

Annual governance report

Thanet District Council

Audit 2011/12



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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 11 September 2012, I expect to issue an unqualified audit opinion.

I am grateful for the help and support of officers throughout the audit. They have been diligent in preparing working papers, responding to audit queries and processing audit amendments.

In overall terms my assessment is that the Council has a good understanding of its underlying financial position and sound financial systems. I did however identify material amendments during the audit which impacted on the Balance Sheet, Movement in Reserves and Cash Flow statements, as well as a number of notes to the accounts. I have set more information on the key changes made in the detailed section of this report and Appendix 2.

The number and scale of amendments arising during the audit was greater than at most other Councils which I audit. In my view this reflects:

- The scale and complexity of accounts at Thanet: By district council standards, the Council is large, complex and multi-faceted with several major partnerships and other projects in progress.
- Stretched capacity within the finance team: Compared to some other councils, the team working on accounts is relatively small and has a wide range of responsibilities in addition to accounts preparation.

Recommendation

Reduce the number of amendments made to the draft accounts in future years by:

- reviewing and strengthening the accounts closedown process
- identifying resource requirements for closedown and where appropriate strengthening capacity within the finance team.

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.

- The Council continues to demonstrate effective arrangements for budget and financial management. It achieved its financial targets for 2011/12 and has delivered efficiency savings across a range of service areas. As a result it was able to increase General Fund and Earmarked Reserves by £2 million.
- The Council have identified a budget gap over the next 3 years of £1,400,000. There is a robust Medium Term Financial Strategy in place and the development of a service review programme which means that the Council is reasonably placed to meet the challenges of the next two to three years. Beyond 2015, however, the Council faces a range of uncertainties around its funding and income streams, as well as national cost pressures including local business rate retention and universal tax credit.

Recommendation

Ensure that both Members and officers retain a strong focus on strong financial management and service efficiencies.

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:

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

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

My work on the financial statements is now substantially complete. The main areas of work which remain outstanding are:

- response from those charged with governance regarding assurance mechanisms;
- consideration of any issues raised by local electors; and
- closing procedures including agreement of revised statements to our expected changes.

I anticipate that any remaining work will be completed during September. I will then issue my audit opinion by the 30 September 2012 statutory deadline, after the financial statements and the letter of representation have been approved by the Committee.

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 have not identified any errors which management have declined to amend.

Corrected errors

The finance team produced a complete set of draft accounts for the 30 June 2012 deadline. Before we began the audit in mid July, the team subsequently reviewed and updated the draft accounts. This included amendments to both the primary financial statements and disclosure notes. This type of internal review represents good practice, although should be done before the 30 June deadline rather than after.

We completed our on-site audit work between mid July and mid August 2012. We have set out details of the amendments made as a result of the audit in Appendix 2.

The large number of amendments has required additional audit input, in terms of identifying the issues, auditing the revised figures and ensuring that the final statements reflect all expected changes. My estimate is that this will result in an increased audit fee for the year of £5,000. Further details are set out in Table 5.

Significant risks and my findings

I reported to you in my February 2012 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>HRA reform</p> <p>The government plans to reform local authority housing finance by adopting a self financing model from 1 April 2012. This will be through a one-off settlement payment to or from central government on or before 28 March 2012. This will adjust the HRA debt of the Authority. Payments from government will in most cases be used to redeem an equal percentage of all PWLB debt held by the Council. 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 oversight of HRA reforms and the transactions required by the Council. I have agreed the detail of the receipt to the DCLG notification.</p> <p>My testing has not identified any significant issues to bring to your attention.</p>
<p>Housing ALMO</p> <p>On 1 April 2011 the Council transferred its housing management services to a joint East Kent Housing ALMO. The ALMO will not have any significant assets, but will reflect any movements in the pension fund deficit post after 1 April 2011 in its balance sheet. It will also include all housing management staff cost expenditure in its accounting statements.</p> <p>There is a risk that the Council's share of the ALMO balance sheet entries and expenditure will not be correctly included in its accounting statements. There is a further risk that we cannot obtain</p>	<p>I reviewed the entries included in the Council's financial statements in respect of its share of the ALMO.</p> <p>My testing has not identified any significant issues to bring to your attention.</p>

Risk

sufficient assurance over the ALMOs accounting entries, which will not be recorded in the Council's financial ledger.

Valuation of property, plant and equipment (PPE)

The Authority is required to value most types of PPE at fair value (except for infrastructure, community assets and assets under construction which are valued at historic cost).

Accounting for PPE crosses over many areas within the financial statements and the values at Thanet DC are significant and include more specialist items such as the harbour and golf club. On the basis that the accounting is complex and includes material estimations, there is potential for material error.

Finding

I reviewed the valuation of PPE entries included in the Council's financial statements.

My testing has not identified any significant issues to bring to your attention.

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.

I have not identified any weaknesses in internal control during the audit that are relevant to preparing the financial statements.

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 Council'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 have set out other matters to bring to your attention in table 2 below:

Table 2: **Other matters**

Issue	Finding
Related Party Transaction Returns	I have evaluated the Council's arrangements for identifying and disclosing related parties within its financial statements. Although appropriate arrangements are in place, at the time of audit, a number of returns from members were outstanding. I am satisfied that this does not materially impact on my opinion. It is important however that all Members ensure that they comply with Council policy and disclosure on Related Party Transactions.

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. The Council submitted its return to Department of Communities and Local Government 24 August, three weeks after the submission deadline of 27 July. As at 11 September 2012, I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 30 September 2012.

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 February 2012 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 the risk 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 3: 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>Financial Position: The external financial environment remains a very challenging one across local government. The need to maximise the efficient use of resources cuts across all of the Council's operations.</p> <p>In particular, the existing Medium Term Financial Strategy for Thanet DC includes assumptions of over £1m relating to services to be transferred into East Kent Services. As this programme is no longer due to take a place, there is a budget gap in the medium and long</p>	<ul style="list-style-type: none"> The Council continues to demonstrate effective arrangements for budget and financial management. There is regular and effective in year monitoring and an appropriate level of reporting to Members. The Council achieved its financial targets for 2011/12 and has delivered efficiency savings across a range of service areas. As a result it was able to increase General Fund and Earmarked Reserves by £2,069,000. The Council is well placed to meet financial challenges over the next two to three years and a service review programme is being developed to identify the savings required to address the budget gap of £1,400,000 left by not proceeding with the proposed transfer programme to East Kent Services. Beyond 2015, the Council faces a

Criteria	Risk	Findings
	<p>term to be addressed. Members and officers are continuing to explore new ways of working and to identify efficiencies in business planning and in service delivery. The focus will need to be achieving the balance between savings and service quality.</p>	<p>range of uncertainties around its funding and income streams, as well as cost pressures including those relating to the local business rates retention scheme and the local council tax support scheme. These are likely to require difficult decisions around future spending. It is vital therefore that Members and officers remain focused on the delivery of the Medium Term Financial Strategy and the Council's efficiency agenda.</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>The Council has sound arrangements for the prioritisation of resources with a sound budget and robust Medium Term Financial Strategy. These are underpinned by the 2012-2016 Corporate Plan which takes a strategic approach to matching spending to the needs of the population.</p> <p>There is a good alignment between the Corporate Plan and the Medium Term Financial Strategy, both of which are focused on identifying alternative ways of delivering services and reducing high spend areas without compromising on quality. Examples of action already taken include new staffing structure, zero-based budgeting exercise, cost comparison exercise and collaborative working such as East Kent Housing.</p>

Fees

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

The actual audit fee is £5,000 greater than the planned fee.

Table 4: Fees

	Planned fee 2011/12 (£)	Actual fee 2011/12 (£)
Audit	£145,825	£150,825
Claims and returns	£ 40,000	£ 40,000
Total		

The Audit Commission has paid a rebate of £11,666 to reflect attaining internal efficiency savings, reducing the expected net amount payable to the Audit Commission to £139,159.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THANET DISTRICT COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Thanet 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 Thanet 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 Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer’s Responsibilities, the Chief Finance Officer 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 Chief Finance Officer; 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 Thanet 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 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, Thanet 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.

Certificate

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

Andy Mack, Officer of the Audit Commission

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

Date:

Appendix 2 – Corrected errors

I identified the following errors during the audit plus a number of internal inconsistencies and presentational improvements. Management have addressed all areas in the revised financial statements.

Item of account	Nature of error	2011/12 Statement of comprehensive income and expenditure		2011/12 Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
MMI Insurance Liability: Movement in Reserves, Comprehensive Income and Expenditure Account, Balance Sheet and note 41.	MMI Insurance Liability has historically been included as a contingent liability and was so in the draft accounts. Based on information provided in MMI's latest accounts, and the outcome of a recent Supreme Court Judgement, a provision is now required in respect of MMI. This will be funded from earmarked reserves.	Net cost of services £596,000			Provisions £596,000
Heritage Assets: Movement in Reserves, Balance Sheet, Note 11 and Note 12.	Heritage assets were correctly included in the balance sheet for 2011/12. However, the 2010/11 comparatives were not restated to reflect the £209,000 relevant assets. In addition adjustments were noted to correctly reflect £62,000 impairment (instead of depreciation), update accounting policy for de-minimis level and provide further detail of valuation.	There is no net impact on the 2011/12 statement of comprehensive income and expenditure or the balance sheet.			
Accumulated Depreciation: Movement in Reserves, Statement of Comprehensive income and expenditure,	For assets disposed of there was 501,000 for accumulated depreciation that was credited to the Revaluation Reserve that should have been netted against the overall impairment charge for a		Net cost of services £501,000	Revaluation Reserve £501,000	

		2011/12 Statement of comprehensive income and expenditure	2011/12 Balance sheet
Balance Sheet, Cashflow and Note 24	<p>downward revaluation that went to the Comprehensive Income and Expenditure</p> <p>Also Impairments totalling £899,000 were incorrectly taken to the HRA instead of the Revaluation Reserve.</p>	HRA £899,000	Revaluation Reserve £899,000
Property, Plant and Equipment: Note 11 and 20	<p>Note 11 omitted disclosure of capital commitments.</p> <p>Note 11 and 20 incorrectly included Right to Buy properties held for sale and sold within the year as operating assets rather than assets held for sale.</p>	There is no net impact on the 2011/12 statement of comprehensive income and expenditure or the balance sheet.	
Short Term Investments: Balance Sheet, Cashflow statement and Note 19	£11,678,000 included in short term investments are those due to mature within 3 months. These should be disclosed as cash and cash equivalents.	There is no net impact on the 2011/12 statement of comprehensive income and expenditure or the balance sheet.	
Government Grants Received in Advance: Balance Sheet and Note 33	<p>£3,781,000 government grants received in advance are all disclosed as long term. However, £1,559,000 are actually short term.</p> <p>Note 33 overstates other contributions by £1,214,000.</p>	There is no net impact on the 2011/12 statement of comprehensive income and expenditure or the balance sheet.	
Future Assumptions and Post Balance Sheet Events: Notes 4 and 5	<p>The draft statements included items under Post Balance Sheet Events which do not meet the accounting definition of such.</p> <p>In addition, the accounts need to be updated to reflect the Secretary of State decision, made in August 2012, on the Compulsory Purchase Order</p>	There is no net impact on the 2011/12 statement of comprehensive income and expenditure or the balance sheet.	

		2011/12 Statement of comprehensive income and expenditure	2011/12 Balance sheet
	for Dreamland		
Financial Instruments: Note 15 and 43	Financial Instruments disclosures were not initially in line with the CIPFA code of practice. In particular, trade debtors of £1,498,000 and trade creditors of £2,117,000 were omitted.	There is no net impact on the 2011/12 statement of comprehensive income and expenditure or the balance sheet.	
Remuneration of Employees: Note 31	The remuneration tables incorrectly excluded added pension benefit and salary disclosures for two staff members.	There is no net impact on the 2011/12 statement of comprehensive income and expenditure or the balance sheet.	
Pensions disclosures: Note 39 and 47	The pensions note did not reflect updated disclosure requirements within the CIPFA code. Also opening balances were incorrectly reduced by £271,000 rather than as part of in year adjustments.	There is no net impact on the 2011/12 statement of comprehensive income and expenditure or the balance sheet.	

Appendix 3 – Draft letter of management representation

Thanet 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 directors and officers of Thanet 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.

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.

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 Thanet District Council

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

Sue McGonigal CPFA

Chief Executive and s151 Officer

Date:

Appendix 4 – 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 5 - Action Plan

Recommendations

Recommendation 1

Reduce the number of amendments made to the draft accounts in future years by:

- reviewing and strengthening the accounts closedown process
- identifying resource requirements for closedown and where appropriate strengthening capacity within the finance team

Responsibility	Financial Services Manager and Deputy Section 151 Officer
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Priority	High
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Date	2012/13 Accounts Preparation
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Comments	An internal action plan is being developed to address this
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Recommendation 2

Ensure that both Members and officers retain a strong focus on strong financial management and service efficiencies.

Responsibility	Financial Services Manager and Deputy Section 151 Officer
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Priority	High
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Date	Ongoing
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Comments	Ongoing training and engagement of members will be provided.
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- any director/member or officer in their individual capacity; or
- any third party.



