

Annual governance report

Greater London Authority

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit of the Greater London Authority (GLA) which is substantially complete. It includes the messages arising from my audit of your Authority single entity and group 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 21 September I expect to issue an unqualified audit opinion but I have yet to receive all the information I have requested from component body auditors and yet to complete my final procedures on the Group financial statements.

I have undertaken detailed audit work in line with the timetable I agreed with the Authority earlier in the year, including maintaining regular updates between your senior finance staff and my audit team. This has aided the early resolution of any potentially contentious matters prior to the year end. The Authority has responded positively to the issues highlighted in my previous year's Annual Governance Report (AGR) and strengthened the processes for preparing the group financial statements. As a result, the Authority provided me with financial statements for audit before the 30 June and supported them with comprehensive and good quality working papers. Finance staff have responded promptly and effectively to all queries my team have raised. I have only identified one material misstatement and this related only to the reclassification of an item of account. The Authority has adjusted for all the errors that I did identify, most of which relate to disclosure notes.

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.

Certificate

I plan to issue my certificate by 28 September.

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 aware of the following relationship that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguard(s) to reduce the threat.

Table 1: **Threats and safeguards**

Threat	Safeguard[s]
<p>Grant Thornton LLP has been engaged to advise you in respect of the Royal Albert Dock project and for Silvertown Quays project.</p> <p>One member of your engagement team, the Audit Manager, has been advised that, as a result of the recent outsourcing of the Audit Practice's work, he is likely to become an employee of Grant Thornton LLP from 1 November 2012 under the Transfer of Undertakings (Protection of Employment) Regulations 2006.</p>	<p>I am satisfied that the work undertaken by Grant Thornton LLP has no impact on my audit for the year ended 31 March 2012 as it relates to subsequent financial periods. However, any perceived threat to independence has been adequately addressed. I and my colleague Steve Warren have not been identified for transfer to Grant Thornton LLP and we have reviewed the work of the team.</p>

The Audit Commission has not undertaken any non-audit work for the Authority during 2010/12. However, the Audit Commission has undertaken non-audit work for two of the Group's component bodies with a total value of £78,400:

- London Development Agency - £46,900 in respect of providing a report on the Agency's interim financial statements; and
- Mayor's Office of Policing and Crime - £31,500 for delivery of eleven fraud awareness workshops for senior police officers and managers.

I am satisfied that the scope, nature and scale of the work did not give rise to a threat to independence requiring the implementation of safeguards.

I ask the Mayor to:

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

Financial statements

The Authority's financial statements, group financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Mayor 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

In my last Annual Governance report I reported that improvements could be made to improving the quality and structure of the Authority's group financial statements. I am pleased to report significant improvements to both quality and structure of the Authority's group financial statements this year.

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

Corrected errors

Authority's single entity financial statements

The Authority has corrected the balance sheet for a short-term loan to the London Development Agency (£267.3 million) which has been reclassified from cash and cash equivalents to short-term loan receivables. This is a reclassification within current assets and does not affect the Authority's net assets.

I identified several other misstatements to the single entity financial statements but none are material. They mainly relate to correcting casting errors or disclosures in the notes to the accounts. I have therefore not included details within this report.

Authority's group financial statements

The Authority prepared its draft group financial statements based on the unaudited draft financial statements produced by its component bodies. It has subsequently amended its group financial statements for changes arising from the audits of these financial statements. There are no material amendments that I need to report to you.

Following my detailed audit work several changes to the Authority's group financial statements have been made to improve presentation, to provide better disclosure and to correct minor errors. Officers recognise that there remains some scope to continue to improve presentation next year, in particular to shorten the length of the financial statements.

Significant risks and my findings

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

Table 2: **Risks and findings**

Risk and procedures	Finding
<p>GROUP</p> <p>Preparation of group financial statements</p> <p>I reported a risk that the Authority would not prepare its group financial statements in a timely manner or free from material misstatement.</p> <p>I evaluated the processes put in place by management to prepare the group financial statements. I tested the accuracy and completeness of the group consolidation schedule.</p>	<p>The Authority responded positively to my recommendations for improving the processes for preparing its group financial statements. I liaised with officers early in the year to understand and comment on the arrangements put in place to manage the consolidation of component body information into the group financial statements.</p> <p>The group financial statements were prepared in a timely manner and I have not identified any material misstatements.</p>
<p>Police Reform</p> <p>I reported a risk of misstatement in the Mayor's Office of Policing and Crime (MOPAC's) and the Commissioner of Police and the Metropolis's (CPM's) financial statements if the allocation of income, expenditure, assets and</p>	<p>The Authority put in place a clear and effective process to obtain accurate and complete information for all component bodies including MOPAC and CPM. I communicated throughout the year with the auditor of MOPAC and CPM and instructed them to perform procedures on the component body financial statements which I have been</p>

Risk and procedures

liabilities between the MOPAC's and the CPM's accounts did not comply with proper accounting practices or reflect the requirements of the 2011 Act. This in turn presented a risk of misstatement for the GLA's group financial statements.

I evaluated how the group consolidation process helped management to mitigate this risk. I sought to place reliance on the work of the auditor of MOPAC and CPM.

GROUP & AUTHORITY

Closure of the London Development Agency (LDA)

I identified risks for the group financial statements if there was insufficient capacity or continuity of staff to deliver complete and materially accurate LDA financial statements and supporting working papers.

I also reported a risk of material mis-statement to the Authority's single entity financial statements arising from accounting for the transfer of functions and responsibilities, for example, the European Regional Development Fund (ERDF), during the year from the LDA to the Authority.

I therefore:

- reviewed the arrangements that you put in place to manage the production of the LDA's accounts, evaluating how the group consolidation process helps management to mitigate the group risk;
- reviewed the arrangements that you put in place for accounting for the transfer of functions and responsibilities during the year from the LDA to the Authority; and

Finding

able to place reliance on.

I have not identified any material misstatement to the group financial statements in respect of the impact of police reform.

As part of its arrangements for mitigating the risks I highlighted, the LDA and the Authority prepared interim LDA financial statements as at 31 December 2011. I reviewed the accounting practices adopted for the preparation of those interim statements and undertook audit procedures on the interim financial statements. This allowed me to obtain early assurance about the accounting policies and estimation procedures adopted and to reduce the volume of testing I would otherwise have had to undertake at the end of the financial year..

I identified no material misstatements from testing transactions relating to accounting for the responsibilities that had transferred from LDA to the Authority.

Risk and procedures

- tested a sample of transactions where responsibility had transferred from the LDA to the Authority during 2011/12.

AUTHORITY

Accounting for borrowing

I identified a risks relating to the Authority's £600 million bond issue through a vehicle developed with Lloyds Bank Corporate Markets.

I reviewed the arrangements and controls that the Authority put in place for this bond issue and tested the new borrowing taken out during 2011/12.

Shared Services

Two changes increased the risk that the financial statements could be materially misstated:

- the migration during the year of the Authority's payroll system to the London Fire and Emergency Planning Authority (LFEPA); and
- the Authority's pooling of the management of cash resources as part of providing Treasury Management services for some members of the GLA family.

I reviewed and tested the controls put in place by the Authority to mitigate the risks around the migration of payroll to LFEPA. I also reviewed the arrangements the Authority put in place to pool the management of cash resources.

Finding

I did not identify any material misstatement relating to the Authority's accounting and disclosure of borrowing in the financial statements.

I was able to place reliance on the work of Internal Audit in respect of the migration of payroll to LFEPA.

I did not identify weaknesses in the Authority's arrangements for pooling the management of cash resources.

I did not identify any material misstatements within the financial statements as a result of the risks arising from shared services.

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
- following the correction of some minor textual inconsistencies between the Annual Governance Statement and the Head of Internal Audit's annual report, it is now consistent with other information that I am aware of from my audit of the financial statements.

I have not identified any weaknesses in internal control during the audit that are relevant to preparing 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.

- Qualitative aspects of your accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest such as significant difficulties encountered during the audit.

I have no matters I wish to report.

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on the Whole of Government Accounts return for the Authority's single entity accounts. I have now completed the procedures specified by the National Audit Office and am satisfied that the Authority's return is consistent with the single entity audited accounts.

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. In my February 2012 Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the 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 3: Value for money conclusion criteria and my findings

Criteria	Risk	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The Authority assumed full responsibility for the LDA and Homes and Community Agency London on 1 April 2012. I identified a risk that the Authority's arrangements to take on these new challenges and responsibilities were not sufficiently developed to enable the Authority to demonstrate that:</p> <ul style="list-style-type: none"> ■ it has secured financial 	<p>The Authority has developed its governance and financial arrangements for the devolution of additional powers to the Mayor. To enable the Authority to move from a strategic body to take on some of the characteristics of a functional body.</p> <p>The new Investment and Performance Board is the key component in the Authority's revised governance arrangements. This Board has overseen the successful migration of projects from the LDA during the year and the development of mechanisms for taking over of</p>
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p>		

Criteria

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Risk

- resilience; and
- achieved of economy, efficiency and effectiveness in its use of resources.

Findings

responsibilities from the LDA and Homes and Community Agency London on 1 April 2012.

The Authority has a history of sound financial management. For 2011/12 the overall underspend, after transfers to reserves is £2.2million, a surplus of 1.4 per cent. The Authority's general reserves have increased from £4.1m at 31 March 2011 to £9.6 million at 31 March 2012.

Looking forward, the Authority, as other parts of the public sector, faces a challenging financial situation. The Authority continues to look for efficiencies from more efficient shared working with the GLA family. As part of this process the Mayor has revised his target for savings from general savings, collaborative procurement and other shared service initiatives across the GLA group to £600 million per annum by end of the Mayoral term.

Fees

This updates my Audit Plan issued in February 2012.

The audit fee for the Authority and Group financial statements is unchanged from that set out my Audit Plan issued in February 2012 and is in line with the Audit Commission's scale fee.

Table 4: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	£141,200	£141,200
Non-audit work	£0	£0
Total	£141,200	£141,200

Since issuing my plan I can confirm that the Audit Commission has paid a rebate of £11,296 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £129,904.

Fees payable to the Audit Commission in respect of the provision of audit and other services to functional bodies and the Commissioner of Police of the Metropolis are reported separately to those bodies.

In addition to the above, as required by auditing standards I requested that KPMG, the auditors of Transport for London (TfL), undertake a programme of work on TfL's financial information for inclusion in the group accounts. KPMG has indicated to me that the cost of this work will be £10,000.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE GREATER LONDON AUTHORITY

Opinion on the financial statements

I have audited the Authority and Group financial statements of the Greater London Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements of the Authority and Group comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Authority Fund account, the Authority Business Rates Supplement Revenue Account 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 Greater London 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 Executive Director of Resources and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group’s circumstances and have been consistently applied and adequately disclosed; the

reasonableness of significant accounting estimates made by the Executive Director of Resources; 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 the Greater London 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 position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, the Greater London Authority 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 Authority accounts of the Greater London Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Karen McConnell

District Auditor

Audit Practice

Audit Commission

1st Floor, Millbank Tower

Millbank

London SW1P 4HQ

Date:

Appendix 2 – Draft letter of management representation

Greater London Authority (GLA) - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries to other members of the Corporate Management Team of the GLA and functional bodies, the following representations given to you in connection with your audit of the GLA and Group financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

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

Supporting records

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

Internal control

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

Irregularities

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

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the Authority and Group financial statements;

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

Law, regulations, contractual arrangements and codes of practice

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

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

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

Accounting estimates including fair values

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

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the method;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimates are complete and appropriate under the Code; and
- that no subsequent event requires the Authority to adjust accounting estimates and related disclosures included in the financial statements.

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;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm that I have disclosed the identity of the Authority and Group's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the Authority and Group financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of the Greater London Authority

I confirm that the this letter has been discussed and agreed with the Mayor on [date]

Signed

Name

Position

Date

Appendix 3 – 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.

