

# Annual governance report

Rossendale Borough Council

Audit 2011/12



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# Key messages

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**This report summarises the findings from the 2011/12 audit which is 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 12 September 2012 I expect to issue an unqualified audit opinion.

The Council's accounts were prepared to a good standard and were supported by good quality working papers. Officers responded to my audit queries in a timely way.

## **Value for money (VFM)**

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

# Before I give my opinion and conclusion

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

## **Independence**

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

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

- take note of the adjustments to the financial statements included in this report (appendices 2 and 3);
- approve the letter of representation (appendix 4), on behalf of the Authority before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 6).

# Financial statements

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**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 material uncorrected errors but I have highlighted at Appendix 2 one area where the presentation of the accounts could be improved to comply with the Code of Practice for Local Authority Accounting.

## Corrected errors

Appendix 3 details the amendments required to the financial statements which management have chosen to correct. The only material amendments related to:

- The late revision of Rossendale Transport Limited's (RTL) accounts to reflect an impairment of £920k caused by the revaluation of the Transport Depot.
- Changing the valuation basis of the Council's investment in RTL to historical cost.
- Amending the Income and Expenditure figure in the Group Comprehensive Statement of Income and Expenditure to correctly reflect RTL's Income and Expenditure.

A number of minor amendments were made to the narrative within the accounts to comply with the disclosure requirements. We have not included these in Appendix 3.

## Significant risks and my findings

I reported to you in my 2011/12 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 1 I report to you my findings against each of these risks.

Table 1: **Risks and findings**

Risk	Finding
<p><b>Heritage Assets</b></p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. There is a risk that the Authority may be unable to account for all heritage assets due to the subjective nature and valuation basis associated with these assets.</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..</p>	<p>I evaluated the management controls you have in place to recognise and value heritage assets. I also undertook detailed testing on a sample of heritage assets to confirm the Council has accounted for them in accordance with FRS 30 and the Code and the financial statements are fairly stated.</p> <p>My testing has identified some issues to bring to your attention regarding the need to obtain comprehensive and up to date valuations for the Whittaker Museum collection. I have summarised my findings and recommendations in the next section of this report.</p>
<p><b>Valuation of property, plant and equipment (PPE)</b></p> <p>The Authority is required to value PPE at fair value (with some exceptions). There is a risk that the valuation reported in the financial statements will be materially misstated due to the subjective nature and valuation basis associated with these assets.</p>	<p>I have evaluated the instructions given to the Council's valuer against the CIPFA guidance and the valuers' qualifications and independence. I have tested a sample of assets to satisfy myself that the valuation and depreciation of property, plant and equipment accounted for by the Council and disclosed in the financial statements was in line with the requirements of IAS 16 and the Code. My testing has not identified any issues to bring to your attention.</p>
<p><b>Estimation of pension liability and asset</b></p> <p>The Authority is required to reflect data relating to the</p>	<p>I have reviewed the design and implementation of management controls over establishing the estimate, including arrangements for instructing actuaries and controls over information provided to actuaries. I have used my own expert to enable me to</p>

## Risk

assets and liabilities as well as income and expenditure relating to its Pension Fund within its accounting statements.

The data is based on information provided by Mercers, an independent firm of actuaries, employed by the County Council Fund and is based on the latest full valuation of the scheme as at 31 March 2010.

Given the large values involved and the high degree of estimation and subjectivity this is deemed to be a significant risk.

## Finding

evaluate the work of your actuary. I have agreed the estimate to the actuarial report. My testing has not identified any significant issues to bring to your attention.

## 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 adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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

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

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

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

Description of weakness	Potential impact	Management action
There is no recent valuation of the Whittaker Museum collection which, along with the Council's civic regalia, is reflected in the	The value of the collection may be incorrectly reported for insurance purposes.	Obtain a comprehensive external valuation of the contents of Whittaker Museum in 2012/13 as part of the planned full service review.

## Description of weakness

accounts as heritage assets. .

The valuation included in the Council's accounts is based on an external valuation obtained in 2001 of £868k and a supplementary valuation of £95k obtained 2002. The valuations have been uplifted for inflation since that date. New items aquired since the valuations were undertaken have been added to the value.

Although these insurance valuations are old, the code does not prescribe a timescale for revaluation. This is therefore the latest available valuation information.

The total valuation is consistent with the information provided by Lancashire County Council who undertake the curation of the collection. However, this documentation was prepared as part of the management agreement and is not a formal valuation of the collection.

## Potential impact

## Management action

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## Recommendation

**R1** Undertake a comprehensive external valuation of the contents of Whittaker Museum in 2012/13 as part of the planned full service review

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## Other matters

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

I have no matters I wish to report.

## 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.

## Questions from electors

Members are aware that I received a series of questions from a member of the public and the local member of parliament in respect of the Council's decision to purchase the Valley Centre in Rawtenstall in November 2011. The issues raised covered a broad range of areas relating to the lawfulness of the purchase, the governance arrangements and the consultation process surrounding the decision to change the Council's priority for strategic investment.

I have undertaken a review of the Council's purchase of the Valley Centre. My report will be presented to Cabinet in due course. However, I am satisfied that there are no matters which I need to draw to your attention as those charged with the governance of the Council at this time.

# 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. 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	Findings
<p><b>1. Financial resilience</b></p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>Members and Officers understand the significant financial management challenges and risks facing the Council and are taking appropriate action to secure a stable financial position. Through its 2011/12 budget setting process the Council identified £1.6m of savings needed to produce a balanced budget. Further efficiency savings of £921k were identified as part of the 2012/13 budget setting process. Officers are clear that further savings will be needed to address the projected funding gap of £1.4m up to 2015/16.</p> <p>Medium-term financial planning and annual budgeting reflects the council's strategic objectives and priorities for the year, and over the longer term. The Council has reviewed its Medium Term Financial Strategy in light of the current economic climate. Its current plan covers the period 2011/12 – 2015/16. This shows a projected deficit of £1.4m by 2015/16. It sets out that the Council proposes to achieve a balanced budget for 2013/14 by identifying a further £334k of efficiency savings and utilising £599k of its Transitional Fund</p>

## Criteria

## Findings

Reserve. The use of the Transitional Fund Reserve is in line with Council policy and is designed to give the Council time to secure the required efficiencies and savings by reviewing the need for the services it provides and the manner in which those service are delivered. The process to address a potential of deficit in 2015/16 reported to Cabinet in June 2012 and consultation on an initial range of initiatives is now being undertaken. . .

The Council operates within a level of reserves and balances (including earmarked reserves and the general fund balance) as approved by members. These are appropriate for the strategic, operational and financial risks it faces.

Financial monitoring and forecasting is relevant, timely and accruals based. There is a clear link between the budget, in-year forecasts and actual year-end position. The Council has a good recent record of operating within its budget with no significant overspends. Management takes timely action to address any budget pressures, for example by taking corrective action to manage unfavourable variances.

### **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.

The scale of the spending reductions required by the Council is significant. In light of this, the Council is reviewing its strategic priorities and the cost-effectiveness of its activities. It is taking a rational view of its priorities and of the short, medium, and longer term opportunities for savings. In this context, it has recently reprioritised resources away from a major investment in leisure services towards regeneration of the Borough. It has reduced the planned investment in its leisure centres in order to support the purchase of the Valley Centre. A preferred developer partner is now being appointed to bring forward a redevelopment of the cleared site.

The Council uses benchmarking against similar authorities and performance information to support its planning and decision making. It understands how local factors impact on costs. The Council's costs are commensurate with the service provided given Rossendale's size, rurality and relative needs.

Rossendale works in partnership with other local authorities to ensure it can

## Criteria

## Findings

maintain the capacity to deliver the services people want and need, and to secure access to a wider range skills and knowledge which might otherwise challenge a small authority. For example, the Council has recently renewed its contract with Lancashire County Council for the provision of internal audit services. Rossendale is also working in collaboration with the Councils in Ribble Valley and Pendle to provide rural communities with access to advice on Benefits, welfare rights and council services. It has maintained access to pest control services whilst reducing its costs by introducing joint working with Hyndburn. It also is working jointly with Burnley to procure shared Health & Safety services.

The Council also works in partnership with the third sector and other organisations to deliver its priorities. This includes a partnership with Rossendale and Accrington college which maximises the utilisation of Stubblelee to reduce costs of the Council whilst providing additional education facilities within the Borough for young people.

The Council has good monitoring arrangements in place to ensure planned efficiencies are achieved. It has a good grasp of the impact of changes on service performance and provision.

# Fees

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

I have completed my audit in line with the agreed fee. However, my review of the Valley Centre purchase was not covered by this fee. I anticipate the fee for this work will be £20,000.

Table 4: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	100,268	100,268
Claims and returns	20,000	20,000
Valley Centre Review	0	20,000
<b>Total</b>	<b>120,268</b>	<b>140,268</b>

The Audit Commission issued rebates on the main audit fees 2011/12. The net affect of the rebates is that the net cost to the council of the main audit was £92,252 in 2011/12.

# Appendix 1 – Draft independent auditor’s report

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## INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ROSSENDALE BOROUGH COUNCIL

### Opinion on the financial statements

I have audited the financial statements of Rossendale Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group 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 Rossendale 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 Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance’s Responsibilities, the Head 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 Authority and Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition,

I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Rossendale Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I report to you if:

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

I have nothing to report in these respects

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

#### **Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Basis of conclusion**

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, Rossendale 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 Rossendale Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Karen Murray

District Auditor

Audit Commission  
2nd Floor, Aspinall House  
Aspinall Close  
Middlebrook  
Bolton  
BL6 6QQ  
September 2012

# Appendix 2 – Uncorrected errors

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

Item of account	Nature of error	Statement of comprehensive income and expenditure		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Balance sheet and Note 17	<p>The Balance Sheet includes Assets held for sale of £94k. These are defined as assets which are likely to be sold within one year. However, there is little prospect of the Council disposing of these assets in the near future</p> <p>The Code requires assets surplus to service needs and which do not meet the criteria to be classified as either investment property or assets held for sale, to be categorised as surplus assets.</p> <p>The balance of £94k should be reclassified as Surplus Assets. This does not affect the overall net worth of the Council</p>				

# Appendix 3 – Corrected errors

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

<b>MiRS = Movement in Reserves</b> <b>CIES = Comprehensive Income and Expenditure Statement</b> <b>BS = Balance Sheet</b>					
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Explanatory Foreword	The data in the graphs on page 8 was amended to more accurately reflect the data in the main accounting statements.				
Annual Governance Statement	The Annual Governance statement was expanded to more accurately reflect the improvement areas highlighted in the Head of Internal Audit's annual report. These relate to the need to develop the Council's Information Governance Framework and engagement in health partnerships.				
MiRS BS Group MiRS Group BS	<p>The valuation basis used for the Council's long-term investment in Rossendale Transport Ltd has been amended in line with the 2011 Code which now permits the valuation to be based on cost or fair value.</p> <p>The investment is now being shown at the historic cost value of the shares since this represents a more stable reflection of the Council's investment.</p> <p>The adjustment has been applied retrospectively. It reduces the value of the investment asset in the balance sheet from £1.4m to £645k and MiRS</p> <p>Corresponding adjustment were also made in Note 22 and the</p>	£1,445 (BS)			£1,445k (MiRS)

MiRS = Movement in Reserves CIES = Comprehensive Income and Expenditure Statement BS = Balance Sheet					
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
	Group statements				
BS Note 27	The Debtors figure has been restated to show the value net of the bad debt impairment.  In addition the line showing Provision for Impairment (£1,156k) has been removed since this is now reflected in the debtors balance.				
Note 17	The Note 17 (Property, Plant and Equipment - page 46) relating to Heritage Assets as been expanded to explain the basis of the current valuation methodology.				
Note 32 Creditors	The line relating to Other Local Authorities was increased by £76k and Sundry Trade Creditors reduced by the same amount to correct a classification error				
Group CIES Group MiRS	The Income and Expenditure on Highways, Roads and Transport Services line have been increased to reflect Rossendale Transport's income and expenditure of £9,447k and £10,253k respectively.  There were corresponding amendments in the Group MiRS	10,253 (CIES Expenditure)	9447 (CIES Income)		
Group CIES Group BS Group MiRS	The Group Statements were amended to reflect late amendments to RTL accounts. The most significant of these was an impairment to the value of the transport depot of £920k. This reduced the value of other Land and Building shown on the Group Balance to £18,329k and there was a corresponding additional charge to expenditure of £920k which resulted the deficit on RTL's Profit and Loss Account for			£920 (BS)	£920 (CIES)

MiRS = Movement in Reserves

CIES = Comprehensive Income and Expenditure Statement

BS = Balance Sheet

Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
	2011/12 of £807k.				
Page 84	Page 84 (Capital Expenditure Report) was deleted because it does not form part of the statutory accounts prescribed by the Code.				

# Appendix 4 – Draft letter of management representation

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## **Rossendale 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 insert relevant details directors of Rossendale 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.

### **Uncorrected misstatements**

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

These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are not material to the accounts.

### **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.

## **Supporting records**

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

## **Internal control**

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

## **Irregularities**

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

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

## **Law, regulations, contractual arrangements and codes of practice**

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

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

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

**Accounting estimates including fair values**

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

**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 [insert audited body name here]

I confirm that the this letter has been discussed and agreed by the Audit and Accounts Committee] on 19 September 2012

Signed

Name

Position

Date



# Appendix 5 – Glossary

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## **Annual Audit Letter**

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

## **Annual Governance Report**

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

## **Annual Governance Statement**

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

## **Audit of the accounts**

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

## **Audited body**

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

## **Auditing Practices Board (APB)**

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

## **Auditing standards**

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

**Auditor(s)**

Auditors appointed by the Audit Commission.

**Code (the)**

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

**Commission (the)**

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

**Ethical Standards**

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

**Financial statements**

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

**Group accounts**

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

**Internal control**

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

**Materiality**

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

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

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

### **Significance**

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

### **Those charged with governance**

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit and Accounts 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 6 – Action plan

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[Add an action plan if you have made any recommendations]

## Recommendations

### Recommendation 1

**R1** Undertake a comprehensive external valuation of the contents of Whittaker Museum in 2012/13 as part of the planned full service review.

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**Responsibility**

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**Priority**

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**Date**

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**Comments**

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

