

Annual governance report

North Yorkshire Fire and Rescue Authority

Audit 2011/12



Contents

Key messages	3
Before I give my opinion and conclusion	4
Financial statements	5
Value for money	8
Fees	10
Appendix 1 – Draft independent auditor’s report	11
Appendix 2 – Uncorrected errors	15
Appendix 3 – Corrected errors	16
Appendix 4 – Draft letter of management representation	18
Appendix 5 – Glossary	18

Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 24 September 2012, I expect to issue an unqualified audit opinion on the 2011/12 financial statements. I identified few errors, which are non material and will not impact on the surplus or reserves. The accounts were of a good quality and supported by comprehensive working papers in an electronic format.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. The Authority needs to achieve savings of £2.5m between 2013 -2016 and is has plans to achieve this target.

Certificate

I expect to be able to issue my certificate on the conclusion of the 2011/12 audit on 24 September 2012.

Before I give my opinion and conclusion

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

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

I ask the Audit and Performance Review 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.

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 audit report.

Uncorrected errors

Agree to adjust the errors in the financial statements I have identified, which management has declined to amend or set out the reason for not amending the errors (appendix 2). These errors are not significant and either individually, or in aggregate, do not impact on the opinion.

Corrected errors

Take note of the adjustments to the financial statements which are set out in this report (Appendix 3).

Significant risks and my findings

I reported to you in my Audit Plan of 23 April 2012 the significant risks that I identified relevant to my audit of your financial statements. In Table 2 I report to you my findings against each of these risks.

Table 1:

Risks and findings

Risk	Finding
<p>Pensions</p> <p>The estimation of pension assets and liabilities is complex. The estimates are material and small changes to the discount factor can result in significant fluctuations. The high level of estimation uncertainty means the entries in your accounts represent a significant audit risk.</p>	<p>I have reviewed the basis for the pension estimates and their accounting treatment and associated management controls. I have also agreed the pensions disclosures with actuarial reports and have relied on PWC as an auditor's expert to evaluate GAD and Mercers. My testing has not identified any significant issues to bring to your attention.</p>
<p>Management Bias</p> <p>In any organisation management may be in a position to override the financial controls it has put in place. This does not imply that I suspect actual or intended manipulation but that I approach the audit with due professional scepticism.</p>	<p>I evaluated the design and implementation of controls to mitigate the risk of manipulation and performed procedures to satisfy myself that, taking account of materiality, no manipulation has occurred. In particular, I tested:</p> <ul style="list-style-type: none"> • material year end adjustment journals; • recognition of income and expenditure; • the reasonableness of judgements about provisions; • the appropriateness of estimations of liabilities; and • the basis for capitalising expenditure. <p>My audit has not identified any material issues.</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.

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:

- There are no matters on the quality of your financial statements which I wish to bring to your attention.
- Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. I expect to receive this from you at the Audit and Performance Review Committee meeting on 24 September.

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.

Value for money

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

I assess your arrangements against the two criteria specified by the Commission. In my Audit Plan of 23 April 2012 I reported to you that I was not aware of any significant risks that were relevant to my conclusion. I have set out below my conclusion for the two criteria and 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.

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

Criteria	Risk	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The systems and processes to manage financial risks and opportunities, and to secure a stable financial position that enables the Authority to continue to operate for the foreseeable future.</p>	<p>No risks identified</p>	<p>In the four years up to 2011/12, the Authority achieved efficiency savings of over £2million. This has helped to deliver both cost savings and fire services which deliver better value for money for local people. Council tax increases have been frozen for two years but the scale of the efficiency savings needed between 2013 and 2016 is a significant challenge. Officers anticipate having to make savings of around £2.5 million in this period. Plans are in place to achieve this target, supported by agreed business plans for the individual projects.</p> <p>Officers continue to develop the Deliverability Matrix, with identified lead managers and expected yields for a number of efficiency</p>

Criteria	Risk	Findings
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The prioritisation of resources within tighter budgets, for example, by achieving cost reductions and by improving efficiency and productivity.</p>	<p>No risks</p>	<p>projects. The listed projects have identified total efficiency savings exceeding the savings target, with the largest being achieved through new arrangements for the control centre.</p> <p>The Authority is prioritising its resources within tighter budgets by achieving cost reductions. Some rationalisation of the property portfolio has been undertaken and new fire stations have been built.</p> <p>A large element of savings relates to staffing. The Authority continues to freeze recruitment of full time fire-fighters, has operated a pay freeze (although this may change in 2012/13) and has maintained the vacancy margin in staffing retained stations. There has been a 25 per cent reduction in administrative staff through voluntary redundancy. Ongoing crewing changes will continue to deliver savings.</p> <p>The Authority has improved efficiency and productivity through many of the steps outlined above. In particular, significant reductions continue to be made in sickness absence.</p>

Fees

I reported my planned audit fee in the 23 April 2012 Audit Plan.

I will complete the audit within the planned fee.

Table 3: **Fees**

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	70,380	70,380
Non-audit work	0	0
Total	70,380	70,380

The Audit Commission has paid a rebate of £5,630 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £64,750.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NORTH YORKSHIRE FIRE AND RESCUE AUTHORITY

Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the fire-fighters’ pension fund financial statements of North Yorkshire Fire and Rescue Authority 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 fire-fighters’ 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 CIPFAS/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of North Yorkshire Fire and Rescue Authority 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 Treasurer and auditor

As explained more fully in the Statement of the Treasurer’s Responsibilities, the Treasurer is responsible for the preparation of the Authority’s Statement of Accounts, which includes the financial statements and the fire-fighters’ 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 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 Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; 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 North Yorkshire Fire and Rescue Authority 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 transactions of the fire-fighters' 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, other than liabilities to pay pensions and other benefits after the end of the scheme year; 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.

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, North Yorkshire Fire and Rescue Authority has 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 North Yorkshire Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Kirkham
District Auditor
Audit Commission
3 Leeds City Office Business Park
Holbeck
Leeds
LS11 5BD

Date 24 September 2012

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management has 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
Pension Fund Account	Early retirements are over-stated by £18.8k as the wrong rate was used for a retired fire-fighter's pension payments.				
	Pension Fund Account: Early Retirements		18.8		
	CIES	18.8			

Appendix 3 – Corrected errors

I identified the following errors during the audit which management have 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
Note 3ii – Critical judgements in applying Accounting Policies: assets under finance leases	There is a £7.3k difference between this amount (£3030.8k) and that shown in Note14 for finance leases: Vehicles, Plant, Furniture and Equipment (£3038.1k). Presentational only - amendment to notes.				
Note 8 - Property, Plant & Equipment	Comparatives exclude donations. Presentational only - amendment to note.				
Pension Fund Account	Lump Sum Death Benefits are understated by £16k and Commutations and Lump Sum Benefits overstated by the same amount, due to the use of incorrect Oracle codes. Amendment to Pension Fund only.				
Balance Sheet: Creditors- central government bodies	Whilst not an error identified through the audit process, following Treasurer certification of the accounts, the Authority considered the accounting treatment of unused Capital Grant				

Statement of comprehensive
income and expenditure

Balance sheet

as at 31st March 2012 based upon that grant condition being met at that date. As a result, capital grant of £1055.7k was moved from Short term Creditors to Reserves'.

Creditors

1055.7

Capital Grants Unapplied Reserve

1055.7

Appendix 4 – Draft letter of management representation

North Yorkshire Fire and Rescue Authority - Audit for the year ended 31 March 2012.

To: Mark Kirkham
District Auditor
Audit Commission
3 Leeds City Office Business Park
Holbeck
Leeds
LS11 5BD

We confirm to the best of our knowledge and belief, having made appropriate enquiries of other officers of North Yorkshire Fire and Rescue Authority, the following representations given to you in respect of your audit of the Authority's financial statements for the year ended 31 March 2012.

Audit Information

As far as we are aware:

- There is no relevant audit information of which you are unaware
- We have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.

Compliance with the statutory authorities

We acknowledge our responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12: based on International Financial Reporting Standards which gives a true and fair view of the financial position and financial performance of the Authority and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

Accounting Estimates

We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the 2011/12 Code, we selected the one that we considered to be the most appropriate to the Authority's particular circumstances for the purpose of giving a 'true and fair' view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take. We believe that adequate disclosures have been established:

- for any impairment losses identified in relation to tangible fixed assets.

On the basis of the process we have established to enable us to include the information required by IAS 19 'Retirement Benefits' in our financial statements, and having made appropriate enquiries, we confirm that we are satisfied that the actuarial assumptions underlying the valuation of scheme liabilities are consistent with our knowledge of the business. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for, including any arrangements that are statutory, contractual or implicit in the employer's actions that arise in the UK or overseas, that are funded or unfunded.

Irregularities

We acknowledge our responsibilities for the design and implementation of internal control systems to prevent and detect fraud and error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or

- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

We also confirm that we have disclosed to you:

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
- our 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; and
- our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

We are not aware of any instances of actual or possible non-compliance with laws, regulations, agreements and codes of practice, likely to have a significant effect on the finances or operations of the 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. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

We confirm the reasonableness of the significant assumptions within the financial statements. For the fair value assumption, we confirm:

- the appropriateness of the measurement method, which are our best estimate of the fair value of assets and liabilities required to be disclosed by these standards;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness of the Financial Reporting framework; and
- if subsequent events require/do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets that have been assigned, mortgaged or pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed, the financial statements have no other lines of credit arrangements.

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. In particular, there are no claims or legal proceedings or other matters which may lead to a loss falling on the Authority or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- no financial guarantees have been given to third parties, other than already disclosed in the financial statements;
- there are no unrecorded liabilities, actual or contingent.

Related party transactions

We confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of certification of the financial statements by the Director of Finance and Service Development, the Authority has no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

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

Financial Statements

We acknowledge our responsibilities under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012 and wider UK accounting standards, which presents a true and fair view of the financial position and financial performance of the Authority and for making accurate representations to you. In particular, we believe that:

- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure

- we have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements
- all known liabilities in respect of equal pay/value have been recognised in the accounts
- we have compiled our accounts in accordance with FRS 5 Application Note G ('revenue recognition'). We have recognised income when we have obtained the right to consideration following the fulfilment of contractual obligations concerning the supply of goods and services
- we believe that the Authority's financial statements should be prepared on a going concern basis, on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that as at 24 September 2012, no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

Specific Assurances

In response to the specific assurances you have requested in the report to members, we confirm that:

- there are no material misstatements or omissions
- there are no material weaknesses in the internal control framework.

We confirm that this letter has been discussed and agreed by the Audit, Performance and Review Committee on 24 September 2012.

Signed on behalf of North Yorkshire Fire and Rescue Authority.

Signed

Name

Position

Date

Appendix 5 – 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.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2012.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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.

