

Annual governance report

Newcastle-under-Lyme Borough Council

Audit 2011/12



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Key messages

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

I have completed my audit of the Newcastle under Lyme Borough Council's Statement of Accounts for the year ended 31 March 2012. I can confirm that I will be issuing an audit report including an unqualified opinion on the financial statements.

This has been another good year for the finance team. The Executive Director (Resources and Support Services), Head of Finance and team have built on their understanding of the requirements of International Financial Reporting Standards (IRFS) and produced a compliant set of accounts.

During this time there were uncertainties about your future funding arising from the Comprehensive Spending Review and the continued pressure in delivering savings and preparing your accounts with two key staff on maternity leave. In my view, your team has performed well, dealing with these challenges while preparing your financial statements to a high standard and preserving good quality working papers. The finance team have been helpful in working to address any matters raised and I can report the amendments to the accounts have not led to a change in the amount funded by Council Tax Payers through the precept.

There have been no material amendments to the primary statements. I identified some non-material audit adjustments, management have agreed to amend all the errors identified as part of the audit. I have three matters to bring to your attention.

- The grant income figure of £0.172m in note 33 includes £0.04m Section 106 income from Hassell Ltd. The company went into liquidation several years ago without the debt being collected. The balance and corresponding debtor have now been removed from the accounts.
- During our audit an emerging issue has led to general updated guidance about Municipal Mutual Insurance (MMI). MMI was the predominant insurer of public sector bodies before ceasing its underwriting operations in September 1992 having suffered substantial losses. Although MMI directors are committed to run-off with full payments of agreed claims, the company's liabilities have increased in recent years. The situation worsened on 28 March 2012 following a judgement by the Supreme Court on the 'mesothelioma trigger litigation'. The case was about whether the insurer had a liability to meet a claim based on the date of exposure to asbestos or based on the date of becoming ill. Before 2006, the MMI (and the insurance industry generally) indemnified claims based on the date of exposure. From 2006 MMI changed its approach to indemnifying

claims based on the date of becoming ill. The Supreme Court ruling essentially reinstated the pre-2006 approach meaning payment of some claims previously rejected by MMI. Most of MMI's public sector members elected to participate in the 'Scheme of Arrangements', effectively becoming 'Scheme Creditors'. This means they may have to pay back part of all claims for which they have received settlements since 1993 if the Scheme of Arrangements is triggered. As at 31 March 2012 the Scheme of Arrangements had not been triggered, however, many commentators believe that it will be triggered within the next 12 months. If the Scheme is triggered, the MMI's financial statements for the year ended 30 June 2011 suggest a 10 per cent claw-back of claims. However, we understand that MMI continues to receive a material number of new claims which could lead to a claw-back of up to 25 per cent. Your total exposure under the 'Scheme of Arrangements' currently stands at £0.741m and your officers have now provided for £0.1m, roughly 13.5 per cent, of your maximum liability. You have also expanded on the information in your Contingent Liability note.

Value for money (VFM)

I have completed my audit of the Newcastle under Lyme Borough Council's Value for Money arrangements for the year ended 31 March 2012.

I will issue an unqualified conclusion stating the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its 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 Authority during 2010/12.

I ask the Audit and Risk Committee to:

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

Financial statements

The Authority's financial statements and annual governance statement are an 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 misstatements

There are no uncorrected misstatements.

Corrected misstatements

I am no longer required to report non-material corrected misstatements, except where reporting is relevant to your role. The two matters I wish to bring to your attention are as follows.

- The grant income figure of £0.172m in note 33 includes £0.04m Section 106 income from Hassell Ltd. The company went into liquidation several years ago without the debt being collected. The balance and corresponding debtor have now been removed from the accounts.
- During our audit an emerging issue has led to general updated guidance about Municipal Mutual Insurance (MMI). MMI was the predominant insurer of public sector bodies before ceasing its underwriting operations in September 1992 having suffered substantial losses. Although MMI directors are committed to run-off with full payments of agreed claims, the company's liabilities have increased in recent years. The situation worsened on 28 March 2012 following a judgement by the Supreme Court on the 'mesothelioma trigger litigation'. The case was about whether the insurer had a liability to meet a claim based on the date of exposure to asbestos or based on the date of becoming ill. Before 2006, the MMI (and the insurance industry generally) indemnified claims based on the date of exposure. From 2006 MMI changed its approach to indemnifying claims based on the date of becoming ill. The Supreme Court ruling essentially reinstated the pre-2006 approach meaning payment of some claims previously rejected by MMI. Most of MMI's public sector members elected to participate in the 'Scheme of Arrangements', effectively

becoming 'Scheme Creditors'. This means they may have to pay back part of all claims for which they have received settlements since 1993 if the Scheme of Arrangements is triggered. As at 31 March 2012 the Scheme of Arrangements had not been triggered, however, many commentators believe that it will be triggered within the next 12 months. If the Scheme is triggered, the MMI's financial statements for the year ended 30 June 2011 suggest a 10 per cent claw-back of claims. However, we understand that MMI continues to receive a material number of new claims which could lead to a claw-back of up to 25 per cent. Your total exposure under the 'Scheme of Arrangements' currently stands at £0.741m and your officers have now provided for £0.1m, roughly 13.5 per cent, of your maximum liability. You have also expanded on the information in your Contingent Liability note.

Significant risks and my findings

I reported to you in my Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In table 1 I report to you my findings against each of these risks.

Table 1: **Risks and findings**

Risk	Finding
<p>New Leisure Centre – The Council has successfully completed construction of Jubilee 2, a replacement sports and leisure centre for the Jubilee baths. Jubilee 2 formally opened on 7 January 2012 on schedule. The risks relate to the disclosure of this new asset in the financial statements.</p>	<p>I have carried out specific audit procedures reviewing the accounting entries made. I am satisfied the value of the Authority's assets is fairly stated and you have correctly disclosed payments to the contractor.</p>
<p>Heritage Assets – The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. As this is the first year of adoption, there is a risk that the Council may not yet have identified and accounted for all the heritage assets it holds.</p> <p>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 Newcastle Under Lyme, this is likely to include the exhibits in your museum and other miscellaneous items such as civic regalia.</p>	<p>I have carried out specific audit procedures reviewing the accounting entries made. I am satisfied the value of the Authority's assets is fairly stated but identified one asset, valued at £0.02m, that was on loan to the Authority and should not have been included in the asset valuation.</p>

Risk

Investment with Icelandic Banks – The Council had an investment of £2.5m with a United Kingdom regulated subsidiary of an Icelandic Bank at the time of the collapse. There is a risk that as guidance is received, if this is not processed correctly, the financial statements could be misstated.

Finding

Latest reports confirm that over £1.869m has been re-paid and indicate that approximately £2.2m of the investment will be returned over the next few years. The Council has sufficient reserves to cope with the anticipated loss and has made appropriate allowances within its Medium Term Financial Strategy.

Significant 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.

A key payroll systems control is to ensure that the establishment list is reviewed by the Heads of Service who confirm the list is accurate and complete, the agreed return is returned to the payroll manager who collates the results. This review was not completed in a timely fashion for 2011/12.

Recommendation

R1 Ensure the establishment list reviewed by Heads of Service and collated by the payroll manager in a timely fashion.

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.
- Other audit matters of governance interest.

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. I have no matters to report.

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 Audit Plan I reported to you the significant 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 Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in appendix 1.

Table 2: **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>A comprehensive savings programme has been in progress during 2010/11, with detailed work being undertaken to achieve break even for 2011/12 to 2014/15. There is a risk that anticipated savings are not realised or that shortfalls in income occur.</p>	<p>The Council's budget has set out a clear plan to deliver the necessary savings plans. I have therefore reviewed your medium term financial strategy within the context of the impact of the comprehensive spending review and your decision to have frozen Council Tax in 2011/12 and 2012/13.</p> <p>I found your financial planning assumptions to be reasonable and reported financial data to be used effectively in monitoring financial performance. The ongoing savings programme across all areas of the Council required savings of £2.1m to be made during 2011/12. This target has been achieved, but you need to achieve a further £2m of savings for 2012/13.</p>

Criteria	Risk	Findings
		<p>Income sources have held up less well this year. Reports for the year show shortfalls in the following areas:</p> <ul style="list-style-type: none"> ■ commercial rent income £0.395m; ■ land charges search fees and development control £0.245m; ■ planning application fees £0.129m, ■ car parking income £0.190m; and ■ market income £0.07m. <p>Additional savings made during 2011/12 meant that your deficit for the year was held to £0.162m. Although you had set aside £0.2m for shortfalls in income, so far declines in income have been significantly greater than anticipated and income levels have not recovered. As part of preparatory work for the 2013/14 budget, you are considering increasing your set aside to £0.4m.</p> <p>During the two years 2010/11 and 2011/12, your budget support fund has reduced from £1.6m to £0.624m and it is likely that if the economic situation does not improve, much of this and other usable reserves will have been used during 2012/13.</p> <p>In my view, you have demonstrated that the Council, from members, through Cabinet and the management team to those delivering services, has been proactive in responding to challenges. You need to ensure that you are able to achieve a balanced outturn before exhausting your reserves.</p>

Criteria

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2011/12:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Risk

During the period, there is the risk that service performance may be adversely affected while savings are made.

Findings

You are prioritising resources within tighter budgets and set out the vision, approach and detailed plans to reduce costs in line with corporate objectives. You have identified potential efficiencies by undertaking service reviews and have a clear and effective approach to reviewing services.

The Council has revamped and improved its corporate plan for 2011/12. It contains, among other things, a sharper single vision and takes account of current environmental issues as well as political issues such as the Big Society. The plan puts more emphasis on accountability by members, with individual portfolio holders with responsibility for an area being named. The Corporate Plan contains a much reduced number of performance indicators and Business Plans require a more focused, simplified approach to setting outcome indicators and targets.

You have been managing the use of the Civic Offices as part of your accommodation strategy and the spare capacity is now housing other public services.

Fees

I reported my planned audit fee in the Audit Plan.

I will complete the audit within the planned fee.

Table 3: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	120,726	120,726
Non-audit work	0	0
Total	120,726	120,726

The Audit Commission has paid a rebate of £9,658 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £111,068.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NEWCASTLE UNDER LYME BOROUGH COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Newcastle-under-Lyme 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 Newcastle-under-Lyme 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 Executive Director (Resources and Support Services) and auditor

As explained more fully in the Statement of the Executive Director (Resources and Support Services) Responsibilities, the Executive Director (Resources and Support Services) 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 accounting 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 Executive Director (Resources and Support Services) and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Newcastle-under-Lyme 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 and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the accounting 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, Newcastle-under-Lyme 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 Newcastle-under-Lyme Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Tony Corcoran

Officer of the Audit Commission

1st Floor,
No.1 Friarsgate
1011 Stratford Road,
Shirley
Solihull,
West Midlands,
B90 4BN

26 September 2012

Appendix 2 – Draft letter of management representation

Newcastle under Lyme 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 directors of the Newcastle under Lyme Borough 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.

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.

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.

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.

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.

Signed on behalf of Newcastle under Lyme Borough Council

I confirm that the this letter has been discussed and agreed by the Audit and Risk Committee on 26 September 2012

Signed

Kelvin Turner

Executive Director (Resources and Support Services)

26 September 2012

Appendix 3 – 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.

Appendix 4 – Action plan

Recommendations

Recommendation 1

Ensure the establishment list reviewed by Heads of Service and collated by the payroll manager in a timely fashion.

Responsibility

Priority

Date

Comments

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

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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.

