

Annual governance report

Nottinghamshire County 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.

Status of the Audit and this Report

The Council's 2011/12 financial statements and this report are to be initially considered by the Audit Committee on 12 September 2012, with the statements formally approved by the County Council at its 20 September 2012 meeting. The statements include both the County Council and Pension Fund accounts. My audits of the two sets of accounts are substantially complete. There are some outstanding issues relating to the County Council accounts which are expected to be resolved by the date of the County Council meeting. I will update the Audit Committee at its meeting on the progress made in relation to the remaining audit enquiries.

Financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the Council's financial statements.

Value for money (VFM)

I intend to issue an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources. I expect to conclude that there are no matters arising from my VFM work that I need to report.

Before I give my opinion and conclusion

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

Independence

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

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

I ask the Audit Committee and the County Council to:

- take note of the unadjusted items to the financial statements included in this report (appendix 2) and;
- approve the letter of representation (appendix 3), on behalf of the Authority before I issue my opinion and conclusion.

Financial statements

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

Opinion on the financial statements

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 report.

The outstanding matters at the end of August 2012 include:

- further testing and information required from officers to help evaluate non material errors identified during the audit regarding the year-end bank reconciliation;
- completing the remaining audit work on the Cash Flow Statement and a small number of disclosure notes;
- checking the agreed non-material amendments to disclosure notes, to correct minor errors or to reflect changes to the accounting guidance;
- other audit work on the routine closure steps.

We expect to complete the remaining work and obtain from officers the further information and explanations required by the date of the Audit Committee meeting. I will update the Audit Committee at its 12 September 2012 meeting on the progress made in relation to the remaining audit queries.

Errors in the financial statements

The notes to the financial statements have been amended to correct a relatively small number of errors and to more clearly meet the requirements of this year's Code of Practice on Local Authority Accounting. There are no specific issues in relation to these amendments that I need to ring to your attention in this report.

I have reported at Appendix 2 errors identified in the course of my audit work to date in the presentation of the year-end bank reconciliation within the financial statements, which management do not wish to correct. I am carrying out further work on these items and I will update the Audit Committee at its 12 September 2012 on this and any additional issues arising from the remaining audit queries.

Significant risks and my findings

I reported to you in my February 2012 Audit Plan a significant risk that I identified relevant to my audit of your financial statements. In Table 1 I report to you my findings against this risk.

Table 1:

Risks and findings

Risk	Finding
<p>The introduction of the new Business Management System in 2011/12 sees the replacement of many of the Council's financial systems, including the General Ledger. This is a risk for the County Council and the Pension Fund audits as weaknesses in the control and operation of these systems could lead to delays in the accounts' production or result in a material misstatement.</p>	
<p>I plan to:</p>	
<p>Document the new systems and changes in interfaces, and identify and test key controls.</p>	<p>I have documented the systems and tested the key controls.</p>
<p>Liaise with Internal Audit and where possible rely on their testing of data transferred and interfaces, accounts payable and receivable and payroll.</p>	<p>I have reviewed Internal Audit's work and, in line with auditing standards, re-performed elements of their testing. I have been able to rely on their completed work. We have carried out further 'top-up' testing where necessary to ensure the sample tested covered the full year's transactions and to meet the minimum sample sizes required under our audit approach. I have not identified any material errors in the course of that work</p>
<p>Rely on Internal Audit's overview and testing of the overall BMS programme.</p>	<p>I have reviewed and been able to rely upon Internal Audit's work.</p>
<p>Document the new General Ledger system and test controls as appropriate.</p>	<p>I have documented the system and tested the key controls. I have carried out additional substantive testing on the bank reconciliation process and any significant year end correction/adjustment journals. I have reported non-material errors in the bank reconciliation at Appendix 2 and I am carrying out further substantive testing.</p>
<p>Test the opening balances on the SAP General Ledger and transferred data, and test all material feeder system reconciliations to the General Ledger at the year-end.</p>	<p>I have completed the planned work on opening balances and transferred data, and tested the material reconciliations as part of the final accounts audit. I have not identified any material errors in the course of that work.</p>
<p>Substantively test the SAP Chart of Organisation and classification of income and expenditure transactions.</p>	<p>I have completed the work planned and carried out additional substantive testing as part of the of the final accounts audit. I have not identified any material errors in the course of that work.</p>

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 significant weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not already aware.

Other matters

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

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

There are no additional issues that I need to bring to your attention in this report in relation to these matters.

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 (WGA) return. As at 31 August 2012 I have not completed the procedures specified by the National Audit Office. The deadline for issuing my assurance statement is 5 October 2012.

Audit Certificate

The outstanding elector's objection to the 2008/09 accounts is expected to have been determined, and I expect to be able to issue the 2008/09 to 2010/11 Audit Certificates, which formally close those years' audits, by 30 September 2012. There are two items of 2011/12 audit work which need to be completed before I am able to issue the Audit Certificate for this year, and these set out in my draft Audit Report at Appendix 1. I will amend my Audit Report to include the Audit Certificate if the audit opinion on the accounts in the Pension Fund Annual Report and WGA assurance statement can be given before 30 September 2012.

Letter of Representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. The proposed Letter of Representation is included in Appendix 4 to this report and is to be agreed at the Council's meeting on 20 September 2012.

Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission.

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

In the course of the year I have also considered, where they relate to my audit responsibilities, matters raised with me by officers and members of the public. These included the Council's planned sale of its care homes, and the financial support towards Community Transport. I am satisfied that these matters do not adversely impact on my value for money conclusion or audit opinion on your financial statements, and there are no specific issues I need to bring to your attention in this report.

Table 2: **Value for money conclusion criteria and my findings**

Criteria	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>The medium term financial strategy has been informed by widespread consultation and analysis over recent years and it shapes the Improvement Programme to deliver significant financial savings over the period of the plan. The steps taken to maintain the Council's financial standing have been effective. The Council reported a net saving against portfolio budgets of £34.3m in 2011/12 and increased the General Fund balance by £1.6 million. It has set aside substantial sums to support service restructuring plans and capital projects. The Council has implemented new systems and processes to improve financial monitoring and internal reporting. The arrangements have become more embedded during the year and the Council is working hard to secure the planned benefits from its investment. The year end financial reporting arrangements are well established.</p>

Criteria**Findings****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 Council continues to manage risk effectively and the arrangements are embedded. Internal Audit found that internal controls in most of the Council's systems and procedures continue to operate satisfactorily.

The Improvement Programme is widely understood and comprehensive. The Improvement Programme governance arrangements are strong and good progress has been made in delivering the Programme. The Programme has been informed by good analysis of budget pressures and the impact of increasing demand. Significant savings have also been achieved in year. Comparative and benchmarking information is being more widely used. The Council has improved its understanding and control of its costs and is delivering efficiency savings.

Fees

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

I expect to complete the 2011/12 audit within the planned fee of £218,250.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE COUNTY COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Nottinghamshire County Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and 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 Nottinghamshire County 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 Service Director (Finance and Procurement) and auditor

As explained more fully in the Statement of the Service Director (Finance and Procurement) Responsibilities, the Service Director (Finance and Procurement) is responsible for the preparation of the Authority’s Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting

policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Service Director (Finance and Procurement); 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 Nottinghamshire County Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

Opinion on the pension fund financial statements

I have audited the Nottinghamshire County Council Pension Fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement 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 Nottinghamshire County 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 Service Director (Finance and Procurement) and auditor

As explained more fully in the Statement of the Service Director (Finance and Procurement) Responsibilities, the Service Director (Finance and Procurement) is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 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 fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Service Director (Finance and Procurement); 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 pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
- have been properly prepared 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.

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, Nottinghamshire County 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

The audit cannot be concluded yet for two reasons:

- I am required to give an opinion on the financial statements of the pension fund included in the Nottinghamshire County Council Pension Fund Annual Report. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2012. As the authority has not yet prepared the Annual Report I have not yet been able to read the other information to be published with those financial statements and I have not issued my report on those financial statements.
- I have not completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. The deadline for issuing my assurance statement is 5 October 2012.

I am satisfied that these matters do not have a material effect on the 2011/12 financial statements.

Ian Sadd
Officer of the Audit Commission
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Whitwick Business Centre
Whitwick Business Park
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September 2012

Appendix 2 – Uncorrected errors

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

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Cash	The balance sheet cash value does not take account of year-end reconciling items to the cash book (such as un-presented cheques and BACS payments in transit), which have instead been included within creditors. This is a change from the previous year's practice.				11,716
Creditors				11,716	

I am carrying out further substantive testing on other year end reconciling items, and I need to complete my audit of the Cash Flow Statement and a small number of the financial statements' disclosure notes. I will update the Audit Committee at its meeting 13 September 2012 if any further errors are identified from the remaining audit work which I need to bring to your attention.

Appendix 3 – Draft letter of management representation

Nottinghamshire County Council and Nottinghamshire County Council Pension Fund - 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 the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012. All representations cover the Council's accounts and the Nottinghamshire County Council Pension Fund Accounts included within the financial statements.

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 County Council and Pension Fund, 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.

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the County Council and Pension Fund have been properly reflected and recorded in the financial statements.

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 that 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 County Council and Pension Fund have 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 if material 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.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.

Related party transactions

I confirm that I have disclosed the identity of County Council and Pension Fund 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 requirement of the framework.

Subsequent events

All significant events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations:

None requested at this stage.

Signed on behalf of Nottinghamshire County Council.

I confirm that this letter has been discussed and agreed by the Audit Committee on 12 September 2012 and the Council on 20 September 2012.

Signed

Name: Paul Simpson

Position: Service Director (Finance and Procurement)

Date: 20 September 2012

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.

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0844 798 7070

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

