

SOUTH THAMES GATEWAY BUILDING CONTROL JOINT COMMITTEE

14 JUNE 2012

FINAL OUTTURN AND STATEMENT OF ACCOUNTS 2011 – 2012 AND APPOINTMENT OF EXTERNAL AUDITOR

Report from: Mick Hayward, S151 Officer to the South Thames Gateway Building Control Partnership

Summary

The report addresses the requirement for the Joint Committee to approve the draft statement of accounts for the 2011- 2012 financial year and to appoint an external auditor.

1. Budget and Policy Framework

1.1 The Memorandum of Agreement and 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. Final Outturn 2011-2012

2.1 The budget for 2011-12 was set at achieving a surplus of £43,070. However, Joint Committee, on 22 March 2012, agreed to allocate up to £40,000 of any surplus towards replacement of IT software. An outturn surplus of £37,893.70 has now been established and transferred to the IT reserve.

2.2 Table 1 below provides further detail of the outturn and resultant partner contributions.

Table 1

STG OUTTURN v BUDGET

	2011-12 Budget £000s	Q3 Forecast £000s	2011-12 Actual £000s
Total expenditure	1,451	1,391	1,355
Plus added contribution to IT software			38
Fee income	(1,102)	(1,032)	(1,001)
Partner contributions (public protection)	(392)	(392)	(392)
Net Deficit / (Surplus)	(43)	(33)	(0)
Contributions – Public Protection			
- Gravesham (20%)			78
- Swale (27%)			106
- Medway (53%)			208

- 2.3 Building Control Charging Regulations which impacted on STG from October 2010 meant that, although the Joint Committee sets its own charging policy (rather than regulated fees), it is required to demonstrate 'breakeven' on chargeable work over a period of time. The surplus / deficits arising since October 2010 are shown in Table 2 below.

Table 2

Cumulative Surplus / (deficit) on chargeable works	Oct 10 – Mar 11 (£)	11-12 (£)	Total (£)
- Gravesham (20%)	(10,695.74)	0	(10,695.74)
- Swale (27%)	(14,439.25)	0	(14,439.25)
- Medway (53%)	(28,343.71)	0	(28,343.71)
Total	(53,478.70)	0	(53,478.70)

3. Statement of Accounts

- 3.1 The draft statements for approval are attached at Appendix 1. These include:
- 3.1.1 Section 1 – Statement of Accounts
- 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 any 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 2011-12 but the Audit Service Manager is able to provide the necessary certification on the basis of work undertaken on Medway's systems.
- 3.2 The format of the accounts complies with the 'limited assurance' audit approach explained in the appendices to this report. Following approval of these draft accounts by the Joint Committee the external audit will commence including the opportunity for the general public to inspect the financial records. In due course the external auditor will report back to the Joint Committee on his findings.

4. Appointment of the External Auditor

- 4.1 As reported previously, the Audit Commission appointed its own internal practice to undertake the 2010-11 and 2011-12 financial statements.
- 4.2 However, the Audit Commission is proposing to appoint Littlejohn LLP as the Joint Committee's auditor for five years from 2012-13 as per the consultation letter attached at Appendix 2. The consultation ends on 29 June 2012 and the Section 151 officer has no objections to this appointment.

5. Financial Implications

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

6. Legal Implications

- 6.1 There is a legal requirement for the Joint Committee to approve the draft Statement of Accounts.

7. Recommendations

- 7.1 That the Joint Committee:
 - a) notes the outturn for 2011-12 and respective partner contributions as presented in Table 1.
 - b) approves the Statement of Accounts as presented at Appendix 1
 - c) approves the appointment of Littlejohn PPL as auditor to the Joint Committee for the 2012-13 to 2016-17 financial years.

8. Suggested Reasons for Decisions

- 8.1 The Joint Committee has a key role in monitoring the performance of the Partnership and is required to approve the Statement of Accounts.

Lead officer contact

Mick Hayward, S151 Officer, South Thames Gateway Building Control Partnership, Compass Centre, Chatham Maritime, Kent, ME4 4YH
Tel: 01634 332220

Background Papers:

2011-14 Business Plan to Joint Committee 9 June 2011
STG Software Provider - report to Joint Committee 22 March 2012

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

**ANNUAL RETURN
2011/12**

Section 1 – Statement of accounts

SOUTH THAMES GATEWAY BUILDING CONTROL PARTNERSHIP

	Year ending	
	31 March 2011 £000's	31 March 2012 £000's
Balances brought forward	0	0
Contributions from constituent authorities	(562)	(392)
Total other receipts	(980)	(1,001)
Staff costs	1,245	1,066
Total other payments	297	282
Balances carried forward	0	(45)
Total cash and short term investments (see note)	0	0
Total reserves (ICT replacement)	0	45
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 2012 the Partnership was owed by the Council £80,722.15 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 2012.</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 2012 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 2012; 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 2012.

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	
The council's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for	
The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	
Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for	
Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for	
Salaries to employees and allowances to members were paid in accordance with approvals and PAYE and NI requirements properly applied	
Asset and investment registers were complete and accurate and properly maintained	
Periodic and year end bank reconciliations were properly carried out	
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	

Audit Services Manager, Medway Council

Signature

Date:



10 May 2012

Mr A Law
South Thames Gateway Building Control Partnership
Committee
Clerk to South Thames Gateway Building Control
Partnership
Business Support Department, Medway Council
Gun Wharf, Chatham
Kent
ME4 4TR

Direct line 0844 798 2447

Dear Mr Law

South Thames Gateway Building Control Partnership Committee – Consultation on appointment of external auditor for 2012/13 and future years

I am writing to consult you on the appointment of Littlejohn LLP to audit the annual return of South Thames Gateway Building Control Partnership Committee for five years from 2012/13. The appointment would commence on 1 September 2012.

We announced on 19 March that the Audit Commission (the Commission) had completed the procurement for the provision of limited assurance audits for small bodies and awarded contracts to four audit firms.

We are proposing to appoint Littlejohn to audit the annual returns of all small bodies in Kent. This approach follows our established practice of grouping auditor appointments for small bodies by county areas.

Littlejohn is an independent top 30 firm of chartered accountants and business advisors based in London. The firm is new to the Commission's limited assurance regime but has extensive experience of public sector audit and working with remote clients. It will have a team dedicated to limited assurance work.

Smaller relevant bodies, as defined by the Accounts and Audit Regulations 2011, whose gross annual income or expenditure is less than £6.5 million, are audited under the Commission's limited assurance approach. Appendix 1 provides further information on limited assurance audit and the scales of audit fees for 2012/13 to 2016/17.

The consultation process

The Commission has a statutory duty to appoint external auditors to local government bodies under Section 3 of the Audit Commission Act 1998. The Commission has a duty to consult local government bodies on the appointment.

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If you are aware of any reason why the Commission should not appoint Littlejohn LLP as your auditor please advise us by email to auditor-appointments@audit-commission.gov.uk or write to Marcine Waterman, Director of Audit Policy and Regulation by **Friday 29 June**.

If your reasons are accepted, we will consult you on an alternative appointment. If they are rejected, there will be a further opportunity for you to make representations to the Managing Director, Audit Policy before the appointment is confirmed.

The Commission aims to confirm all proposed appointments by 31 August.

If you have any questions about the proposed auditor appointment please email us at auditor-appointments@audit-commission.gov.uk or call on 0844 798 2447.

You do not need to reply to this letter if you are content with the proposed appointment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Davies', with a long horizontal flourish extending to the right.

Andrew Davies
Senior Manager, Markets and Fees

Overview of the limited assurance audit approach and fees

Limited assurance audit

1 Small bodies are those with either annual income or expenditure below a financial threshold, as prescribed by the Accounts and Audit (England) Regulations 2011 (the Regulations). These set the threshold at gross annual income or expenditure of not more than £6.5 million.

2 As set out in schedule 1 to the Audit Commission's Code of Audit Practice, the accounts of small bodies are subject to a limited assurance audit.

3 The approach minimises the audit requirement on, and cost to, small bodies. The audit report provides a limited level of assurance to the body, in line with the work done and proportionate to the small amounts of public money involved.

4 The basic audit approach is common to all small bodies. The body completes and submits to the auditor an annual return plus key financial data. The auditor carries out a standard review and a limited number of tests. These tests include checking the internal consistency of the figures in the accounts, the year-end bank reconciliation and any unexpected variances. The auditor also reviews the annual governance statement. If everything is in order, the auditor issues an audit opinion and a certificate to close the audit.

5 For those bodies with gross income or expenditure over £200,000, auditors are required to carry out extra testing as part of their audit. This approach reflects the higher risk to public funds and is known as intermediate audit. Auditors also apply intermediate audit, at no extra cost, each year to a 5 per cent sample of bodies operating below the £200,000 threshold.

6 All small bodies are subject to limited assurance audit unless they elect to prepare accounts as a larger relevant body (LRB) under Regulation 12 of the Regulations.

7 More information on the limited assurance audit approach is included in the relevant Practitioners' Guide¹

Scales of audit fees

8 Scales of fees for small bodies are based on bands of annual income or expenditure, whichever is the higher. This means the fees are broadly proportionate to the public funds involved and the ability of the body to pay².

9 Table 1 sets out the scales of audit fees for five years from 2012/13 to 2016/17.

¹ Governance and Accountability for [local councils/internal drainage boards] – Practitioners' Guides (England) 2010: available from the National Association of Local Councils, the Society of Local Council Clerks or the Association of Drainage Authorities

² For more information on the scales of fees applicable to small bodies please see the Audit Commission's website (www.audit-commission.gov.uk)

Table 1: Scales of fees for bodies subject to limited assurance audit

Income/expenditure band (£)	Type of audit	Fee for limited assurance audit (£)
0 – 10,000	Basic	No fee payable
10,001 – 25,000	Basic	100
25,001 – 50,000	Basic	200
50,001 – 100,000	Basic	300
100,001 – 200,000	Basic	400
200,001 – 300,000	Intermediate	600
300,001 – 400,000	Intermediate	800
400,001 – 500,000	Intermediate	1,000
500,001 – 750,000	Intermediate	1,300
750,001 – 1,000,000	Intermediate	1,600
1,000,001 – 2,000,000	Intermediate	2,000
2,000,001 – 3,000,000	Intermediate	2,400
3,000,001 – 4,000,000	Intermediate	2,800
4,000,001 – 5,000,000	Intermediate	3,200
5,000,001 – 6,500,000	Intermediate	3,600

10 Audit fees for small bodies whose income or expenditure is above £200,000 and which elect to prepare accounts as an LRB will be agreed on an individual basis.

11 Extra fees may be charged in other circumstances, for example if the annual return is not completed properly or where auditors consider a valid objection to the accounts from a local elector. These fees are based on a schedule of maximum hourly rates, as set out in Table 2.

Table 2: Maximum hourly rates for additional work at small bodies

Staff grade	Maximum £ per hour		
	Standard	SE England	London
Engagement lead	325	345	380
Senior manager/manager	180	195	210
Senior auditor	115	125	135
Other staff	85	95	105

12 The fee scales exclude VAT which will be charged at the prevailing rate of 20 per cent on all work done.