

Annual governance report

Trafford 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 September 2012 I expect to issue an unqualified audit opinion that the accounts present a true and fair view.

As in previous years the Council presented a good set of financial statements and supporting working papers by the due date. The Council's officers responded promptly to queries raised at audit.

I did not identify any material audit adjustments in the statement of accounts that affected the Council's reported assets and liabilities. The adjustments I did identify were presentational ones and are detailed in appendix 3.

I also found some control weaknesses in the payroll system, and I have set these out in table 2.

Value for money (VFM)

The Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In 2011/12 the Council delivered significant budgeted savings of £21.3 million and reported a £4.8 million underspend against its revenue budget.

Given the significant savings and increased income required this is a good performance and reflects the effective financial planning and management in place during the year.

Certificate

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 Council'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.

I have also received an objection from a member of the public about an item in the Council's 2011/12 financial statements. I am currently considering whether the matters raised represent a valid objection relevant to my functions. I updated the Accounts and Audit Committee members on developments at the meeting on 26 September 2012.

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 Accounts and Audit Committee to:

- take note of the adjustments to the financial statements included in this report (appendix 3);
- approve the letter of representation (appendix 4), on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 6).

Financial statements

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

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Uncorrected errors

There are no uncorrected non-trivial errors in the revised financial statements

Corrected errors

My work did not identify any material errors in the financial statements that had an overall net effect on the Council's reported assets and liabilities. I identified some classification and disclosure errors which management agreed to correct. I have presented a summary of the more significant items at appendix 3.

Significant risks and my findings

I reported to you in my January 2012 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>Major regeneration project – Lancashire Cricket Club</p> <p>The Council is making a significant contribution towards the £30 million scheme to develop Lancashire Cricket Club. There are several financial transactions involved which add to the complexity of funding the scheme.</p> <p>There is a risk that the various financial transactions could be incorrectly recorded within the Council's financial statements.</p>	<p>I evaluated the management controls you have in place to manage the risks relating to this major regeneration project.</p> <p>I also undertook testing to check the financial statements are materially stated for the various financial transactions for the funding of the scheme.</p> <p>My testing has not identified any significant issues to bring to your attention.</p>

Significant weaknesses in internal control

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

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

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

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

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

Description of weakness	Potential impact	Management action
<p>Payroll controls</p> <p>I was unable to place reliance on some of the controls within the payroll system.</p> <p>I identified weaknesses in the controls over:</p> <ul style="list-style-type: none"> • authorisation of new starters; and • review of payroll exception reports. <p>From my testing I identified the following control issues:</p> <ul style="list-style-type: none"> • lack of supporting evidence for authorising 4 of 20 starters tested • lack of evidenced payroll exception reports in April and May 2011 	<p>Susceptibility to fraud due to:</p> <ul style="list-style-type: none"> • unauthorised starters • unauthorised payroll amendments 	<p>Internal Audit has carried out more testing on payroll controls. This work is in progress and Internal Audit will report their detailed findings in due course.</p> <p>Authorisation of new starters</p> <p>Management need to strengthen controls over the appropriate authorisation of new employees. This includes:</p> <ul style="list-style-type: none"> • setting clear procedures for the authorisation required for ‘ad hoc’ starters, such as apprentices. • keeping authorisation approvals on all employee files. <p>Payroll exception reports</p> <p>Internal Audit confirmed from their work that the Council now approve and keep payroll exception reports.</p>

Recommendation

R1 Management need to strengthen controls over authorising new employees by:

- establishing and adhering to clear procedures for the payroll authorisation required for 'ad hoc' starters, such as apprentices
- retaining authorisation approvals on all employee files.

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:

- qualitative aspects of your accounting practices which include accounting policies, accounting estimates and financial statement disclosures
- 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 which include significant difficulties, significant matters that were discussed, or subject to correspondence with management.

Significant matters subject to correspondence with management

In December 2011 I received correspondence from a member of the public suggesting the Council had failed to comply with local environmental enforcement guidance issued by Department for Environment, Food and Rural Affairs (Defra) on the use of fixed penalty notices. The concerns were the Council has collected money following the issue of fixed penalty notice letters (FPNL2s) issued to the registered keeper of vehicles using misleading wording which was without legal authority.

After investigating these concerns I wrote to the Corporate Director of Transformation and Resources and to the member of the public concerned. I concluded that I did not consider that income received to be contrary to law. But I felt there was scope to improve the wording of the Council's standard documents to make them clearer and make sure they were not misleading. The Council has now made the appropriate improvements both to its standard letters and website content in relation to fixed penalty notices..

I have subsequently received a formal objection to the Council's 2011/12 accounts from a member of the public in relation to the issue. I am currently considering if there is any more formal action that I need to take.

Whole of Government Accounts

As well as 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 18 September 2012 I have not completed the procedures specified by the National Audit Office. I am aiming to complete my report before the required deadline of 5 October 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 January 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 each of the risks I identified.

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

Table 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>Failure to deliver budgeted savings and increased income of £21.3 million in 2011/12, and £16.2 million in 2012/13.</p> <p>Failure to develop plans in the medium term for additional savings of £27.5 million over the following two years from 2012/13 to achieve a balanced budget.</p>	<p>The Council delivered its £21.3 million budgeted savings and increased income and reported a revenue underspend of £4.8 million in 2011/12.</p> <p>The Council has an approved balanced budget in place for 2012/13, with plans in place to achieve the £16.2 million of savings and increased income required.</p> <p>The Council monitored its performance and risk assessed all savings proposals in detail to consider any potential impact on services.</p>

Criteria	Risk	Findings
		<p>The Council continues to hold an appropriate level of reserves and has outline financial plans in place to secure further savings over the medium term.</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>Adverse impact on services and delivery of corporate priorities because of reduced budget allocations under the Governments Comprehensive Spending Review.</p>	<p>The Council's financial planning process challenged departments effectively to forecast service needs, identify resources implications and opportunities for efficiencies.</p> <p>The Council has successfully delivered savings targets to date and identified further proposals that are subject to detailed challenge and scrutiny.</p> <p>In common with other authorities the Council is facing further financial challenges in the medium to longer term. The Council recognises the increasing difficulties in continuing to achieve high levels of savings while maintaining its high standards of service performance.</p> <p>The Council's disciplined approach to financial planning and willingness to challenge itself should help to secure a sustainable financial position.</p>

Fees

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

I will complete the audit opinion and vfm conclusion within the planned fee.

Table 4: Fees

	Original scale fee (£)	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	260,199	260,199	260,199
Claims and returns		40,500	not yet complete
Non-audit work			
Total	260,199	300,699	

The Audit Commission has paid a rebate of £20,816 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £279,883. The above fee does not include any additional amount for dealing with the objection received to the 2011/12 financial statements.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF TRAFFORD COUNCIL

Opinion on the Council financial statements

I have audited the financial statements of Trafford 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 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 Trafford 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 Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance’s Responsibilities, the Director of 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, I read all the information in the foreword by the Director of Finance 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 Trafford 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 foreword by the Director of Finance 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 Council 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 Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

The Council 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 Council 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 Council 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 Council'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 Council 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 Council 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 Council 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, Trafford 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 such time as I have completed:

- my consideration of a matter brought to my attention by a local authority elector; and
- the work necessary to issue my assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

I am satisfied that this work does not have a material effect on the financial statements or a significant impact on my value for money conclusion.

Mick Waite
Officer of the Audit Commission

Aspinall House

Aspinall Close

Middlebrook

Horwich Bolton

BL6 6QQ

September 2012

Appendix 2 – Uncorrected errors

I have not identified any errors during the audit which management have not addressed in the revised financial statements.

Appendix 3 – Corrected errors

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

Manchester Airport Holding Account

Amendment made to combine the Airport reserve balance of £5,702k and include this within the Capital Adjustment Account on the Balance Sheet. The Council had shown this separately in the draft accounts to assist readers however this is contrary to the requirement of the Code. The unusable reserves note 25 shows the Airport Holding Account separately for added information.

Revenue Grants Credited to Services (Comprehensive Income and Expenditure Statement (CIES) and note 39)

Amendment to reclassify non ring fenced grants credited to services within the CIES. A late update to the Code required these to be shown within taxation and non-specific grant income, rather than credited to services. The Code update was not supplemented with any additional technical briefings to highlight the late change required. The total reclassification was £15.6 million. This did not affect the reported surplus in the CIES.

Gain on Donated Assets (CIES and note 9)

Amendment to reclassify the gain on donated assets of £1,600k within the CIES. This is now shown within taxation and non-specific grant income, rather than operating expenditure, in line with the requirement of the Code.

Long term borrowing

The Council has a 49-year £20 million loan on the money market. This loan has an unusual schedule of interest liabilities over the life of the loan, with lower interest due initially followed by a fixed rate with a variable element. In determining the interest charged over the life of the loan the CIPFA Accounting Code of Practice (the Code) requires the interest payments to be spread using an 'effective interest rate' using contractual cashflows over the full contractual term of the loan.

In the draft accounts the Council had charged £400k (actual interest) and set aside £517k into an interest smoothing reserve. However it should have charged the full 'effective interest' of £917k into the consolidated income and expenditure statement. The Council have amended the statement of accounts to comply with the Code by making the entries as set out in the table below.

There is no overall net effect on the Council's reported assets and liabilities as entries through the MIRS ensure there is no impact on the General Fund.

Table 5: **Long term borrowing amendments**

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Interest payable on long term borrowing	The Authority had not carried out an effective interest rate (EIR) calculation on a £20 million money market loan. This resulted in overstated earmarked general fund reserves and understated loan balance:				
	Financing and investment income and expenditure	517			
	Long term borrowing				517
	Earmarked general fund reserves			517	
	Transfer to/from earmarked reserves (MIRS)		517		

Cash flow statement (and notes 26, 27)

Amendment to entries within the cash flow statement to correct some misclassifications of changes in cash and cash equivalents. The Council adjusted the analysis of net cash flows from operating activities by a net £37.1 million with a contra adjustment of £37.1 million to the investing activities line within the cash flow statement. There is no overall effect on the net cash position.

Disclosure notes

- Amendments made to enhance the disclosure given in the Heritage assets policy note (note 1z). This now includes details of the records held.
- Corrections to the comparatives disclosed in the notes for investment properties (note 14), revaluation reserve (note 25) and capital adjustment account (note 25). These now reflect the prior year adjustments as set out in the restated balance sheet (in note 53).
- Updated information within the contingent liability (note 49). The Council updated the disclosures in relation to Trafford Housing Trust, Munciple Mutual Insurance, synthetic pitches and Metrolink. It also added two disclosures in respect of a potential business claim and a planning appeal
- Material items of income and expenditure (note 5). This originally omitted some items but now includes reference to all material items.
- Financial instruments (note 16). Updated to provide clearer narrative and include the airport dividend.
- Property, plant and equipment (note 12). Updated to move the impairments of £8,645k to the downward revaluation line, in line with Code disclosures.
- Provisions (note 23). Correction to show the comparative for equal pay of £3,221k as long term rather than short term.
- Operating leases (note 42). Correction to scheduling of lease liabilities.

In addition to these there have been a number of minor editing changes to correct some addition and typographical errors.

Appendix 4 – Draft letter of management representation

Trafford 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 chief officers of Trafford Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

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

Supporting records

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

Internal control

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

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and

- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For all appropriate assumptions, (e.g. fixed assets, IAS 19 valuations, investment and financial instrument valuations, accruals), 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 Council, 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 Council to adjust the accounting estimate and related disclosures included in the financial statements.

Specific representations

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

- Plans or intentions that may affect the carrying value or classification of assets and liabilities;
- Liabilities, both actual and contingent; and
- Title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral.

Related party transactions

I confirm that I have disclosed the identity of the Council'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 Trafford Council

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

Signed

Ian Duncan

Director of Finance

September 2012

Appendix 5 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Council 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 Council'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 Council is required to prepare, which report the financial performance and financial position of the Council 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 Council and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Council 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 Council. This term includes the members of the Council 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 Council must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 6 – Action plan

Recommendation

Recommendation 1

Management need to strengthen controls over the authorisation of new employees by:

- establishing and adhering to clear procedures for the payroll authorisation required for 'ad hoc' starters, such as apprentices
- retaining authorisation approvals on all employee files.

Responsibility	J Buckley
Priority	High
Date	October 2012
Comments	Agreed

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- any third party.

