

Annual Governance Report

January 2008



# Annual Governance Report

**National Parking Adjudication Service Joint  
Committee**

**Audit 2006-2007**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports to the Council**

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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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## Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in this case the National Parking Adjudication Service Joint Committee) at the time they are considering the financial statements.
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
  - where we suspect or detect fraud;
  - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
  - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 2.
- 4 This report has been prepared for presentation to the committee on 29 January 2008. Members are invited to:
  - consider the matters raised in the report before the financial statements are approved;
  - approve the representation letter on behalf of the Committee and those charged with governance before we issue our opinion; and
  - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan.

## Key messages

- 5 Our work on the financial statements is substantially complete. We propose issuing an unqualified audit opinion on 4th February and a draft report is attached at Appendix 3.
- 6 In our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 7 Our work on the Committee's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We propose issuing an unqualified conclusion on the use of resources on 4 February and a draft report is attached at Appendix 3.

## Audit status

- 8 At the date of issue of this report our detailed audit is substantially complete.
- 9 The Committee has taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation for the Committee's assistance and co-operation.

## Accounts and Statement on Internal Control

- 10 Our work on the financial statements is substantially complete.
- 11 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal control to prevent and detect error.
- 12 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 13 The letter of representation has been attached as Appendix 5 and we request members approve the letter.

### Unadjusted misstatements

- 14 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. There are no unadjusted misstatements for us to bring to the attention of members.

### Adjustments to the financial statements

- 15 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities.
- 16 The following amendments have been made to the draft accounts to ensure compliance with the SORP and accepted accounting practices:
  - A separate actuary report was obtained which more accurately reflects the requirements of FRS 17. This resulted in an amendment to the 2005/06 closing balances.
  - The format of the Income and Expenditure account for the Operational account has been amended to comply with the SORP.
  - The Cash Flow Statement for the Joint Committee has been amended to reflect the cash movements in the Fund.
  - Capital Financing has been recalculated to take account of a need to reflect depreciation separately and to reflect only interest paid in the year of account.
  - Cash at bank was amended to reflect £500,000 deferred grant from Manchester City Council not previously reflected in the account.

**Recommendation**

*R1 Ensure that the draft accounts comply with the SORP and accepted accounting practices in all respects where applicable to the functions of the Joint Committee.*

## Accounting practices

- 17 We are also required to report to you our view on the qualitative aspects of the Committee's accounting practices and financial reporting and have set out below our observations on key issues affecting the Committee.
- 18 Last year we raised the issue of the need to introduce an asset register. We are pleased to report that the asset register has now been introduced.

## Systems of internal control

- 19 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified.
- 20 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.
- 21 We have also reviewed whether the SIC has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no matters arising.



## Use of resources

### Work performed

- 22 The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources - the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission.
- 23 Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 7.

## Audit fee update

24 The fee for the audit is £10,000 and is shown below.

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**Table 1**

	<b>Actual 2006/07</b>
Accounts and Statement on Internal Control	£7,500
Use of Resources	£2,500
Total Audit Fees	£10,000
Grants certification work	£0
Other work	£0

25 We did find that it was difficult to restrict the fee to this level in 2006/07 given the additional work required to review the capital financing issue and the continued requirement to give a VFM conclusion.

## Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
8	Ensure that the draft accounts comply with the SORP and accepted accounting practices in all respects where applicable to the functions of the Joint Committee.					

## Appendix 2 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required to communicate the following matters to those charged with governance:
  - the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Committee, directors and the auditor;
  - any safeguards adopted and the reasons why they are considered to be effective;
  - any independent partner review;
  - the overall assessment of threats and safeguards; and
  - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the audit team and which are required to be disclosed under auditing and ethical standards.

## Appendix 3 – Audit reports issued

<b>Planned output</b>	<b>Planned date of issue</b>	<b>Actual date of issue</b>	<b>Addressee</b>
Annual governance report	September 2007	January 2008	NPASJC
Opinion on financial statements	September 2007	February 2008	NPASJC
Use of resources conclusion	September 2007	February 2008	NPASJC

## Appendix 4 – Proposed auditor’s report

### Independent auditor’s report to the Members of National Parking Adjudication Service Joint Committee

#### Opinion on the financial statements

I have audited the financial statements of the National Parking Adjudication Service Joint Committee for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise:

- The Explanatory Foreword.
- The Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes to the Core Financial Statements.
- The Statement of Responsibilities for the Statement of Accounts and Statement of Internal Control.
- This report is made solely to the National Parking Adjudication Service Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

#### Respective responsibilities of the City Treasurer and auditor

The City Treasurer of Manchester City Council is responsible for preparing the financial statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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 financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

- The financial position of the operating activities of the Committee and of the residual liabilities and their income and expenditure for the year.

- I review whether the statement on internal control reflects compliance with CIPFA’s guidance ‘The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003’ issued in April 2004. I report if it does not comply with proper practices specified by CIPFA 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 statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Committee’s corporate governance procedures or its risk and control procedures.

### **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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements 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 financial statements.

### **Opinion**

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Joint Committee and of the residual liabilities as at 31 March 2007 and its income and expenditure for the year then ended.

Clive Portman  
District Auditor  
Audit Commission

February 2008

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Committee’s responsibilities**

The 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 to regularly 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 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. I report if significant matters have come to my attention which prevent me from concluding that the Committee has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the 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 specified by the Audit Commission. I am satisfied that, in all significant respects, the National Parking Adjudication Service Joint Committee has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

### **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.

Clive Portman  
District Auditor  
Audit Commission

February 2008



## Appendix 5 – Management representation letter

To: Clive Portman  
District Auditor  
Audit Commission  
2nd Floor  
Aspinall House  
Aspinall Close  
Middlebrook  
Horwich  
Bolton BL6 6QQ

### **National Parking Adjudication Service - Audit for the year ended 31 March 2007**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the National Parking Adjudication Service, the following representations given to you in connection with your audit of the Joint Committee's financial statements for the year ended 31 March 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly the financial position of the Joint Committee and for making accurate representations to you.

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.

#### **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 Joint Committee meetings, have been made available to you.

#### **Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. 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.

**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.

**Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect 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 that could have a material effect on the financial statements; and
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

**Post balance sheet events**

Since the date of approval of the financial statements by the Board, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of the National Parking Adjudication Service

Signed

Name

Position:

Date

## **Appendix 6 – Summary of unadjusted misstatements**

We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. There are no such items to report.

## Appendix 7 – Value for money conclusion

- 1 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources.

<b>Code Criteria</b>	<b>Description</b>	<b>VFM Conclusion</b>
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Not applicable
5	The body has put in place arrangements to maintain a sound system of internal control.	Adequate
6	The body has put in place arrangements to manage its significant business risks.	Adequate
7	The body has put in place arrangements to manage and improve value for money.	Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Not applicable
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Adequate
10	The body has put in place arrangements for managing performance against budgets.	Adequate

<b>Code Criteria</b>	<b>Description</b>	<b>VFM Conclusion</b>
11	The body has put in place arrangements for the management of its asset base.	Not applicable
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Adequate