

Cornwall Council

Report to: **Tamar Bridge and Torpoint Ferry Joint Committee**

Date: **13 March 2015**

Title: **Audit Arrangements for 2015/16**

Portfolio Area **Cornwall Council: Transport**
Plymouth City Council: Transport

Divisions Affected **all**

Relevant Scrutiny Committee: **Scrutiny Management Committee**

Relevant Portfolio Advisory Committee (Cabinet (executive) decisions):

Key Decision:	N	Approval and clearance obtained:	Y
Urgent Decision:	N	Date next steps can be taken: (e.g. referral on of recommendation or implementation of substantive decision)	Normally 10 calendar days after decision for Cabinet
Appropriate pre-decision notification given where an executive Decision?			N

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Recommendations:

1. That the Joint Committee recommends to the Joint Councils that the proposed audit arrangements for 2015/16 are as outlined in option 2 in this report.

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1. Executive summary

This report sets out the changes in the audit requirements placed upon the Joint Committee for financial year 2015/16 and a proposal for the subsequent new audit arrangements to be put in place to ensure the Joint Committee has sound financial assurance.

2. Background

The Audit Commission Act 1998 required Joint Committees to prepare accounts and undergo a separate audit from their constituent bodies. In December 2014 a letter from the Department for Communities and Local Government confirmed that, from 1 April 2015, implementation of the Local Audit and Accountability Act 2014 will mean that Joint Committees will no longer be required to have their accounts separately prepared and audited.

The Government have made this change as the appropriate parts of the financial results of Joint Committees are reported in the accounts of their constituent bodies, and they will be audited by auditors appointed to audit the accounts of those bodies.

Therefore the audit, to be undertaken by Grant Thornton for the financial year 2014/15, will be the last statutory audit to be undertaken for the Tamar Bridge and Torpoint Ferry Joint Committee. The cost of this audit is circa £9K.

The Joint Committee and Joint Councils now need to consider the effect of the ending of separate Joint Committee audits and ensure that an effective financial and governance framework is maintained for the Joint Committee and the funds they control.

3. Outcomes/outputs

Although the removal of the separate audit requirement will result in the reduced assurance on the financial activity of the Joint Committee the financial results will still be subject to the audits of the Joint Councils; therefore an element of assurance can be undertaken from these audits.

Owing to the levels of materiality for the joint councils it is unlikely that revenue activity, either through spend or income generated, will be specifically tested by the Joint Councils audits, however the assets i.e. the bridge, will be material and therefore be tested under the relevant audits.

Statement of accounts, encompassing the income and expenditure account and balance sheet, will still be produced by the Cornwall Council financial team as part of the financial services agreement, and are

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required as part of the process of including the financial results in the Joint Councils final accounts.

This, therefore, still provides transparency around the Joint Committee's individual financial results and these will still be available and published.

The current separate audit arrangement, undertaken by Grant Thornton, could be continued. Officers would need to undertake an exercise to specify the requirements of the Joint Committee audit and then procurement to go out to appoint an external auditor. Given the potential for changes in organisational structure after 2015/16 linked to the Value for Money review, the specification may only be apply to the forthcoming financial year.

This would require significant resource to prepare and process for which the Joint Committee would need to fund. There is also the likely risk that the current cost of audit, circa £9K, would be significantly higher should an appointment process be undertaken.

4. Options available and consideration of risk

There are a number of options open to the Joint Committee to proceed, and these are set out below.

Option 1 – Do nothing and continue without any audit or increased independent financial assurance but take assurance that the Joint Committee's undertakings are covered under the audit of the Joint Councils. Financial statements will still be produced to enable Joint Councils to include them within their final accounts.

Option 2 – In line with the financial service agreement with Cornwall Council to provide financial support to the Joint Committee, to continue with the production of a final set of accounts, encompassing income and expenditure account and balance sheet which will also allow the inclusion of the Joint Committee's financial results in the statements of the Joint Councils.

In addition the balances that comprise these statements will then be tested independently by Cornwall Council's internal audit team to provide a level of assurance to the Joint Committee that the statements produced or accurate and represent a true and fair view.

This will not comprise a full audit ensuring compliance with regulatory framework but will be through an increased internal audit engagement, over and above their existing agreement to provide assurance on the Joint Committee's internal control environment.

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Option 3 – To go through a process to specific, tender and finally appoint an external auditor to undertake a separate audit of the Joint Committee's accounts. This process would require significant resource, be likely to result in noticeably higher costs and may need to be repeated if there is significant change in the undertaking's organisational structure.

5. Proposed Way Forward

Taking into consideration the financial transparency requirements of the Joint Committee, particularly for any future toll review, and the risk that any procurement exercise will require additional resource and could potentially cost considerably more than the current audit, the proposed way forward is to proceed with option 2.

The Business Manager and the Assistant Head of Finance will draw up a scheme of work with the Internal Audit Team from Cornwall Council that meets the requirements of option 2 and provides the assurance for the Joint Committee.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	N	The legal framework and requirements are as set out in the report. It will be for the joint councils to approve the arrangements for financial assurance and governance of the Joint Committee in 2015/16.
Financial	N	There is a saving to the Joint Committee or circa £9K per annum resulting in the removal of the statutory audit. If the recommended option is approved this saving can be utilised to cover the cost of the increased independent assurance to be undertaken by Cornwall Councils internal audit team.
Risk	N	There is no risk to the Joint Committee as there is no requirement to have a statutory audit in 2015/16, however there will be an increased level of risk if this is not replaced by an increased level of independent financial assurance.
Comprehensive Impact Assessment Implications		
Equality and Diversity		No issues identified.

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Safeguarding		No issues identified.
Information Management		No issues identified.
Community Safety, Crime and Disorder		No issues identified.
Health, Safety and Wellbeing		No issues identified.
Other implications		No other implications identified.

Supporting Information

Appendices:

Background Papers:

None

Approval and clearance of report

All reports:

Final report sign offs	This report has been cleared by OR not significant/not required	Date
Legal (if significant/required)		
Finance Required for all reports	Andy Brown, Assistant Head of Finance	4 March 2015
Equality and Diversity	Not Required	

Cabinet/individual decision reports:

Final report sign offs	This report has been cleared by	Date
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Head of Service		
Corporate Director		