

# Audit plan

Wirral Council

Audit 2011/12



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# Introduction

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**This plan sets out the work for the 2011/12 audit of Wirral Council. The plan is based on the Audit Commission's risk-based approach to audit planning.**

## **Responsibilities**

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit and Risk Management Committee, as those charged with governance, of their responsibilities.

## **Merseyside Pension Fund**

This plan sets out the work for the 2011/12 audit of Wirral Council. As Wirral Council is the administering body for Merseyside Pension Fund (MPF) and the accounts of the latter are included within the statement of accounts for the Council, the Audit and Risk Management Committee has responsibility as the body charged with governance for receiving, considering and agreeing the MPF audit plan, as well as receiving and considering any reports arising from the audit. There is a separate audit plan for the MPF audit which will be presented to the Pensions Committee and the Audit and Risk Management Committee in January 2012. We do not issue a separate value for money (VFM) conclusion for the Pension Fund.

## **Glossary**

A glossary of terms used in this plan is included at Appendix 3.

# Accounting statements and Whole of Government Accounts

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I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

## Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

## Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Authority's information systems.

## Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.

Table 1: **Significant risks to the audit opinion**

Risk	Audit response
<p>1. Accuracy and consistency of financial statements and working papers In 2010/11 and in previous years:</p> <ul style="list-style-type: none"> <li>■ the accounts approved by the Deputy Chief Executive and Director of Finance and presented for audit contained a number of material and other errors;</li> <li>■ I identified a number of areas where policies were not complied with and financial statements disclosures were not consistent within the accounts;</li> <li>■ I received a number of versions of statements to audit.</li> </ul> <p>In 2010/11, the deadline for approval of the accounts by the Deputy Chief Executive and Director of Finance and the Council's plan for the restatement to IFRS were not met. Working papers were not presented for audit to the deadline and some were not to standard.</p> <p>These factors all led to difficulties during the audit that impacted on our timetable, resources and reporting to members and put at risk the issue of the Auditor's Report and the publishing of the audited accounts by the statutory deadline.</p>	<p>Review the design and implementation of the management controls you put in place to produce the statement of accounts including the Council's closedown plans. Monitor achievement of the timetable for closedown.</p> <p>Review responses to action plans in respect of the 2010/11 pre statements report and final opinion memo to officers and the Annual Governance Report presented to members in respect of:</p> <ul style="list-style-type: none"> <li>■ Quality assurance arrangements</li> <li>■ Working papers</li> <li>■ Accuracy of the statements.</li> </ul>
<p>2. Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets and also requires retrospective restatement in a number of accounts (1 April 2010 &amp; 31 March 2011). There is a risk that the Authority may be unable to identify and account for all heritage assets due to previous problems with restatements and the recording of and accounting for assets.</p>	<p>I will evaluate the design and implementation of the management controls you have in place to recognise and value heritage assets. I will also undertake testing to check that the Authority has accounted for heritage assets in accordance with FRS 30 and the Code and the financial statements are materially stated. I will carry out early testing on restated balances.</p>

Risk	Audit response
<p>A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. For Wirral Council this is likely to include your art works.</p>	
<p>3. Surplus/deficit on the revaluation of Property Plant and Equipment (PPE) assets disclosed</p> <p>The pre-audit statements 2010/11 included a material error in the Comprehensive Income and Expenditure Statement (CIES) - Surplus/deficit on the revaluation of Property Plant and Equipment (PPE) assets disclosed. The audited financial statements included a (non-material) balance of £6m as an unadjusted error on the face of the CIES in respect of the deficit on the revaluation of Property Plant and Equipment (PPE) assets disclosed. The corresponding entries would have been at a number of service expenditure lines. The Council needs to take a view on the impact on the 2011/12 accounts of the misstatement in 2010/11 There is a risk that if this is not resolved the balance could be material in 2011/12.</p>	<p>I will evaluate the design and implementation of the controls you have in place over the use and recognition of capital grants. I will carry out early testing on the resolution of the £6m unadjusted error from 2010/11.</p> <p>Specific testing on the surplus or deficit on the revaluation of PPE.</p>
<p>4. Valuation of property, plant and equipment (PPE)</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 incorrect classification or application of accounting standards, incomplete asset records or lack of timely and quality assured closedown and communication between Finance and Valuers.</p>	<p>Review the design and implementation of the controls over identifying assets, establishing estimates, including arrangements for instructing your valuer and controls over information provided to valuer.</p> <p>Procedures for reliance on the work of the valuer.</p> <p>Tests of detail on valuations and associated depreciation calculations.</p>
<p>5. Schools</p> <p>In most local authorities schools are managed through a variety of governance arrangements. The difference in those arrangements has</p>	<p>Review the design and implementation of the controls and the Authority's consideration of schools and the IAS 16 recognition criteria. Review consistency with the accounting policy.</p>

Risk	Audit response
<p>implications for the accounting treatment. There may be a risk that the Authority has materially misstated its PPE due to the incorrect inclusion or omission of schools in its balance sheet. Compliance over classifications of schools under IAS16 awaits further guidance from CIPFA.</p>	<p>Tests of detail on the accounting treatment of a sample of schools held on the balance sheet and a sample of schools not recognised on the balance sheet against the IAS 16 recognition criteria.</p>

## Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors if we seek to rely on their work;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 2: **Proposed work**

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	To be agreed	Payroll Expenditure General Ledger (reporting and			Investments and other non-current assets – ownership Restatement of Heritage assets

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
		journals) Capital grants Heritage assets			
Final visit	To be agreed	Year-end feeder system reconciliations	Pensions assets and liabilities – auditor to Merseyside Pension Fund	Pensions liabilities and assets – Mercers and our own consulting actuary Valuation of property, plant and equipment – Wirral Council in-house team and our own consulting valuer.	All material accounts balances and amounts

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

## Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts (WGA) return. In 2010/11 we did not give our opinion by the deadline as we did not receive the final Council statements until the day of the deadline and the final WGA return from the Council until after the deadline. The extent of my review and the nature of my report are specified by the National Audit Office.



# Value for money

## I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

The Audit Commission also requires me to report by exception where significant matters come to my attention, which I consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

### Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion. I have identified the following significant risks that I will address through my work.

Table 3: **Significant risks to the value for money conclusion**

Risk	Audit response	Separate audit output?
The Council has identified significant pressures within the Children and Young People's and Adult Social Services revenue budgets for 2011/12. Achieving the savings identified in the Change Programme and implementing robust	Review: <ul style="list-style-type: none"><li>■ your budgetary control arrangements</li><li>■ budget projections to Cabinet</li><li>■ achievement of savings</li></ul>	Not planned at this stage - included in Annual Governance Report

Risk	Audit response	Separate audit output?
plans for bridging the current budget shortfall for 2012/13 of £18.7m are fundamental to securing financial resilience and economy, efficiency and effectiveness.	<ul style="list-style-type: none"> <li>■ the assumptions and modelling in the MTFP and long term financial strategy</li> <li>■ the achievement of budgeted income</li> <li>■ levels of reserves.</li> </ul>	
In 2010/11 I concluded that the Council was not able to provide information on activity and performance to determine whether it is receiving better value for the money spent in respect of the HESPE contract.	<p>Review of value for money arrangements for the HESPE project including the use of cost and performance information and the arrangements to monitor achievement of efficiencies and the impact on services and performance.</p> <p>Review of value for money arrangements for other service areas.</p>	To be discussed following presentation of HESPE PIDA follow-up report 2010/11 and any other reports concerning value for money in 2011/12
In 2010/11 I identified a number of governance and internal control issues that are impacting on the efficiency and effectiveness of the Council.	<p>Review of</p> <ul style="list-style-type: none"> <li>■ governance arrangements and outcomes including risk management and internal control</li> <li>■ the Council's Annual Governance Statement</li> <li>■ controls around assets.</li> </ul>	To be discussed following presentation of HESPE PIDA follow-up report 2010/11 and any other reports concerning governance in 2011/12

# Key milestones and deadlines

The Authority is required to prepare and the Deputy Chief Executive and Director of Finance to approve the accounting statements by 30 June 2012. I aim to complete my work on the approved accounts and issue my opinion and value for money conclusion by 30 September 2012.

Table 4: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	31 March 2012	Interim memo and feedback to members in the Progress Report to ARMC.
Opinion: receipt of approved accounts and supporting working papers	30 June 2012	
Opinion: substantive testing	1 July – mid August 2012	Annual Governance Report 2011/12 (draft to officers by end August 2012 and agreed by mid September 2012)
Value for money regarding follow up to 2010/11 HESPE report	by mid August	To be agreed following agreement of HESPE 2010/11 report.
Value for money: work to support conclusion	by mid August 2012	Annual Governance Report 2011/12 (draft to officers by end August 2012 and agreed by mid September 2012)
Present Annual Governance Report at the Audit Committee	September 2012	Annual Governance Report 2011/12
Issue opinion on Merseyside Pension Fund accounts and opinion and value for money conclusion on Wirral Council.	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter



# The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **Audit team**

Name	Contact details	Responsibilities
Mike Thomas District Auditor	m-thomas@audit-commission.gov.uk 07879 667712	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive and members.
Liz Temple-Murray Audit Manager	l-temple-murray@audit-commission.gov.uk 0151 666 3483 07769 887358	Manages and coordinates the different elements of the audit work. Key point of contact for the Deputy Chief Executive and Director of Finance, the Director of Law, HR and Asset Management and other Directors.
Caroline Davies Audit Manager	caroline-davies@audit-commission.gov.uk 0151 666 3481	Support Manager for Wirral Council. Manages work on and key contact for Merseyside Pension Fund
Richard Tyler Team Leader	r-tyler@audit-commission.gov.uk 0151 666 3484	Leads fieldwork on opinion and value for money conclusion work. Key point of contact for and liaison with the Head of Financial Services, Chief Accountant and Internal Audit.

# Key contacts at the Council

The key Wirral Council contacts for the 2011/12 audit are as follows in the table below. Relevant key officers should agree delegation and communication arrangements for agreeing our reports and circulating our Plan. We have agreed the following protocol:

<b>Documents / reports</b>	Will be shared with the named contacts allowing one week for a response.
<b>Grant claims reports</b>	Will be shared with the claim certifier / named contacts with one week for a response.
<b>Year-end Accounts queries</b>	Will be raised with the named contacts with a response within 2 days.

Named contacts are to co-ordinate responses where required and respond on behalf of the Council.

Table 6: **Key contacts**

Name	Position	Responsibilities
Councillor Steve Foulkes	Leader of the Council	Governance framework and signing the Annual Governance Statement. Consider the Annual Audit Letter.
Councillor Jim Crabtree	Chair – Audit and Risk Management Committee (ARMC)	The ARMC is ‘the body charged with governance’ and needs to: <ul style="list-style-type: none"> <li>■ consider the Audit Plans for Wirral Council and Merseyside Pension Fund and the issues raised throughout the year in Progress Reports and any other reports</li> <li>■ consider the final Annual Governance Report and approve the accounts of the Council and Merseyside Pension Fund;</li> <li>■ confirm the Letters of Management Representations for the Council and Merseyside Pensions Fund.</li> </ul>
Jim Wilkie	Chief Executive	Accountable officer. Agreement of Audit Plan and Annual Governance

Name	Position	Responsibilities
		Report including value for money conclusion. Approve and sign the accounts and Annual Governance Statement. Sign the Letter of Management Representations*. Agree the Annual Audit Letter.
Ian Coleman	Deputy Chief Executive and Director of Finance	Accounting officer – s151 officer. Agreement of Audit Plan and Annual Governance Report including value for money conclusion. Approve and sign the accounts of the Council and Merseyside Pension Fund to confirm that they present fairly the financial position at 31 March 2012.
Bill Norman	Director of Law, HR and Asset Management	Monitoring Officer. Considering the legality of transactions.
Tom Sault	Head of Financial Services	Key contact and Lead for Wirral Council opinion and vfm conclusion audit: preparation and quality assurance of accounts that present fairly the financial position of Wirral Council at 31 March 2012. Agreement of draft AGR for Wirral Council including value for money conclusion.
Jenny Spick	Chief Accountant	Key contact for Wirral Council opinion audit. Prepare Statement of Accounts.
Dave Garry	Chief Internal Auditor	Review of and assurance on risk management, corporate governance and financial control.

In addition, other directors and senior officers within the Council are responsible for providing financial and other information to inform the accounts and value for money conclusion and to cooperate with corporate finance and the auditor during the audit.

\* Wirral Council and Merseyside Pension Fund. Can be signed by Chief Executive of Deputy Chief Executive and Director of Finance.

# Independence and quality

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## Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised at Appendix 1.

Threats and safeguards

Threat	Safeguard
The son of a member of the audit team works at the Council in the Insurance Section in Finance.	The team member will not carry out any work on payroll or insurance.

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## Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ ([c-westwood@audit-commission.gov.uk](mailto:c-westwood@audit-commission.gov.uk)) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

# Fees

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**The fee for the audit is £352,800, as set out in my letter of 19 April 2011.**

## The audit fee

The Audit Commission has set a scale audit fee of £352,800 which represents a 10 per cent reduction on the audit fee for 2010/11 (before the increase of £32,000 for difficulties during the 2010/11 accounts and £30,000 for additional work on the HESPE PIDA follow-up report. This plan anticipates that these issues will not recur in 2011/12 and the section below and Appendix 2 sets out our assumptions.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences at this stage and have therefore set the fee equal to the scale fee.

## Assumptions

In setting the fee, I have made the assumptions set out in Appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Deputy Chief Executive and Director of Finance and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

## Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee or ensure that additional fees are not required. I have identified the following actions that you could take:

- improve adequacy of the control environment
- improve the quality of the accounts and working papers
- improve quality, coverage and timing of Internal Audit work

## Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 7: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	£352,800	£392,000 £ 30,000 (addl opinion) £ 32,000 (addl HESPE) £454,000 Total 2010/11	£ 39,200   £101,200
Certification of claims and returns	£100,093	£128,051 (est)	£ 27,958
Non-audit work	None planned	None delivered	
<b>Total</b>	<b>£452,893</b>	<b>£582,051</b>	<b>£129,158</b>

# Appendix 1 – Independence and objectivity

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Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 8: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p>	<p>All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.</p>

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.

*Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards*

# Appendix 2 – Basis for fee

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In setting the fee, I have assumed the following.

- The risks in relation to the audit of the accounting statements is improved from that identified for 2010/11. For example:
  - internal controls are operating effectively;
  - new accounting guidance is implemented accurately.
- The risks in relation to my value for money responsibilities does not require additional work.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
  - good quality assured statements that contain no material errors by the deadline of 30 June 2012
  - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by 30 June 2012;
  - other information requested within agreed timescales;
  - prompt responses to draft reports; and
- there are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

# Appendix 3 – Glossary

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## **Accounting 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.

## **Annual Audit Letter**

Report 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 accounting statements presented to those charged with governance before the auditor issues their opinion and value for money 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.

## **Group accounts**

Consolidated accounting 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 accounting 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 accounting 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 accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting 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 accounting 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 accounting statements.

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

