

Annual governance report

Wormwood Scrubs Charitable Trust

Audit 2010/11

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Ladies and Gentlemen

2010/11 Annual Governance Report

I am pleased to present the results of my audit work for 2010/11.

I discussed and agreed a draft of my report with the Assistant Director of Finance & Resources - Residents Services on 21 November 2011 and updated it as issues have been resolved.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (page 5);
- note the adjustments to the financial statements set out in this report (appendix 2); and
- approve the letter of representation on behalf of the Trust before I issue my opinion and conclusion (appendix 3).

Yours faithfully

Jon Hayes
District Auditor
December 2011

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It contains the messages arising from my audit of your financial statements.

Audit opinion

1 All audit work is complete and I intend to issue an unqualified opinion on the financial statements.

Independence

2 I can confirm that I have complied with the Audit Practice Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

3 The Audit Commission's Audit Practice has not undertaken any non-audit work for the charity during 2010/11.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

4 I ask the Trustees to:

- consider the matters raised in the report before approving the financial statements (page 5);
- note the adjustments to the financial statements set out in this report (appendix 2); and
- approve the letter of representation on behalf of the charity before I issue my opinion (appendix 3).

Financial statements

The charity's financial statements are important means by which Wormwood Scrubs Charitable Trust accounts for its stewardship of public funds. As Trustees you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the statement on internal control.

Opinion on the financial statements

5 I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Key areas of judgement and audit risk

6 In planning my audit I did not identify any specific risks or areas of judgement that required specific consideration.

Errors in the financial statements

7 There are no uncorrected errors. Appendix 2 details one material adjustment made to the accounts as a result of the audit.

Quality of your financial statements

8 I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statement disclosures.

9 There are no matters that I wish to bring to your attention.

Letter of representation

10 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation.

Appendix 1 Draft independent auditor's report to the trustees of Wormwood Scrubs Charitable Trust

I have audited the financial statements of Wormwood Scrubs Charitable Trust for the year ended 31 March 2011 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial statements have been prepared in accordance with the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Charity's trustees, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. My audit work has been undertaken so that I might state to the Charity's trustees those matters I am required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Charity and its trustees as a body, for my audit work, for this report, or for the opinions I have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 4 of the Trustees Report, the trustees are responsible for the preparation of financial statements which give a true and fair view.

I have been appointed as auditor under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of the Charities Act 1993. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

I read all the information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2011, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

Matters on which I am required to report by exception

I have nothing to report in respect of the following matters where the Charities Act 1993 requires me to report to you if, in my opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Jon Hayes
District Auditor

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

December 2011

Appendix 2 Amendments to the draft financial statements

I identified the following misstatement during my audit and management have adjusted the financial statements. I bring it to your attention to help you in fulfilling your governance responsibilities.

Table 1:

Description	Item of account	Balance sheet	
		Dr (£)	Cr (£)
Account for the audit fee as a creditor rather than a provision	Creditors: amounts falling due within 1 year	-	11,500
	Provision for audit fees	11,500	-

Appendix 3 Draft letter of representation

To:
Jon Hayes,
District Auditor
Audit Commission
1st Floor, Millbank Tower
Millbank
London
SW1P 4HQ

Wormwood Scrubs Charitable Trust - Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Wormwood Scrubs Charitable Trust, the following representations given to you in connection with your audit of the Charity's financial statements for the year ended 31 March 2011.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the financial position and financial performance of the Charity, for the completeness of the information provided to you, and for making accurate representations to you as set out in the engagement letter.

Supporting records

All relevant information and access to persons within the entity as agreed in the engagement letter has been made available to you for the purpose of your audit, and all the transactions undertaken by the charity have been properly reflected and recorded in the financial statements.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error. I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The charity has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of Wormwood Scrubs Charitable Trust related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Wormwood Scrubs Charitable Trust

I confirm that this letter has been discussed and agreed by the Trustees on 8 December 2011.

Signed

Name

Position

Date

Appendix 4 Glossary

Audit opinion

On completion of the audit of the financial statements, I must give my 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; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality (and significance)

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

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



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