE ACCOUNT**

<b>2006/07</b>		<b>2007/08</b>
<b>£'000</b>		<b>£'000</b>
0	Expenditure	712
0	Fee Income	(549)
<u>0</u>	Net Cost Of Service	<u>163</u>
0	Contributions from constituent authorities	(162)
<u>0</u>	Net Operating Expenditure	<u>1</u>
<u>0</u>	<b>Deficit/(Surplus) for the Year</b>	<u><b>1</b></u>

**MOVEMENT ON GENERAL RESERVE**

<b>2006/07</b>		<b>2007/08</b>
<b>£'000</b>		<b>£'000</b>
0	Balance brought forward	0
0	Set up costs unspent	(18)
<u>0</u>	(Surplus)/Deficit for the year	<u>1</u>
<u>0</u>	<b>Balance carried forward</b>	<u><b>(17)</b></u>

**BALANCE SHEET**

<b>31 March 2007</b>		<b>31 March 2008</b>
<b>£'000</b>		<b>£'000</b>
0	Current Assets	
	Debtors	127
0	Current Liabilities	
0	Creditors	(31)
0	Creditor - Accountable Body	(79)
<u>0</u>	<b>Total Assets less Liabilities</b>	<u><b>17</b></u>
<u>0</u>	Financed by:	
<u>0</u>	<b>General reserve</b>	<u><b>(17)</b></u>



**STG BUILDING CONTROL****TRADING ACCOUNT 1 OCTOBER 2007 - 31 MARCH 2008**

	FEE EARNING				NON FEE EARNING				TOTAL			
	Medway Share £000s	Swale Share £000s	Gravesham Share £000s	Total £000s	Medway Share £000s	Swale Share £000s	Gravesham Share £000s	Total £000s	Medway Share £000s	Swale Share £000s	Gravesham Share £000s	Total £000s
<b>TRADING ACCOUNT</b>												
Staff	262	133	99	494	77	39	29	145	339	172	128	639
Transport	14	7	5	26	4	2	2	8	18	9	7	34
Support Services	4	2	1	7	1	1	0	2	5	3	1	9
Other Supplies & Services	12	6	5	23	4	2	1	7	16	8	6	30
Total Expenditure	292	148	110	550	86	44	32	162	378	192	142	712
Contribution from Authorities	0	0	0	0	(86)	(44)	(32)	(162)	(86)	(44)	(32)	(162)
Fees & Charges	(291)	(148)	(110)	(549)	0	0	0	0	(291)	(148)	(110)	(549)
Total Income	(291)	(148)	(110)	(549)	(86)	(44)	(32)	(162)	(377)	(192)	(142)	(711)
(Surplus) / Deficit	1	0	0	1	0	0	0	0	1	0	0	1