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Key messages

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

Financial statements

As at 28 September 2012 I expect to issue an unqualified audit opinion. The Council has continued with the improvements reported in the previous year in relation to its closedown procedures.

Management have amended the financial statements for the errors identified during the audit. The impact of the only amendment on the Core Statements has been to increase the reported gross expenditure by £1,237k, although this has no ‘bottom-line’ effect.

Value for money (VFM)

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

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 safeguards to reduce the threat.

Table 1: Threats and safeguards

<table>
<thead>
<tr>
<th>Threat</th>
<th>Safeguard</th>
</tr>
</thead>
<tbody>
<tr>
<td>I identified one instance where the perception of a conflict of interest relating to a member of the audit team could arise. The cousin of one of my Principal Auditors, Mohammed Azam, who has been involved in my 2011/12 audit, is a part-time revenue officer (Council Tax) at the Council.</td>
<td>Appropriate safeguards were established to mitigate this potential threat to my independence such that Mr Azam has not been involved in any work related to the audit of the Council's Collection Fund, and the balances and transactions recorded therein, or in any similar work that supports my certification of relevant Council grant claims, in particular LA 01 (NNDR) and elements of BEN 01 (housing benefits).</td>
</tr>
</tbody>
</table>
I ask the Audit Committee to:

- take note of the adjustments to the financial statements included in this report (appendix 2);
- approve the letter of management representation (appendix 3), on behalf of the Authority before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 5).
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. Work is still in progress on the following areas:

- Property, Plant and Equipment.
- Group Accounts.
- Whole of Government Accounts.

I will also need to complete my review of the latest version of the financial statements.

Uncorrected errors

The financial statements have been adjusted for all errors identified in the audit. Therefore I have no uncorrected errors to bring to your attention.

Corrected errors

No material errors which resulted in changes to the Balance Sheet were identified during the audit, although I identified one amendment which impacted on the Comprehensive Income and Expenditure Statement (CIES). A revaluation gain of £1,237K had been incorrectly posted to the CIES as a reversal of prior period impairment losses. This should have been posted to the revaluation reserve. The adjustment of the error increases the “Deficit on Provision of Services” figure in the CIES, although this will have no ‘bottom-line’ affect on the CIES or the balance sheet. Appendix 2 summarises the error.
I also found the need for material and non-trivial adjustments to the notes within the accounts. These were largely as a result of misclassifications or differing interpretations of guidance applying to the notes. The material adjustments were:

- An addition to property plant and equipment was reported as £154,179k at Note 12. The equivalent figure at Note 41 was £120,697k. The difference is accounted for by the misclassification of a further £33,482k of PFI additions at Note 41 under the heading ‘Other’.

- I found that in note 16 on financial instruments, the carrying amounts and fair values for financial assets were understated by £82,202k and the same areas under financial liabilities by £119,386k.

- In Note 50, the section on liquidity risk, which included reference to £100,408k of asset, was deleted as it was not required.

I report these matters to you in the context of an audit that has gone smoothly as a result of the improvements the Council has made to its arrangements for producing its accounts and supporting me in my work this year.

**Significant risks and my findings**

I reported to you in my 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

<table>
<thead>
<tr>
<th>Risk</th>
<th>Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation of property, plant and equipment (PPE)</td>
<td>I reviewed the controls over establishing estimates, including arrangements for instructing your valuer and controls over information provided to the valuer. I examined the procedures for reliance on the work of the valuer and tested the valuations and associated depreciation calculations. My review has not identified any significant issues to bring to your attention.</td>
</tr>
<tr>
<td>Accounting for the Joint Venture</td>
<td>I reviewed the accounting treatment for the joint venture, including the inclusion of group accounts. My review has not identified any significant issues to bring to your attention.</td>
</tr>
<tr>
<td>Housing Revenue Account</td>
<td>I reviewed the accounting treatment for the HRA debt redistribution as well as the arrangements for financing and treasury management. There are no matters I need to report to you.</td>
</tr>
</tbody>
</table>

In line with my plan, I also undertook audit work on heritage assets, which have to be accounted for in 2011/12 in line with the requirements of FRS30 and the accounting for the new PFI scheme at the Dagenham Park School. I have no issues to report.

**Significant weaknesses in internal control**

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

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

I have provided officers with feedback on issues encountered during my review of internal controls. The most significant weaknesses in internal control that I have identified during the audit, relevant to preparing the financial statements, were in relation to the following areas:

**Reconciliations between key systems.**

There have been improvements in the completion of timely reconciliations across a number of systems, but I still found an absence of regular signed reconciliations for cash, payroll and investments.

**Accounts Payable**

During my review of the accounts payable system, I found that it was possible for the same person to enter invoices onto Oracle, produce an oracle invoice batch and approve this batch to be validated and payment processed. This lack of segregation of duties exposes the Council to the risk. System changes towards the end of the 2011/12 should ensure that this is not an issue in 2012/13.

**Authorisation controls**

I found evidence of improvements in the evidencing of authorisation controls, although exceptions to this were also identified. For example, from my work on a sample of 20 year end journals, on seven the required third signature was absent. As part of my work on payroll I sample tested 44 employees. I found that on 19 cases the underlying contracts of employment were not signed.

**Recommendation**

R1 Continue to improve the operation of controls, especially in relation to the completion of timely reconciliations for all key systems and in evidencing of authorisation controls.
Other matters

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

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

The accounts were presented to audit two weeks in advance of the statutory deadline of 30 June 2012. They were largely complete and were supported by a comprehensive range of working papers.

There are no other matters I wish to Communicate to you.

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report were specified by the National Audit Office. At the time of writing my audit work on this is in progress. I anticipate finishing this work by the time I issue my opinion on the Authority’s financial statements.
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 Audit Plan I reported to you two significant risks that were relevant to my conclusion:

- the delivery of a balanced budget in 2011/12 and beyond; and
- the development of robust governance arrangements and the monitoring of efficiencies arising from the Joint Venture and other schemes with private sector.

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. I have identified some areas for improvement as set out below.

Table 3: Value for money conclusion criteria and my findings

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial resilience</td>
<td>I found that there are robust financial plans in place supported by a programme of savings. The organisation delivered a balanced budget in 2011/12 and increased both the General Fund and Housing Revenue Account reserves. Major challenges remain in delivering the capital programme particularly in Housing and Education. I found that although there has been good development of strategies and related plans, slippage in the capital programme has been reported. I also found that four of the eight issues from the 2010/11 Annual Governance Statement were also reported in 2011/12 statement, in particular there is a still a need to improve compliance across the Authority.</td>
</tr>
</tbody>
</table>
**Criteria**

2. **Securing economy efficiency and effectiveness**

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

**Findings**

I found that governance and monitoring arrangements were in place for the Elevate Joint Venture.

The Council is continuing with innovative new approaches, such as the transfer of more services to Elevate, the development of new approaches to deliver in housing services and further joints developments in the legal and IT teams.

The Council achieved a considerable level of savings in 2011/12 but has yet to complete a post implementation review of the impact of savings on performance.

As part of its savings plans the Council has reduced the number of senior officers in post. More recently the Chef Executive Officer and Corporate Director of Finance and Resources have resigned. A key challenge for the Council going forward is to ensure that it has the management capacity to deliver on its priorities, including the new developments in areas such as housing and regeneration.

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**Recommendations**

**R2** Deliver the future capital programme on a timely basis.

**R3** Address the weaknesses highlighted in the Annual Governance Statement, in particular the need to improve compliance across the Council.

**R4** Enhance work on savings by completing post implementation reviews on the impact of savings and by more clearly linking information on performance to financial data.

**R5** Ensure that the Authority has the managerial capacity to deliver its priorities including the development of new initiatives in areas such as housing and regeneration.
I reported my planned audit fee in the Audit Plan.

I will complete the audit within the planned fee.

Table 4: Fees

<table>
<thead>
<tr>
<th>Description</th>
<th>Planned fee 2011/12 (£)</th>
<th>Expected fee 2011/12 (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>364,500</td>
<td>364,500</td>
</tr>
<tr>
<td>Claims and returns</td>
<td>105,000</td>
<td>105,000</td>
</tr>
<tr>
<td>Non-audit work</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>469,500</strong></td>
<td><strong>469,500</strong></td>
</tr>
</tbody>
</table>

The Audit Commission has paid a rebate of £34,552 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £434,948.
Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF BARKING AND DAGENHAM

Opinion on the financial statements

I have audited the financial statements the London Borough of Barking and Dagenham for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework applied to their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the London Borough of Barking and Dagenham 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 Corporate Director of Finance and Resources auditor

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director of Finance and 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 London Borough of Barking and Dagenham 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.
Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the London Borough of Barking and Dagenham 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 Corporate Director of Finance and Resources and auditor

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

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2012; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.
Conclusion on Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

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

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

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, London Borough of Barking and Dagenham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.
Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority’s Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Jon Hayes
District Auditor

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

28 September 2012
Appendix 2 – Amendments to the draft financial statements

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

<table>
<thead>
<tr>
<th>Item of account</th>
<th>Nature of error</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIES (Deficit on provision of services)</td>
<td>Upward revaluation had been incorrectly treated as a reversal of prior year impairments. As a consequence the Net Expenditure in CIES and the revaluation have been understated.</td>
<td>1,237</td>
</tr>
<tr>
<td>CIES (Other comprehensive income and expenditure)</td>
<td></td>
<td>1,237</td>
</tr>
<tr>
<td>Movement in reserves statement (Deficit on provision of services)</td>
<td>The amendment will impact on a number of areas including the CIES, Note 7, 12 and 25 in the Statement of Accounts.</td>
<td>1,237</td>
</tr>
<tr>
<td>Movement in Reserves Statement (Other comprehensive income and expenditure)</td>
<td></td>
<td>1,237</td>
</tr>
<tr>
<td>Capital Adjustment Account</td>
<td></td>
<td>1,237</td>
</tr>
<tr>
<td>Revaluation Reserve</td>
<td></td>
<td>1,237</td>
</tr>
</tbody>
</table>
Appendix 3 – Draft letter of management representation

To:

Jon Hayes, District Auditor
1st Floor, Millbank Tower, Millbank, London, SW1P 4HQ

London Borough of Barking and Dagenham - Audit for the 2011/12 ended 31 March 2012.
I confirm to the best of my knowledge and belief, having made appropriate enquiries of other [insert relevant details directors of London Borough of Barking and Dagenham] the following representations given to you in connection with your audit of the Authority’s financial statements for the 2011/12 ended 31 March 2012.

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

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

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

Irregularities

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

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

Law, regulations, contractual arrangements and codes of practice

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

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

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

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

For accruals accounting estimate, 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 estimate are complete and appropriate under the Code; and
■ that no subsequent event requires the Authority to adjust the accounting estimate and related disclosures included in the financial statements.

Related party transactions

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

Subsequent events

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

Signed on behalf of the London Borough of Barking and Dagenham.

I confirm that this letter has been discussed and agreed by the Public Accounts and Audit Sub-Committee on 27 September 2012.

Signed
Name
Position
Date
Appendix 4 – Glossary

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

**Annual Governance Report**
The auditor’s report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion and conclusion.

**Annual Governance Statement**
The annual report on the Authority’s systems of internal control that supports the achievement of the Authority’s policies aims and objectives.

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

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

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

**Auditing standards**
Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.
**Auditor(s)**
Auditors appointed by the Audit Commission.

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

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

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

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

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

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

**Materiality**
The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement.
within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects.

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

**Significance**

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

**Those charged with governance**

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

**Whole of Government Accounts**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.
## Appendix 5 – Action plan

<table>
<thead>
<tr>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation 1</td>
</tr>
</tbody>
</table>

R1 Continue to improve the operation of controls, especially in relation to the completion of timely reconciliations for all key systems and in evidencing of authorisation controls.

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Priority</th>
<th>Date</th>
<th>Comments</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Recommendation 2</th>
</tr>
</thead>
</table>

R2 Deliver the future capital programme on a timely basis.

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Priority</th>
<th>Date</th>
<th>Comments</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Recommendation 3</th>
</tr>
</thead>
</table>

R3 Address the weaknesses highlighted in the Annual Governance Statement, in particular the need to improve compliance across the Council.

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<th>Responsibility</th>
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<td>Recommendation 4</td>
<td>R4 Enhance work on savings by completing post implementation reviews on the impact of savings and by more clearly linking information on performance to financial data.</td>
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<td>Recommendation 5</td>
<td>R5 Ensure that the Authority has the managerial capacity to deliver its priorities including the development of new initiatives in areas such as housing and regeneration.</td>
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- any third party.