

Annual governance report

Bracknell Forest Council

Audit 2011/12



Contents

Key messages	3
Before I give my opinion and conclusion	4
Financial statements	5
Value for money	11
Fees	14
Appendix 1 – Draft independent auditor’s report	15
Appendix 2 – Uncorrected errors	19
Appendix 3 – Corrected errors	20
Appendix 4 – Draft letter of management representation	21
Appendix 5 – Glossary	25

Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 7 September I expect to issue an unqualified audit opinion.

My audit of your financial statements is substantially complete. The outstanding matters include the following:

- receipt, and my review, of your final, amended financial statements; and
- completion of my final management and quality review procedures.

The financial statements submitted for audit were compliant with current accounting and disclosure requirements. This is a result of effective closedown processes and time built in to quality review the draft financial statements prior to submission for audit. The financial statements were supported by good quality working papers. At this stage there are three uncorrected errors which are not material to my opinion. These are discussed later in my report.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2011/12.

I ask the Governance and Audit Committee to:

- consider whether to adjust the errors in the financial statements I have identified that management has not amended, or set out the reasons for not amending the errors (appendix 2);
- take note of the adjustments to the financial statements included in this report (appendix 3);
- approve the letter of representation (appendix 4), on behalf of the Council before I issue my opinion and conclusion.

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, 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.

Uncorrected errors

I identified three uncorrected errors during my audit. These are detailed in Appendix 2.

I tested a sample of 11 payments made in March and April to assess if they were included in the correct year of account. I identified that one invoice for £10,000 was accrued incorrectly in the 2011/12 financial year for work carried out in April 2012. This has had the effect of reducing the surplus for the year to 31 March 2012. I have not been able to conclude this is isolated and I have extrapolated the error to assess whether there could be a material misstatement. This calculation gives a £2.9 million estimated unadjusted error. This is not material and I do not therefore propose to undertake any further detailed testing or require officers to complete further work. I understand that officers have carried out a further sample of payments and have found no further errors.

You did not receive the revaluation information for your PFI assets from Reading Borough Council until August 2012. The amendments, a net impact of £607,000, resulting from this revaluation have not been included in the 2011/12 financial statements but will be included in 2012/13 statements.

I identified £713,000 receipts in advance relating to highways adoption work which should have been recognised as income in the year. Fees are received for work to be carried out over a number of years and the income is only recognised when the work is undertaken.

The balance on the account from 2011/12 and prior years currently remains in the balance sheet, but as the work for these schemes has been completed, the income can be recognised.

Corrected errors

There were no material amendments to your draft financial statements. A number of arithmetic and disclosure errors were amended during the course of the audit.

Significant risks and my findings

I reported to you in my January 2012 Audit Plan the significant and specific risks that I identified relevant to my audit of your financial statements. In Tables 1 and 2 I set out my findings against each of these risks.

Table 1: **Risks and findings – significant risks**

Significant Risk	Finding
<p>Valuation of property, plant and equipment (PPE)</p> <p>You are required to value PPE at fair value (with some exceptions). Previous audits have identified weaknesses in ensuring asset valuations are kept updated, are accurately and completely reflected in the statements and your policy for capitalisation is consistently applied. The quality of some evidence to support valuations undertaken has been variable. There is a risk the valuations reported in the financial statements could be materially misstated.</p>	<p>I reviewed the processes and controls in place during the year and tested a sample of asset valuations to determine if they were made in accordance with guidance. I tested the depreciation and also reviewed the asset registers to assess progress on issues arising in 2010/11.</p> <p>I found that good progress has been made in this area. You have applied your capitalisation policy more consistently in the year. Further improvements are however needed to ensure that certificates are received on a timely basis and evidence to support external valuations is reviewed.</p>

Recommendation

R1 Keep up the improvements in valuation of property, plant and equipment by ensuring evidence to support valuations is timely, reviewed and consistent.

Table 2: Risks and findings - specific risks

Specific risk	Finding
<p>PFI assets</p> <p>The waste PFI assets are carried at construction cost, but are now operational. They have not been revalued. The Council plans to work with Reading Borough Council to revalue these in 2011/12.</p>	<p>The Council sought to obtain the updated valuation in time to include it in the 2011/12 financial statements. The information was not received until August 2012 after closedown. As the impact of the revaluation is below the Council's materiality limits, officers have decided this will not be reflected in the statements until 2012/13.</p> <p>I reviewed the work of the valuer. As the updated valuation does not exceed my audit materiality, I have accepted this treatment.</p> <p>This is classed as an unadjusted error and is included in Appendix 2.</p>
<p>Upgrade of the general ledger system.</p> <p>You upgraded your general ledger system in November 2011. There have been some changes to procedures as a result.</p>	<p>I evaluated the design and implementation of controls over access and the inputting of data to the system and performed tests on bank reconciliations, journals and data input to the system to satisfy myself that the general ledger upgrade has not impacted on the integrity of the financial data presented for the accounts and for audit.</p> <p>The only issue to bring to your attention is the continued absence of journal authorisation. Officers are aware of this issue and are considering ways to implement it with the upgrade. Other controls over journals are adequate.</p>
<p>Related party transactions</p> <p>The Council improved its arrangements for identifying transactions in 2010/11, however nine Council Members did not return their declarations.</p>	<p>In 2011/12, eight members did not make their returns. This includes three members who were also late in providing returns in 2010/11. The Council has carried out its own review of related party transactions. My audit team has also carried out additional procedures to ensure there are no material risks to the audit opinion.</p>

Recommendation

R2 Continue to improve processes for recording related party transactions.

Weaknesses in internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Council only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements.

Table 3: **Internal control issues and my findings**

Description of weakness	Potential impact	Management action
Some journals process transactions in the general ledger which have not already gone through feeder systems. It is important therefore journals are authorised. There is currently no authorisation step within the Agresso system. The upgrade of the general ledger did not address this issue.	The ability to process journals is restricted to finance staff. This reduces the risk. I carried out testing on journals and found no further issues to report. I will continue to perform additional testing until I have assurance planned improvements are working.	Officers are planning to address this as part of further development of the general ledger system over the coming months.

Recommendation

R3 Strengthen controls over the authorisation of journals.

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

I wish to report the following matters in the table below.

Table 4: **Other matters**

Issue	Finding
Municipal Mutual Insurance (MMI)	No disclosure was made for the potential liability for claw back of claims paid by MMI since 1993 in respect of both the Council and the former Berkshire County Council. A contingent liability has now been included in the financial statements.
Notes to the accounts	A number of arithmetic and disclosure errors were amended during the course of the audit.
Highways deposits and receipts in advance	My testing identified balances for deposits and receipts in advance of £247,205 which have been included in the statement for a number of years but not reviewed. The Council now plans to assess these and determine the appropriate treatment for them in 2012/13.
IT security	I updated my IT Risk Assessment during the audit. The overall level of assurance was satisfactory, but there are some improvement areas which I have discussed with officers. I understand action is underway to address them: <ul style="list-style-type: none"> ■ there was no disaster recovery contract in place; we understand a new contract started from 5 September this year; and ■ the number of officers with access to the computer room was high in comparison to other councils and further increased during the year. The council has reviewed this and reduced access to 16 staff.

Whole of Government Accounts

Alongside my work on the financial statements, I have also reviewed and reported to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report were specified by the National Audit Office.

A number of adjustments have been made to the return to ensure that it correctly reflected the statement of accounts and I expect to issue my certificate alongside the opinion on the financial statements.

Value for money

I am required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my January 2012 Audit Plan I reported to you the risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 5: **Value for money conclusion criteria and my findings**

Criteria	Risk	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The main risk to financial resilience is the challenge of achieving a balanced budget over the medium term with reduced funding.</p> <p>You need to maintain an emphasis on strategic policy changes and longer-term savings programmes to shift the balance away from an annual round of targets to balance the revenue budget.</p>	<p>You have a good track record of setting and delivering budgets within increasingly challenging funding constraints. In 2011/12 you delivered an under spend of £1.886 million, returning £0.296 million to general balances, instead of a planned withdrawal of £1.590 million. In doing this you have demonstrated that you have effective processes for monitoring your performance against budget and instigating corrective action where necessary.</p> <p>You have set your 2012/13 budget after a full review of budget against priorities, based on reasonable assumptions and making a planned use of reserves of £0.394 million. You have taken some difficult decisions to identify savings of £5 million. To deliver this you will need to continue your good performance in delivering value for money improvements.</p> <p>Planning for the 2013/14 budget is underway. You have undertaken work to</p>

Criteria	Risk	Findings
		<p>understand the impact of significant changes to local government finance, as far as they are known at this stage, including proposals for the local retention of business rates and for allowing councils to set up local schemes of support for council tax, replacing council tax benefit.</p> <p>I am satisfied that you currently have general funds and reserve balances to meet unexpected costs. You have a proven framework for compiling the budget for the year ahead. However, given the challenges arising from potential funding reductions and the economic climate you will also need to maintain a focus on longer term savings programmes to ensure financial resilience in the medium to long term.</p> <p>The main risk to financial resilience therefore remains the challenge of achieving a balanced budget over the medium term with reduced funding.</p>
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>		<p>You have recognised that you faced difficult decisions about priorities and services. I am satisfied you have the framework to deliver the scale of spending reductions required. You have a track record of continuously identifying value for money improvements and achieving efficiencies. This includes identifying cost reductions and challenging spending and investment decisions. You also have a culture of constantly reviewing services to improve delivery and, where possible, the experience of service users.</p> <p>I am also satisfied that you have effective processes to ensure that detailed budgets accord with your priorities.</p> <p>I have reviewed the value for money profiles produced by the Audit Commission. Your overall costs compare well with others and you can demonstrate that services which are higher cost are due to your priorities.</p> <p>However given the scale of the medium term financial challenges you face you will need to continue to build on your good work in improving value for money to maintain your financial resilience.</p>

You are a strategic partner in the proposed town centre redevelopment

As outlined in my Audit Plan I made no specific provision for a review of the redevelopment plans but set out that if these progressed significantly I would update my risk assessment and discuss any fee impact with the Borough Treasurer.

I have not had to charge additional fee for this in the 2011/12 audit year.

Fees

I reported my planned audit fee in the 2011/2012 Audit Plan.

I will complete the audit within the planned fee.

Table 6: Fees

	Original scale fee (£)	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	230,940	230,940	230,940
Claims and returns	not applicable	60,000	60,000
Non-audit work	not applicable	0	
Total		290,940	290,940

The Audit Commission has paid a rebate of £18,468 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £212,472.

The fee for certification of claims and returns for 2011/12 is an estimate based on work undertaken in 2009/10. The actual fee may be less than the estimate. The Audit Commission sets a schedule of hourly rates for different levels of staff and the final fee for this work is dependent on the work undertaken and the grades of staff used to deliver the work.

Appendix 1 – Draft independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRACKNELL FOREST BOROUGH COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Bracknell Forest Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Bracknell Forest Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, the Borough Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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 the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Borough Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword 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 financial position of Bracknell Forest Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword 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 report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority 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 review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating 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 Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Bracknell Forest Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Bracknell Forest Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Helen Thompson, District Auditor

Audit Practice, Audit Commission, Suite 2, Ground Floor, Bicentennial Building, Southern Gate, Chichester, West Sussex, PO19 8EZ

[Date]

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management has not addressed in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Note 23 Short term creditors Net cost of services	Substantive testing on of a sample of invoices identified that one payment (value of £10,000) had been included in the wrong financial year.		2,900 (extrapolated)	2,900 (extrapolated)	
Note 17 – Other land and buildings Note 28 Revaluation Reserve Surplus / deficit on provision of services	The information on the valuation of the waste PFI assets was not received until August 2012. The increased values have not been reflected in the financial statements.	338		607	945
Note 23 Short term creditors Net cost of services	Receipts in advance for highways adoption work should have been recognised as income in the 2011/12 financial year.		713	713	

Appendix 3 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Contingent liability	No disclosure was made for the potential liability for claw back of claims paid by MMI since 1993 in respect of both the Council and Berkshire County Council.	not applicable			
Note 17 Property Plant and Equipment	Surplus assets are now material and should be disclosed separately - £6.1 million in respect of Garth Hill land and modular buildings	not applicable – note 17 only expanded			

A number of arithmetic and disclosure errors were amended during the course of the audit.

Appendix 4 – Draft letter of management representation

Bracknell Forest Borough Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Members, officers and officials of Bracknell Forest Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

Supporting records

I have made available all relevant information and access to persons within the Council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Council.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

.

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 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 Council 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.

I confirm for valuations of Other Land and Buildings the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the process.

Other representations:

I confirm that the selection, and application, of accounting policies are appropriate.

I confirm that the following matters have been recognised, measured, presented or disclosed in accordance with the financial reporting framework:

- Liabilities, both actual and contingent.

Related party transactions

I confirm that I have disclosed the identity of the Authority's 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 requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Conditional - Comparative financial statements

A restatement of land in respect of school playing fields and the treatment of government grants was made to correct a material misstatement in the prior period financial statements. Written representations previously made in respect of the prior period remain appropriate.

Signed on behalf of Bracknell Forest Borough Council

I confirm that this letter has been discussed and agreed by the Governance and Audit Committee on 25 September 2012.

Signed

Name

Position

Date

Appendix 5 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative 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

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

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2012.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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

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

