

# Annual governance report

Uttlesford District Council

Audit 2011/12



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# Key messages

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**This report summarises the findings from the 2011/12 audit which is now 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

My audit of the 2011/12 financial statements is now complete. Following member approval of the final version of the financial statements and receipt of a letter of representation, I propose to issue an unqualified opinion.

A draft set of financial statements and supporting working papers were presented to me for audit on 29 June 2012, in advance of the statutory deadline of 30 June. My audit of those financial statements resulted in one material amendment.

## 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. My VFM audit has found that the Authority has met our two criteria:

- Securing financial resilience; and
- Securing economy, efficiency and effectiveness.

## Certificate

I am unable to issue my certificate until my work on the Whole of Government Accounts is complete. I expect to complete the outstanding work and report my findings to management by 5 October and issue my certificate on the same day.

# Before I give my opinion and conclusion

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**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 Authority during 2011/12.

## **I ask the Audit Committee to:**

- take note of the adjustments to the financial statements included in this report (appendix 2) and the uncorrected error;
- approve the letter of representation (appendix 3), on behalf of the Authority before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 5).

# Financial statements

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**The Authority's financial statements and annual governance statement are important means by which the Authority 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**

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**

There are no material uncorrected errors. There is one error that has been identified at a late stage of the audit that has not been corrected. This relates to vehicles that were sold before 31 March 2012, but have not been removed from the accounts. The gross book value of the vehicles was £203,000, accumulated depreciation was £191,000 and there was a loss on disposal of £11,000. The figures in note 18.1 for vehicles are therefore misstated and the net book value on the balance sheet overstated by £12,000 (this is a trivial sum). Useable reserves are not affected by this error.

## **Corrected errors**

### **Material correction**

My audit of property, plant and equipment found that for buildings that have been componentised under International Financial Reporting Standards (IFRS) in 2010/11, the Authority had double counted the 'vehicles, plant and equipment' component in 2011/12. This arose because when these buildings were revalued in 2011/12, the revaluation for the whole asset (including the elements separately identified as components) was added to the fixed asset register as 'buildings'. The 'vehicles, plant and equipment' component were therefore included both within 'buildings' and 'vehicles, plant and equipment' and 'double counted'. The impact of this is that the property, plant and equipment figure on the balance sheet was overstated by £3.8 million.

## Non-material corrections

During 2011/12, the Authority cancelled the leases on its refuse vehicles. These vehicles were classified as finance leases and therefore included in the Authority's balance sheet. The leases were cancelled on 28 March 2012 and the vehicles were removed from the Authority's fixed asset register at the same time. They were therefore excluded from the property, plant and equipment figure on the balance sheet in the draft financial statements. However, whilst the lease was cancelled in March, the Authority continued to use the vehicles until June and July 2012. As the Authority was still deriving economic benefit from the vehicles, they should have remained on balance sheet. Property, plant and equipment was therefore understated by the value of these vehicles, £530,000. This, together with the material error detailed above means that property, plant and equipment in the draft accounts were overstated by a net value of £3.3 million.

## Significant risks and my findings

I reported to you in my 2011/12 Audit Plan, the significant risks that I identified relevant to my audit of your financial statements. In Table 2 I report to you my findings against each of these risks.

Table 1: **Risks and findings**

Risk	Finding
<p><b>Heritage Assets</b></p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. For Uttlesford District Council this is likely to include your Museum and its contents.</p>	<p>I considered the Authority's arrangements to identified heritage assets and found these to be reasonable. The Authority has taken appropriate action to ensure all heritage assets are recognised in its accounts.</p> <p>I also reviewed the disclosures made concerning heritage assets. As a result, I recommended some changes to Note 17 to ensure greater clarity.</p>
<p><b>HRA reform</b></p> <p>The government reformed local authority housing finance by adopting a self-financing model from 1 April 2012. This was achieved through a one-off settlement payment to or from central government on or before 28 March 2012 and an adjustment to the HRA debt of the Authority. Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.</p>	<p>I have evaluated management's implementation of HRA reforms and the resulting accounting transactions. I have agreed the detail on the settlement payment to the DCLG notification.</p> <p>My testing has not identified any issues to bring to your attention.</p>

## Weaknesses in internal control

It is the responsibility of the Authority 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 Authority 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 Authority 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.

I have identified the following weaknesses in internal control that are relevant to preparing the financial statements.

Table 2: **Internal control issues and my findings**

Description of weakness	Potential impact	Management action
<p>During my audit, I found that the Authority did not close down its ledger at the end of 2010/11. This meant that the ledger contained balances relating to 2010/11 in addition to 2011/12.</p>	<p>The Authority has been able to manage its closedown process this year despite this issue as there are only two years' figures in the ledger. However, it will be increasingly difficult to produce a set of financial statements if the ledger is not closed down appropriately. I have managed to agree the ledger to the accounts this year, but this was a difficult process and impacted upon the efficiency of my audit.</p>	<p>It is agreed that the General Ledger could operate more efficiently. We will ensure that the necessary improvements are completed before the end of the current financial year.</p>
<p>The Code of Practice allows revaluation gains to reverse a previous revaluation decrease recognised in CIES on the same asset. My audit of the fixed asset register found that the Authority does not have a mechanism for recording how much revaluation decreases have been charged to the CIES in prior years.</p>	<p>When fixed assets are revalued upwards, the Authority is unable to identify how much of the increase can be off set against previous decreases that have been charged to the CIES. The impact of this is that prior year charges to the CIES are not being off set against current year increases in value. This is not a material issue this year however, this could become so as asset values increase.</p>	<p>This information will be recorded.</p>

## Recommendation

- R1** The Authority should ensure that general ledger balances are rolled up to ensure that the audited general ledger only includes balances from one financial year.
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- R2** The fixed asset register should be revised so that the Authority is able to identify downward revaluations that have been charged to the CIES. This will enable downward revaluations to be off set against any future increases.
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## Other matters

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; and
- Other audit matters of governance interest.

During my audit of creditors, I found there was an unreconciled difference between the NNDR creditor on the NNDR system and the creditor on the general ledger. The difference between the two systems is £321,000. There is also a difference between the Council Tax system and the general ledger of £450,000. The Authority is currently unable to resolve these differences. This therefore remains an uncertainty as it is currently not possible to confirm which figure is correct. The Authority has acted prudently by including the higher creditor within their accounts. These amounts are not material and therefore have not impacted on my audit opinion.

## Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 17 September, I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 5 October.



# Value for money

**I am required to conclude whether the Authority 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 2011/12 Audit Plan, I reported to you the significant risks that were relevant to my conclusion. I have set out below my findings and conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

Table 3: Value for money conclusion criteria and my findings

Criteria	Risk	Findings and conclusion
<p><b>1. Financial resilience</b></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><b>1. Budget pressures</b></p> <p>To date, the Authority has responded well to budget pressures. However, these pressures continue to increase.</p> <p><b>2. HRA reform</b></p> <p>The HRA reforms set out in table 1 above required the Authority to consider its approach to debt repayment. This needed to be balanced against continued service delivery. As the Authority was debt free, it needed to develop its treasury management skills. The Authority has engaged experts to provide advice in this area.</p>	<p><b><i>The Council has put in place proper arrangements to secure financial resilience.</i></b></p> <p>The Medium Term Financial Plan and related budget are adequate and have been continually updated as new challenges appear. Scenario planning has been used to ensure that all reasonable eventualities are considered.</p> <p>The Authority had continued to review its income and expenditure streams to ensure they represent value for money.</p> <p>The Authority has an appropriate approach to reserves and a minimum level set by the Assistant Chief Executive – Finance. The Authority uses earmarked reserves to set funds aside for specific risks.</p> <p>The Authority has continued to manage its spending and budget prudently and has reported surpluses in the</p>

Criteria	Risk	Findings and conclusion
<p><b>2. Securing economy efficiency and effectiveness</b></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>No significant risks identified.</p>	<p>last three years.</p> <p>The Authority has prepared well for HRA self financing and has appropriate treasury management procedures in place.</p> <hr/> <p><b><i>The Council has put in place proper arrangements to challenge how it secures economy, efficiency and effectiveness</i></b></p> <p>An asset management plan is in place which has been produced in conjunction with Braintree District Council. Housing assets are excluded from this but these are covered by a separate HRA Business Plan.</p> <p>The Authority challenges areas of high spend and looks for to alternative ways of providing services.</p> <p>The Authority is continuing to develop benchmarking and more areas are benchmarked compared to the previous year. Plans are in place to expand this practice.</p> <p>The Authority has demonstrated that it is keen to work with other authorities to find cost reductions, efficiencies and increase productivity.</p>

# Fees

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## I reported my planned audit fee in the 2011/12 Audit Plan.

I will complete the audit within the planned fee.

Table 4: **Fees**

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	116,090	116,090
Claims and returns	36,687	36,687
<b>Total</b>	<b>152,777</b>	<b>152,777</b>

# Appendix 1 – Draft independent auditor’s report

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## INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF UTTLESFORD DISTRICT COUNCIL

### Opinion on the Authority financial statements

I have audited the financial statements of Uttlesford District 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, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account 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 Uttlesford District 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 Assistant Chief Executive – Finance and auditor

As explained more fully in the Statement of the Assistant Chief Executive – Finance Responsibilities, the Assistant Chief Executive - Finance 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 Assistant Chief Executive - Finance; 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 Uttlesford District 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, Uttlesford District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

### **Delay in certification of completion of the audit**

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Debbie Hanson  
District Auditor

3rd Floor, Eastbrook, Shaftesbury Road, Cambridge, CB2 8BF

27 September 2012

# Appendix 2 – 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
Balance Sheet (Property, plant and equipment)	Double accounting of building components on revaluation				3,811
Balance Sheet (Revaluation reserve)				3,811	
CIES (Surplus on revaluation of fixed assets)			3,811		
Movement in reserves		3,811			
Balance Sheet (Property, plant and equipment)	Removing from the fixed asset register of leased vehicle that were still in use			532	
CIES (Financing and investment income and expenditure)			532		



# Appendix 3 – Draft letter of management representation

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## **Uttlesford District 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 officers of Uttlesford District Council, the following representations given to you in connection with your audit of the Authority'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 Authority, 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 are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance within the Authority and the reasons for not correcting these items are as follows.

- As mentioned in the Annual Governance Report, there are unreconciled differences with a net value of £129,000 within the accounts, relating to NNDR and Council Tax transactions. In my view it would not be appropriate to adjust the accounts until there is greater clarity over the nature of the differences and the correct method of resolving them. The net value is not material and as the auditors have noted, the accounts prudently include the higher creditor figure; and
- The Annual Governance Report also mentions that the balance sheet has been overstated by the sum of £12,000, in relation to the residual value of vehicles disposed of prior to the balance sheet date. As the auditors have noted, this is a trivial sum, and usable reserves are unaffected. This was identified late in the audit process and I decided not to amend the accounts on practicality grounds.

## **Supporting records**

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

## **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 Authority 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. For all accounting estimate, I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the method;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and

- that no subsequent event requires the Authority to adjust the accounting estimate and related disclosures included in the financial statements.

The estimate of the recoverable value of the Council's deposit with Landsbanki is based upon advice in the CIPFA LAAP82 bulletin. This is by consultation and agreement between myself and the external audit team. LAAP82 is based on Landsbanki's own estimate of the dividend payable, and estimates by CIPFA and LGA of the timing of dividend payments. There is no independent or definitive information available to confirm the assumptions within LAAP82 and the possibility exists that the recoverable amount will differ from the amount declared in the accounts.

### **Other representations**

I confirm that I have disclosed details to you of all companies the Council either owned, or owned a share of, between 1 April 2011 and the current date. I have appropriately accounted for and disclosed such companies and the associated transactions in accordance with the requirements of the Code.

### **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.

The Council anticipates that two planning decisions made in August 2012 may be appealed, with the possibility of a cost judgement against the Council being made. It is not possible to reliably predict the outcomes or accurately estimate the Council's financial exposure, however this is not expected to be material and I have therefore decided not to make a disclosure in the financial statements.

Signed on behalf of Uttlesford District Council

I confirm that the this letter has been discussed and agreed by the Performance and Audit Committee on 27 September 2012

# Appendix 4 – Glossary

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## **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.

# Appendix 5 – Action plan

## Recommendations

### Recommendation 1

The Authority should ensure that general ledger balances are rolled up to ensure that the audited general ledger only includes balances from one financial year.

<b>Responsibility</b>	Accountancy Manager
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<b>Priority</b>	High
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<b>Date</b>	By 31 March 2013
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<b>Comments</b>	It is agreed that the General Ledger could operate more efficiently. We will ensure that the necessary improvements are completed before the end of the current financial year.
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## Recommendations

### Recommendation 2

The fixed asset register should be revised so that the Authority is able to identify downward revaluations that have been charged to the CIES. This will enable downward revaluations to be off set against any future increases.

<b>Responsibility</b>	Accountancy Manager
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<b>Priority</b>	Medium
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<b>Date</b>	By 31 March 2013
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<b>Comments</b>	This information will be recorded.
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- any director/member or officer in their individual capacity; or
- any third party.

