



National Audit Office

**REPORT TO THOSE  
CHARGED WITH GOVERNANCE  
May 2010**

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**Local Better Regulation Office**

# **Audit Completion Report on the 2009-10 financial statement audit**

Our vision is to help the nation spend wisely.

We promote the highest standards in financial management and reporting, the proper conduct of public business and beneficial change in the provision of public services.

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The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the National Audit Office which employs some 900 staff. He and the National Audit Office are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work leads to savings and other efficiency gains worth many millions of pounds; at least £9 for every £1 spent running the Office.

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# Executive Summary

## Introduction

**1** This report summarises the key matters arising from our audit of the 2009-10 financial statements for the benefit of those charged with governance<sup>1</sup>. We would like to thank staff within the Local Better Regulation Office for their co-operation during the audit process.

**2** The examination of the 2009-10 financial statements was undertaken in accordance with auditing standards issued by the Auditing Practice Board, taking into account the UK Auditing Practices Board's Practice Note 10: *Audit of Financial Statements of Public Sector Bodies in the United Kingdom*. Our approach to the audit was planned and executed in accordance with the Audit Strategy presented to the Audit Committee in December.

**3** This report has been prepared for the sole use of Local Better Regulation Office. It must not be disclosed to any other third party, or quoted or referred to, without the written consent of the National Audit Office (NAO) and no responsibility is assumed by the NAO to any other person.

## Overall conclusion and opinion

**4** The Comptroller and Auditor General (C&AG) will report his opinion to Parliament in the format set out in Annex B – Proposed Audit Certificate. The C&AG's certificate includes an opinion as to the truth and fairness of the financial statements and that the expenditure and income have been applied to the purposes intended by Parliament and that the transactions conform to the authorities which govern them ('regularity').

**5** Subject to satisfactory clearance of the issues set out in paragraph 6, the C&AG anticipates certifying the 2009-10 financial statements with an unqualified audit opinion, without modification.

## Status of audit

**6** As at the date of the preparation of this report, the following stages of the final accounts and audit were outstanding:

<sup>1</sup> In accordance with ISA 260, those charged with governance are those individuals accountable for ensuring that the entity achieves its objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.

- A review of the second draft of the Annual Report of Accounts; we will need to ensure that all queries and proposed amendments communicated during the course of the audit are resolved and actioned before certification;
- We need to take into account any issues arising from consideration by the Audit Committee of the final draft accounts, including the annual report, remuneration report and Statement on Internal Control;
- There needs to be a review of any post balance sheet events; and
- We will also ask the Accounting Officer to sign a letter of Representation at the same time as he signs the annual report and accounts. The draft letter is included at Annex A.

## Significant risks

**7** Significant risks identified at the planning stage of the audit were communicated to you in the Audit Strategy in December 2009. Our audit response to these risks and the findings are discussed in detail in the Significant Risks section.

## Audit findings

**8** We discuss the quality, effectiveness and transparency of LBRO's financial reporting and its accounting policy selection, and our audit findings with regards to regularity and the internal control environment in the Audit Findings section.

### Financial reporting and accounting

**9** We found that the quality, effectiveness and transparency of financial reporting and accounting was good.

### Regularity, propriety and losses

**10** No issues were identified relating to regularity.

### Internal Control

**11** We did not identify any significant internal control weaknesses, and can confirm that the Statement on Internal Control fairly reflects our understanding of the state of the internal control systems within LBRO during the year.

**12** Other matters of governance interest are set out in the Other Matters of Governance Interest section.

## Identified misstatements

**13** In the course of the audit we identified one misstatement, which has been adjusted in the financial statements, as detailed in the Identified Misstatements section. As this is a classification error it has no overall impact on the Net Expenditure Account or the Statement of Financial Position (SOFP).

**14** There are no uncorrected misstatements that are not 'clearly trivial'. We have determined that a 'clearly trivial' error is an amount less than £1,000.

## Actions for those charged with governance

**15** Those charged with governance are invited to review the findings set out in this report, including the draft letter of representation and audit certificate included at Annex A and Annex B, respectively.

# Significant Risks

We identified issues that could impact on the financial statements in our Audit Strategy presented to those charged with governance in December. The table below describes how we addressed these matters through our audit process.

## Significant risks of material misstatement

Significant risk	Audit response	Finding
<b>1. New Accounting System</b>		
<p>In 2009-10 LBRO implemented a new accounting system (Access Dimensions) which has been in use since 1<sup>st</sup> April 2009.</p> <p>With the introduction of any new accounting system there is a risk that:</p> <ul style="list-style-type: none"> <li>LBRO will be unable to produce all of the information necessary for the year end accounts or that there will not be a full audit trail;</li> <li>brought forward Balance Sheet entries from 31 March will be not be correctly accounted for in the general ledger; and</li> <li>logical access and operation controls will not yet have been implemented leading to a risk of inaccurate information being recorded and an increased risk of fraud.</li> </ul>	<p>The general ledger system will be reviewed as part of the work on planning. Key controls and procedures over the accounting system will be documented and walkthrough testing will be performed.</p> <p>As part of the interim and final audit, a copy of the key general ledger reports and downloads will be requested, to perform sample testing. This information will be agreed to the accounts and other appropriate audit evidence.</p>	<p>The new general ledger system has been reviewed as part of our work on planning and we are pleased to report that the Access Dimension system along side the accruals and prepayments listings have enabled LBRO to provide a full audit trail.</p> <p>Brought forward balance sheet entries from 31 March 2009 were largely correct as at the final audit, however, there was a minor discrepancy on the software additions code which has now been rectified.</p>

## 8 Significant Risks

### 2. Developing systems of internal control

LBRO continues to develop formal processes and procedures to support the system on internal control. Draft financial procedures have been produced covering areas such as authorisation, exception reporting and a finance manual.

Our 2008-09 management letter also made recommendations around strengthening the internal control environment in areas such as developing guidance to the holders of corporate credit cards and ensuring T&S claims are supported by receipts. With any developing system of internal control, there is an increase risk of misstatement within the financial statement as processes are fully embedded.

Testing and review of the operational controls at LBRO will be carried out during our interim audit visit. We will also consider the conclusions that internal audit have reached in their review of "LBRO financial systems".

Where we are unable to rely on the controls operated by LBRO then we will adopt a substantive approach to our audit as was the case in 2008-09.

We will also review the Statement on Internal Control produced by LBRO to ensure that it is accurate reflection of the control environment during 2009-10.

During 2009-10, we noted improvements in the overall system on internal control, including the implementation of a new accounting system. These views were also shared by Internal Audit who carried out a review of the new Accounting System.

As at the final audit, the lack of segregation of control still remains a risk and we have provided recommendations in the findings section of this report to help mitigate these risks.

### 3. International Financial Reporting Standards

2009-10 is the first year that LBRO are required to prepare their financial statements using International Financial Reporting Standards.

Although the impact of IFRS on LBRO is unlikely to be significant, there are differences in the presentation and terminology used with the financial

We will be auditing an IFRS based shadow account for LBRO and this information will form the comparatives for the 2009-10 financial statements.

This audit will ensure that the appropriate terminology has been adopted by LBRO as well as the adequacy and completeness of necessary accounting and disclosure

We have audited the IFRS based shadow accounts for LBRO as part of the Trigger Point process and an unqualified opinion was provided on the restated Accounts.

Some disclosure changes have been requested to ensure that the Accounts follow the correct format

statements, for instance “intangible fixed assets” become “property plant and equipment” and the “balance sheet” becomes the “statement of financial position”.

adjustments.

On receipt of the 2009-10 financial statements we will also confirm the presentation of information to the NAO’s disclosure checklist. We will provide a copy of this checklist to LBRO and would encourage LBRO to also use this checklist prior to submitting the accounts for audit.

and terminology.

**4.Contractual Arrangements**

LBRO has a number of contractual arrangements and there is a risk that without formal contractual agreement and appropriate terms and conditions that LBRO may be left in a vulnerable position. This situation was encountered during 2008-09 audit when a formal agreement had not been reached with the Welsh Assembly Government and ultimately LBRO’s activities in Wales were funded via grant in aid. The main concerns are that:

- that LBRO does not regularly formalise its agreements with the Welsh Assembly Government for work that it carries out in Wales;
- that if LBRO does not have a written agreement with LACORS regarding the payments to Local Authorities

We will review the contracts that LBRO have in place with the Welsh Assembly Government, LACORS and the Local Authorities and review the processes by which LBRO are monitoring expenditure and income in these areas.

We will confirm the value of expenditure and income within these contracts to the general ledger to ensure that the contract values have not been breached.

During the year LBRO has agreed a value of £300k with the Welsh Assembly Government for the 2009-10 period and we have confirmed that this amount was received and due.

LBRO have also paid around £211k to 10 local authorities during the year as regional coordination funding. £97k of this funding was received by LBRO from BIS for onward transmission to the local authorities and although a formal contract with BIS was not drawn up, LBRO have confirmed that they were responsible for ensuring the regularity of this funding.

The local authorities used the funding to create a specific post as regional co-ordinator and as LBRO have met with the regional co-ordinators during the year then they have assurance that the funding was used for LBRO

## 10 Significant Risks

on LACORS' behalf there may be disagreement in the future; and

- that if there are not robust terms and conditions for the payments of Grants by LBRO to Local Authorities and robust monitoring of these grants, there is an increased risk of the grant expenditure being irregular.

purposes. We have however made recommendations that more explicit deliverables be agreed with the authorities in future years.

### 5.Cash Flow

During 2009-10 LBRO's budget has been reduced from £4.4 to £4.1 million. As a result of this, during the first half of 2009-10 LBRO have been experiencing some cash flow difficulties which is requiring them to actively manage the cash of the organisation to ensure that critical payments are made at the appropriate time such as staff salaries.

We understand that LBRO are currently working with their sponsorship team within the Better Regulation Executive, in order to reach a solution to this issue. More interim measures have been for the sponsor team to allow LBRO to draw down grant-in-aid in advance of the set dates.

We will continue to monitor the cash flow status with LBRO management and ensure that we are aware of any decisions reached with the Better Regulation Executive.

At the year end, a key focus of our testing will be to ensure that all liabilities have been captured via post year end substantive testing and a review of the procedures that LBRO have carried out to ensure that the accruals and creditors are complete.

We are aware that LBRO have improved their monitoring of cash during the year, in particular that they now have regular access to their bank accounts (which they did not have in 2008-09) and that they have introduced a cash flow forecasts for 2009-10.

At the year end cash, current liabilities have been reduced from the previous years and they have been able to meet payments on time. LBRO did, however, need to draw down £200,000 early from their 2010-11 grant-in-aid budget. We would encourage LBRO to consider with their sponsor team how this issue can be resolved for 2010-11.

# Audit Findings

## Financial Reporting and Accounting Policies

**2.1** The Annual Report and Accounts are required to comply with the Government Financial Reporting Manual (FReM) when compiling financial statements.

**2.2** In this section we draw to your attention our review of qualitative aspects of the accounting practices and financial reporting. This includes any significant changes or issues in respect of the accounting policies; estimates; judgements and the adequacy of disclosures affected by unusual or non-recurring transactions recognised during the period. We also review the overall balance and clarity of information contained in the Annual Report.

**2.3** Overall the financial reporting and accounting is of a satisfactory quality and is transparent to the reader, and we confirm that the accounting policies, in general, are appropriate to the particular circumstances of LBRO, judged against the objectives of relevance, reliability, comparability and understandability.

### Review of information in the Annual Report

**2.4** We review information in the Annual Report only to the extent that we confirm it is consistent with the financial statements and our understanding of the business. Except as noted in the audit opinion, the Annual Report is not subject to our audit opinion.

**2.5** We requested some minor disclosure adjustments to the Annual Report to ensure that the report was considered to be consistent with our understanding of the business, and was in line with the other information provided in the financial statements. We will review these adjustments in the second version of the Annual Report and Accounts. In particular, we have requested that LBRO make clear the source of the statements regarding “Annual Benefits Attributable to LBRO Activity” and include a statement to explain that these amounts have not been subject to audit.

## Regularity, Propriety & Losses

**2.6** No significant issues were identified regarding regularity although we have made a recommendation around the payment of grants to local authorities to ensure that the regularity of payments in this area is not put at risk in the future.

## Internal Control

**2.7** No material weaknesses in internal control were identified during the audit.

### Statement on Internal Control

**2.8** We have reviewed the Statement on Internal Control and in our opinion; it fairly reflects our understanding of the state of the internal control systems within LBRO during the year. No significant changes were made to the Statement on Internal Control.

## Observations & Recommendations

**2.9** This section outlines the findings arising from our audit, as well as management's response to these recommendations.

**2.10** We have included the significant and other, less significant findings arising from our audit which are defined as:

- **Significant** - major issues for the attention of those charged with governance and senior management which may have the potential to result in a material weakness in internal control;
- **Other** - weaknesses identified in our audit where action will offer the potential for improvements to the efficiency and effectiveness of internal controls.

**2.11** As outlined in our Audit Strategy our procedures included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of the audit. Audit findings and observations therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

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## 1. Significant-LACORS income and the funding to Local Authorities

### Observation

In our Audit Strategy, we highlighted the risk of ensuring formal arrangements were in place between LBRO, Welsh Assembly Government, LACORS and the Local Authorities. During the 2009-10 audit we identified that LBRO had paid £210,000 of funds to Local Authorities for ongoing projects on regional coordination. LBRO had written to the 10 local authorities in August 2009 to inform them of the monies available and the high level purposes for the funding. LBRO met with the local authorities during the year to discuss their work.

Managing Public Money is clear that grants to third parties should only be paid on evidence of need or qualification. Although LBRO can be reasonably comfortable that the funding was being used to pay for the regional coordinator post within the authorities there was no clear linkage between the issuance of the funding and the need or deliverables due from the authorities.

### Risk

There is a risk that LBRO funding may not be being used for the purposes that LBRO intended if their cash needs for regional co-ordination were below that of the funding on offer. There is also a risk that without a clearly defined list of outcomes or deliverables in exchange for the funding, LBRO are also not in a position to show what was achieved as the result of the grants given that would not have been achieved otherwise.

### Recommendations

We recommend that LBRO may want to define a clearer set of deliverables from each local authority as part of the funding award offers. This will help to ensure that LBRO objectives are being achieved.

LBRO have previously asked local authorities to submit an invoice to LBRO for the funding. We recommend that LBRO ask the local authorities to sign a declaration that the monies have been spent/are due to be spent before the year end on activities relating to LBRO and that they will notify LBRO if the monies are no longer needed. This will mean that LBRO are able to redeploy any funding not needed by any particular authority and also able to demonstrate that the "evidence of need" requirement of Managing Public Money has been met.

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<b>Management response</b>	A reappraisal of grant funding had been initiated and the points raised above have been built into requirements placed on the recipients.
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### 2. Significant: Risk of goods and services being paid for prior to receipt

<b>Observation</b>	LBRO have a system of delegation in place and goods and services are authorised by the relevant budget holder via a purchase order prior to being ordered. When an invoice is received, the Finance Officer will check verbally with the budget holder that the goods and services have been received prior to paying the invoice.
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<b>Risk</b>	There is a risk of invoices being paid in error if they are approved for payment on a verbal assurance. There is also a risk that there is an inadequate audit trail to support the levels of approval if it later transpires that there was a problem with the invoice and should not have been released for payment.
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<b>Recommendations</b>	We recommend that LBRO request that invoices are initialled or signed by the appropriate LBRO employee prior to payment as evidence that goods and services have been received.
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<b>Management response</b>	Agreed.
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### 3. Other - Fixed Asset Register

<b>Observation</b>	During the final audit, we found no evidence that the fixed asset register had been reconciled to the General Ledger.
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Whilst the figures included in the Accounts are materially correct a number of minor errors were identified relating to fixed assets including: the fact that the software charge had not been correctly brought forward, the depreciation figure in the prime statement did not match the fixed asset note and there was a £6k difference between the general ledger and the fixed asset register.

<b>Risk</b>	There is an increase risk of misstatement if the fixed asset register is not
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regularly reconciled. There is also a risk that figures in the accounts will be inconsistent, if the accounts are not checked to ensure that notes match the prime statement and brought forward figures are correct.

**Recommendations** We recommend that LBRO conduct reconciliations of the fixed asset register to the general register on a regular basis to ensure that the figures are correctly stated and classified. Information in the Accounts should also be checked for consistency and to ensure that figures are being correctly carried forward.

**Management response** Reconciliations between the asset register spreadsheet, asset register module and general ledger had been undertaken prior to audit, with the depreciation charges being checked in detail. The difference of £6k relates to a lease adjustment from 2008, which is not possible to include on the asset register but which will be removed from the accounts in January 2011 at the end of the lease.

Balances carried forward to 2010-11 will be reconciled to the figures in the Annual Report and Accounts 2009-10.

#### 4. Other: Journals

**Observation** A journal is a manual accounting adjustment that is put through the accounting system and are generally created to correct errors or to put through transactions that would not otherwise be generated by the system (manual accruals and prepayments, cost of capital charges). At LBRO a journal does not require approval prior to be posted to the general ledger and can therefore be generated and posted by the same individual.

**Risk** As one individual can generate and post journal entries there is a risk that any discrepancies, whether deliberate or in error will go undetected. Due to the manual nature of journals, coding or transposition errors are more likely to occur.

**Recommendations** We appreciate that the small size of the LBRO finance team makes segregation of duties between the person generating and approving a journal impractical. However, we recommend that a review of all journals be undertaken once a month prior to the production of the monthly management accounts. This review will help to ensure that all journals are appropriate and

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free from error.

**Management  
response**

Agreed – the review will be undertaken before production of monthly management report or final accounts.

## Identified Misstatements

**3.1** This section contains details of adjustments made to the financial statements during the course of the audit, as well as unadjusted errors which are not considered material in the context of the financial statements as a whole.

**3.2** We do not consider that the adjusted or unadjusted errors indicate a significant weakness in accounting or control which needs to be reflected in the Statement on Internal Control.

### Significant adjustments made to the financial statements

**3.3** As a result of our audit, an adjustment was made to the draft financial statements presented for audit. The adjustment is shown below. The presentation of this information enables those charged with governance to assess the extent to which the draft financial statements presented for audit have been subject to change as a result of the audit process.

	Net Expenditure		SoFP	
	Account			
	Debit	Credit	Debit	Credit
	£'000	£'000	£'000	£'000
<b>Incorrect classification of deferred income</b>				
Accruals				75
Deferred income			75	

**3.4** This adjustment is purely adjusted classification errors and will have no overall impact on the total Net Expenditure Account or the Statement of Financial Position.

## Unadjusted errors or uncertainties arising from the audit

**3.5** We are obliged to bring to your attention the errors found during the course of the audit that have not been corrected, unless they are 'clearly trivial', which we have identified as below £1,000. We found no such errors.

## Other Matters of Governance Interest

**4.1** International Standard on Auditing 260 requires us to communicate with those charged with governance any other audit matters of governance interest. These include matters which have come to our attention which may present future risks, enhance overall governance or where those charged with governance might wish to seek assurance on controls and processes.

### Fraud

**4.2** We are required by Auditing Standards to report to you if we identify a fraud or obtain information that indicates that a fraud may exist. We found no such instances.

**4.3** In addition, we are not aware of material weaknesses in the design or implementation of internal control to prevent and detect fraud.

### Going concern

**4.4** In the course of our audit, we have not identified any material uncertainties relating to events and conditions that may cast doubt on the entity's ability to continue as a going concern.

### Management of information and personal data

**4.5** HM Treasury and Cabinet Office issued guidance in 2008 regarding the management of information and personal data, and government entities were required to review their compliance arrangements and to disclose any specific data incidents. Those charged with governance should ensure they have made sufficient enquiries of management to form a view on LBRO's progress in implementing Cabinet Office recommendations, and that the disclosures in the Statement on Internal Control reflect this. Additionally those charged with governance should seek assurance on any data related incidents which may require disclosure. We are unaware of any data handling incidents during the year. Confirmation of this is sought within our letter of representation (Annex A).

### Statement on personal data

**4.6** During the course of our audit we have access to personal data to support our audit testing. We have established processes to hold this data securely within

encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in the NAO's Statement on Management of Personal Data at the NAO ([http://www.nao.org.uk/Publication\\_Scheme/data\\_protection\\_review.pdf](http://www.nao.org.uk/Publication_Scheme/data_protection_review.pdf)).

## Compliance with laws and regulations

**4.7** In the course of our audit, we have not identified any suspected or non-compliance with laws and regulations.

## Disagreements with management

**4.8** There are no audit disagreements with management about matters that, individually or in aggregate, could be significant to the financial statements to report.

## Co-operation with other auditors

### Internal Audit

**4.9** We have not placed reliance on the work of internal audit for 2009-10 but have taken consideration of the findings of their reports into accounts when conducting our audit.

## Independence, integrity & objectivity of auditors

**4.10** The NAO's policy to ensure independence, integrity and objectivity of our auditors was set out in our Audit Strategy. Overall, the threat to the audit arising from issues affecting our independence, integrity and objectivity is low, and the safeguards in place ensure that the likelihood of any impact is low.

**4.11** We have complied with APB Ethical Standards and, in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the NAO and LBRO that we consider would bear on our objectivity and independence.

# Annex A – Letter of Representation

[Client letterhead]

The Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
LONDON  
SW1W 9SP

## **LETTER OF REPRESENTATION: LOCAL BETTER REGULATION OFFICE 2009-10**

I acknowledge as Accounting Officer of the Local Better Regulation Office my responsibility for preparing accounts that give a true and fair view of the net expenditure account, statement of financial position, changes in taxpayers' equity and cash flows of the Local Better Regulation Office for the year ended 31 March 2010.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and
- make an assessment that the Local Better Regulation Office is a going concern and will continue to be in operation throughout the next year; and ensure that this has been appropriately disclosed in the financial statements.

I confirm that for the financial year ended 31 March 2010:

- neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in Managing Public Money;
- having considered and enquired as to the Local Better Regulation Office compliance with law and regulations, I am not aware of any actual or potential

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non-compliance that could have a material effect on the ability of the Local Better Regulation Office to conduct its business or on the results and financial position disclosed in the accounts;

- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by the Local Better Regulation Office have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and
- the information provided regarding the identification of related parties is complete; and the related party disclosures in the financial statements are adequate.

All material accounting policies as adopted are detailed in note 1 to the accounts.

### **INTERNAL CONTROL**

I acknowledge as Accounting Officer my responsibility for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with HM Treasury guidance on the Statement on Internal Control.

### **FRAUD**

I acknowledge as Accounting Office my responsibility for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the Local Better Regulation Office and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

### **ASSETS**

#### **General**

All assets included in the Statement of Financial Position were in existence at the statement of financial position date and are owned by the Local Better Regulation Office, and free from any lien, encumbrance or charge, except as disclosed in the accounts. The Statement of Financial Position includes all tangible assets owned by the Local Better Regulation Office.

### **Non-Current Assets**

All assets over the capitalisation threshold are capitalised. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the Local Better Regulation Office's operations.

### **Other Current Assets**

On realisation in the ordinary course of the Local Better Regulation office's operations the other current assets in the Statement of Financial Position are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to the Local Better Regulation Office's use which are known, or may be expected, to be irrecoverable.

## **LIABILITIES**

### **General**

All liabilities have been recorded in the Statement of Financial Position. There were no significant losses in the year and no provisions for losses were required at the year-end.

### **Provisions**

The Local Better Regulation Office, does not have any provisions as at the 31 March 2010.

### **Contingent Liabilities**

There is currently one legal claim against the Local Better Regulation Office. No provision has been made in the financial statements for as the case as it is unlikely to be successful.

I am not aware of any further pending litigation which may result in significant loss to the Local Better Regulation Office, and I am not aware of any action which is or may be brought against the Local Better Regulation Office under the Insolvency Act 1986.

## **OTHER DISCLOSURES**

### **Unadjusted Errors**

There are no unadjusted errors in the financial statements.

### **Events after the Statement of Financial Position date**

Except as disclosed in the accounts, there have been no material changes since the date of the statement of financial position affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

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### **Management of Personal Data**

There have been no personal data related incidents in 2009-10 which are required to be reported.

Graham Russell

Chief Executive

Local Better Regulation Office

[Date, which should be as per Statement of Financial Position]

# Annex B – Proposed Audit Certificate

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

I certify that I have audited the financial statements of the Local Better Regulation Office (LBRO) for the year ended 31 March 2010 under the Regulatory Enforcement and Sanctions Act 2008. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of LBRO, Chief Executive and Auditor**

As explained more fully in the Statement of LBRO's and Chief Executive's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board'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 LBRO's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by LBRO; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of LBRO's affairs as at 31 March 2010 and of its deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the

Regulatory Enforcement and Sanctions Act 2008 and Secretary of State directions issued thereunder.

**Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Regulatory Enforcement and Sanctions Act 2008 and directions made thereunder by the Secretary of State.
- the information given in the Management Commentary section included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*

*Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria London  
SW1W 9SP  
Date*