

Annual Audit Letter

Chichester Harbour Conservancy

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 and 5).**

Audit opinion and financial statements

1 The Conservancy prepared financial statements to a good standard. My audit of the 2009/10 financial statements did not identify any significant issues and I was able to issue an unqualified opinion.

Value for money

2 I issued an unqualified value for money conclusion.

Current and future challenges

3 The Conservancy has managed its budget well over the last year. However, the economic downturn and the recent government comprehensive spending review are imposing unprecedented financial pressures on the public sector.

Financial statements and annual governance statement

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

I gave an unqualified opinion on the Harbour Conservancy's 2009/10 financial statements on 30 September 2010, the statutory target date.

Overall conclusion from the audit

4 The Conservancy produced good quality financial statements for audit and coped well in dealing with changes to accounting practice in 2009/10.

5 I was able to issue an unqualified opinion on the financial statements. My audit identified a small number of errors and these were reported to the Accounts and Audit Committee on 27 September 2010. The errors were not material and related to disclosure and classification. Officers agreed to correct these.

6 I did not identify any significant weaknesses in internal control.

Value for money

I considered whether the Harbour Conservancy 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

7 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.

8 This is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Good governance	Yes
Risk management and internal control	Yes

9 I issued an unqualified conclusion on 30 September 2010. The Harbour Conservancy has satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Managing finances

10 The Conservancy management plan 2009-2012 includes the operational and strategic policies and the arrangements for monitoring and reviewing these. The management plan has been reviewed and approved by key stakeholders including Hampshire and West Sussex County Councils, Chichester District Council, Havant Borough Council, and Natural England.

11 All reports that have financial implications are reviewed and approved by the Harbour Master and Treasurer and this places emphasis on value for money. The Harbour Master and Treasurer ensure that competitive prices are obtained. For example, the negotiation of the Conservancy's regulating leases where below inflation increases were achieved, and the replacement of external insurance for the removal of wrecks with internal self-insurance arrangements.

12 The Conservancy continues to prepare good quality financial statements for audit and these contain very few errors. These are published on the website alongside the annual audit letter.

Governing the business

13 The Conservancy has arrangements that are designed to promote and ensure probity and propriety in the conduct of its business. All non-local authority members of the Conservancy are required to follow the code of conduct and local authority appointed members are bound by the code adopted by their appointing authority.

14 The Conservancy has approved standing orders and financial procedures, which cover the conduct of business, contracts and the management of the Conservancy's financial affairs. West Sussex County Council provides both the Treasurer and Clerk to the Conservancy, who respectively act as the section 151 officer and monitoring officer. The Standing Instructions contain job descriptions for all Conservancy staff.

15 The management plan includes monitoring indicators and performance against these is reported to members.

16 The Conservancy has put arrangements in place to ensure compliance with the Port Marine Safety Code to manage the risks associated with its maritime operations. Compliance with the Code is audited annually by external consultants and reported to the Conservancy.

17 The West Sussex County Council Internal Audit Service provides time on an annual basis to test the systems and arrangements in accordance with established professional standards.

Approach to local value for money work from 2010/11

18 The approach to local value for money work for 2010/11 will remain unchanged for the Harbour Conservancy. I will continue to assess the Conservancy's arrangements against the 'Code of Practice - VFM conclusion criteria - other local government bodies' issued by the Audit Commission.

19 I will report the results of all my local VFM audit work and the key messages for the Harbour Conservancy in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

20 During 2009/10 the Conservancy has continued to demonstrate good financial management. However, in common with the rest of the public sector, it is facing significant financial challenges ahead. This is magnified by the risk that income from fees and charges may reduce.

21 In addition to the uncertainties as a result of the current economic climate the Conservancy is faced with a substantial change in the financial reporting regime in 2010/11. From 2010/11 the statement of accounts of all public sector organisations will be prepared under an international financial reporting standards (IFRS) based code of practice on local authority accounting. This is part of a wider public-sector move to international standards. It is a complex area and will require significant input from staff in finance and across the Conservancy over the next year.

Closing remarks

22 I have agreed this letter with the Treasurer and the Conservancy Accountant. I will present this at the next meeting of the Conservancy and provide copies to all Conservancy members.

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

Report	Date issued
Audit Plan Fee Letter	April 2009
Annual Governance Report	June 2010
Annual Audit Letter	November 2010

24 The Harbour Conservancy has taken a positive and helpful approach to our audit. I wish to thank the Harbour Conservancy's staff for their support and cooperation during the audit.

Helen Thompson
District Auditor
November 2010

Appendix 1 – Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	8,150	8,150	0
Value for money	1,350	1,350	0
Total audit fees	9,860	9,860	0
Non-audit work	-	-	-
Total	9,860	9,860	0

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 Harbour Conservancy 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.

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Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946