

Annual governance report

South Hams District Council

Audit 2011/12



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Key messages

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

Financial statements

As at 17 September 2012 I expect to issue an unqualified audit opinion.

My audit identified a material inconsistency in the disclosure of the comprehensive income and expenditure statement and material disclosure errors in the financial instruments note. I also identified four non-trivial errors in the primary statements and non-trivial disclosure errors in Note 9 to the statements.

- The Authority has amended the material inconsistency and disclosure errors, one of the non-trivial errors and Note 9. Details are set out in Appendix 3 on page 18.
- The Authority does not plan to amend the 2011/12 financial statements for the remaining errors, the details of which are set out in Appendix 2 on page 16.

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. I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission in relation to:

- Securing financial resilience; and
- Securing economy, efficiency and effectiveness.

I have shown my conclusions for both of these on pages 9 -10.

Before I give my opinion and conclusion

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

Independence

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

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

I ask the Audit 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; and
- agree your response to the proposed action plan (appendix 6).

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

I identified three non-trivial errors that management has not corrected in the financial statements. Details of these uncorrected errors can be found in Appendix 2. These errors relate to weaknesses in the Authority's year end accruals process.

Corrected errors

I identified the following errors which have been corrected in the final version of the financial statements:

- a material inconsistency in the disclosure of the comprehensive income and expenditure statement,
- material overstatements in disclosure Note 12 'Financial Instruments',
- one non-trivial error in the balance sheet; and
- non-trivial errors in the property, plant and equipment Note 9.

Further details of these errors can be found in Appendix 3.

I also identified a number of other minor/trivial issues within the accounts that are not detailed within this report.

Significant risks and my findings

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

Table 1: **Risks and findings**

Risk	Finding
The Council has a shared management team with West Devon Borough Council and has plans for further integration of services in the future. The payroll costs of these staff are being apportioned between the two councils, increasing the risk of misstatement.	I reviewed the basis of apportionment to ensure that staff costs are being correctly allocated to the Council. My testing concluded that payroll costs had been apportioned on a reasonable basis.

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.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements:

Table 2: **Internal control issues and my findings**

Description of weakness	Potential impact	Management action
<p>Property, Plant & Equipment (PPE)</p> <p>Heads of Service review the asset register at the year end to verify that it is complete, the assets included within it physically exist and that they were owned by the Council as at 31/03/12.</p> <p>At the year end, Heads of Service were not supplied with the correct 31/03/12 asset register and failed to identify that purchased assets were missing from the asset register and that some 2011/12 disposals were still included.</p>	<p>This control failure could lead to a material misstatement in the accounts.</p>	<p>The Authority should review its arrangements for verification of the accuracy of the asset register at the year end (R1)</p>
<p>Accruals process</p> <p>As part of our post-statements substantive testing we identified weaknesses in the Authority's accruals process.</p> <p>Our testing found that items of income and expenditure had not been accounted for in the correct year in line with the Authority's accruals policy (Note 40 ii of the financial statements).</p>	<p>There is potential that the financial statements may be materially misstated due to the Authority not complying with a fundamental accounting concept, adopted in its own accounting policies.</p> <p>Additional testing was carried out by external and internal auditors to ensure that this had not occurred.</p>	<p>Management should ensure that the year end accruals process is improved and the Authority complies with its accounting policy (R2)</p>

Recommendations

R1 The Authority should ensure that the most appropriate individual (not necessarily the Heads of Service) verifies assets within the asset register and that the correct version of the register at 31 March is provided each year. The Authority should ensure that the verifier is provided with appropriate information to ensure the verification exercise is effective e.g. a list of in year additions and disposals.

R2 Management should ensure that the year end accruals process is improved and the Authority complies with its accounting policy.

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.

I have no matters I wish to report.

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 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 2011/12 Audit Plan I reported to you that I had not identified any significant risks that were relevant to my conclusion. I reported that I had identified one inherent risk and I have set out below the findings of my work addressing the risk I identified.

Table 3: **Inherent risk**

Risk	Finding	Impact on Value for Money (VFM) conclusion
<p>Financial management:</p> <p>Councils are facing significant cuts in funding from central government, as well as reductions in other sources of income. The Council faces significant challenges in delivering its financial plans over the next few years.</p>	<p>Having carried out the following work, I did not identify any concerns affecting my conclusion:</p> <ul style="list-style-type: none">■ I reviewed the 2011/12 revenue outcome against budget.■ I developed an understanding of the 2012/13 budget setting process, including the assumptions made.■ I reviewed the Authority's current and future savings plans.	<p>I have not identified any concerns affecting my VFM conclusion in relation to this risk.</p>

Findings

I have set out below the findings of my work.

Table 4: Value for money conclusion criteria and my findings

Criteria	Findings	Improvement areas
<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 criteria are met.</p> <ul style="list-style-type: none"> – The quality of financial governance and leadership within the organisation is critical and overall financial culture is good. – The Authority has set its budget in the context of a realistic medium-term financial plan (MTFP) covering a four year horizon. – The Authority has demonstrated its ability to deliver services within budget whilst generating a £260k surplus in 2011/12. – The Authority is taking appropriate steps to challenge its future budgets and generate savings. 	<p>None identified.</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> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>The criteria are met.</p> <ul style="list-style-type: none"> – The Authority has taken a strategic approach to challenging expenditure, considering how spending matches the priorities of the organisation and the needs of the people it serves. – The Authority is effectively managing the impact of reducing government funding on local public services and making good use of the resources available to them. 	<p>The MTFS identifies the budget gaps over the 2013/14 to 2016/17 period. As reported to the Executive on 6 September 2012, the Authority needs to develop its budget strategy to address the budget gaps, which must be supported by detailed savings plans.</p>

Conclusion

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.

Fees

I reported my planned audit fee in the 2011/12 Audit Plan.

I will complete the audit within the planned fee.

Table 5: Fees

	Original scale fee (£)	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	94,953	94,953	94,953
Claims and returns [delete if not applicable]		21,000	21,000
Total		115,953	115,953

The Audit Commission has paid a rebate of £7,596 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £108,357.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SOUTH HAMS DISTRICT COUNCIL

Opinion on the Authority’s financial statements

I have audited the financial statements of South Hams District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund 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 South Hams District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Finance and Audit and auditor

As explained more fully in the Statement of the Head of Finance and Audit’s Responsibilities, the Head of Finance and Audit 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’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Audit; 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 South Hams District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects

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, South Hams District Council 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 South Hams District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Alun Williams
District Auditor

Audit Commission
3-4 Blenheim Court
Lustleigh Close
Matford Business Park
Exeter
EX2 8PW

September 2012

Appendix 2 – Uncorrected errors

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

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Creditors (income in advance)	Income received in advance overstated (rent not split between 2010/11 and 2011/12) Creditors testing - The £15k error applied to the entire employment estates rental income results in an extrapolated error of £20k (non-trivial). Cut-off testing - The £15k error applied to the cut-off receipts population results in an extrapolated error of £35k (non-trivial).	20/35			20/35
Comprehensive Income & Expenditure Statement, Housing, Housing benefit expenditure (& associated income)	2011/12 Housing Benefits expenditure has been understated by £198k due to the methodology used by the Authority to determine the 11/12 income/expenditure figures. The associated income understatement has been estimated as £197k. The net effect of this error is £1k.	198	197		1

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Comprehensive Income & Expenditure Statement, Cost of services, (Non Housing Benefit) Expenditure	<p>Initial testing (in line with our sample methodology) identified an error of £6k (overstated 11/12 expenditure) that when applied to the entire population resulted in a material error.</p> <p>A further sample was tested but this identified an additional error of £15k (overstated 11/12 expenditure) which increased the extrapolated error.</p> <p>I agreed that a further sample of 20 items would be tested by Internal Audit (IA). This identified 2 further errors totalling £3k (understated 11/12 expenditure).</p> <p>My review of IA's work identified 1 further error of £3k (understated 11/12 expenditure).</p> <p>The results of all of the above led to an extrapolated overstated 11/12 expenditure error of £91k (non-trivial).</p>		91	91	

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
Comprehensive Income and Expenditure Statement (CIES) – Inconsistent disclosure	Notes 6 and 7 supporting the CIES could not easily be reconciled to the CIES, and were compiled on a different basis to the previous year. This does not change the bottom line of the CIES.	4,569	4,569		
Provisions	As at 31/03/11 the Authority correctly recognised predicted future strain payments as a result of potential redundancies as a provision due to uncertainty about the amount/timing of the transaction. As at 31/03/12 there was certainty about the amount and timing of these strain payments totalling £141k and therefore they should have been disclosed as creditors.			141	141
Note 12 Financial Instruments	The financial instruments note included expenditure made in advance and income received in advance, including grants and s.106 contributions. Although this was consistent with 2010/11, technical guidance received during the audit indicates these items should be excluded from this note. This resulted in the following material				Affects note only

	Statement of comprehensive income and expenditure	Balance sheet
<p>misstatements:</p> <p>Debtors – Financial assets carried at contract amounts was overstated by £2,377k in 2011/12 (2010/11 comparative overstated by £2,026k)</p> <p>Creditors – Financial liabilities carried at contract amounts was overstated by £1,208k in 2011/12 (2010/11 comparative overstated by £1,102k)</p>		
<p>Property, Plant & Equipment (PPE) – Note 9</p>	<p>I reported in my 2010/11 Annual Governance Report that figures in the PPE note had been incorrectly disclosed net of depreciation charged to the CIES. I identified the same issue and other non-trivial errors within this note in 2011/12 which the Authority has amended. These errors had no effect on the PPE net book value disclosed in the Balance Sheet.</p>	<p>Affects note only</p>

Appendix 4 – Draft letter of management representation

South Hams District Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of South Hams District Council, the following representations given to you in connection with your audit of the Authority's 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, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance within the Authority and the reasons for not correcting these items are as follows.

- reason 1 etc;
- reason 2]

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.

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'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 South Hams District Council confirm that the this letter has been discussed and agreed by the Audit Committee on 27 September 2012

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.

Appendix 6 – Action plan

Recommendations

Recommendation 1

The Authority should ensure that the most appropriate individual (not necessarily the Heads of Service) verifies assets within the asset register and that the correct version of the 31/03 register is provided each year. The Authority should ensure that the verifier is provided with appropriate information to ensure the verification exercise is effective e.g. a list of in year additions and disposals.

Responsibility	Principal Accountant
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Priority	High
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Date	28 February 2013
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Comments	The documentation used for the exercise will be reviewed and changes made where necessary.
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Recommendation 2

Management should ensure that the year end accruals process is improved and the Authority complies with its accounting policy.

Responsibility	Chief Accountant
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Priority	High
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Date	31 January 2013
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Comments	The system will be reviewed as part of the planning process for the preparation of the 2012/13 final accounts.
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- any director/member or officer in their individual capacity; or
- any third party.

