

Annual governance report

Item No. 7(iii)

Tyne and Wear Fire and Rescue Authority

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

I expect to issue an unqualified audit opinion by the due date of 30 September 2012. Once again the financial statements and supporting working papers have been prepared to a good standard. Most of the errors we identified were presentational in nature and do not affect the Authority's financial position as previously reported to members.

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. A balanced budget has been set (and delivered) in 2011/12, substantial savings are being delivered and financial plans are based on a realistic assessment of future funding levels.

Certificate

I expect to complete the outstanding work on the Authority's Whole of Government Accounts pack by 26 September 2012. I plan to issue my certificate confirming that I have completed this year's audit alongside my opinion on the 2011/12 financial statements by 30 September 2012.

Before I give my opinion and conclusion

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

Independence

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

Fees

I will complete the audit within the planned fee of £68,080. The Audit Commission has also paid a rebate of £5446 to reflect attaining internal efficiency savings, reducing the net amount payable by the Authority. No non audit work has been carried out in 2011/12.

I ask the Audit Committee to:

- take note of the adjustments to the 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 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

My 2011/12 audit is now substantially complete, except that as at 7 September 2012:

- work is still in progress to audit the Authority's Whole of Government Accounts return
- we await letters of assurance from the external auditor of Tyne and Wear Local Government Pension Fund.

Subject to satisfactory clearance of these 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

My testing identified some missed accruals, with a total estimated value of £33,000. In view of the relatively small sums of money involved, management have decided not to adjust the financial statements.

Corrected errors

The following adjustments have been made to the financial statements. None of these affect the Authority's financial position as previously reported to members:

- Various non material amendments to correct minor presentational issues, roundings and inconsistencies between disclosure notes;
- Additional disclosures were made to the accounts in relation to the Authority's investment in North East Fire Centre Control Ltd, prior year's exceptional items, and the basis of top up grant accounting;
- Pension costs were reallocated in note 37, and between service headings in the Comprehensive Income and Expenditure Statement (CIES), to comply with relevant Code guidance notes.

Significant risks and my findings

I set out in my 2011/12 Audit Plan the significant risks that I had identified in relation to my audit of your financial statements. I report below my findings against each of these risks.

Table 1: **Audit risks and findings**

Risk	Response and conclusion
<p>Property, Plant and Equipment (PPE)</p> <p>The Authority is required to value PPE at fair value (with some exceptions). There is a risk that the valuation reported in the financial statements will be materially misstated due to;</p> <ul style="list-style-type: none"> ■ Incorrect asset classifications ■ Incorrect distinction between revenue and capital expenditure ■ Basis of valuation not in line with IFRS requirements ■ Failure to recognise impairments or other significant changes in asset values ■ Incorrect assessments of the assets' estimated useful lives <p>There is also a risk that the Authority will fail to meet IFRS and Code disclosure requirements, or statutory requirements for capital financing.</p>	<p>We have reviewed the arrangements in place for:</p> <ul style="list-style-type: none"> ■ establishing estimates of asset lives ■ Identifying impairments ■ maintaining an accurate fixed asset register ■ instructing a competent valuer and relying on their work <p>We have also carried out tests of detail on capital transactions, balances and disclosures in the accounts.</p> <p>The Authority has not yet implemented the requirements of IAS16 in relation to component accounting (see below). No other issues have arisen as a result of this work.</p>
<p>Interests and investments in other organisations</p> <p>The Authority has interests in a limited company (NEFCCL) and the regional management board (RMB), both due to be wound up in 2011/12.</p>	<p>Audit work identified that NEFCCL, although dormant, was still in existence at 31 March 2012. Additional disclosures have therefore been made to reflect this fact in the financial statements.</p>
<p>PFI schemes</p> <p>The Authority has two PFI schemes and both are material to the accounts. It is therefore required to include these assets and liabilities in the balance sheet, modelling accounting entries on the contract, and account for PFI grant funding in accordance with the Code.</p>	<p>As part of our audit work in previous years we have confirmed that PFI accounting entries are consistent with the operators' model, and we have reviewed external financial advice on PFI transactions. The focus of our work in 2011/12 was to confirm consistency with prior years and carry out tests of detail (as appropriate) on any major changes.</p>

Risk

Service Organisation arrangements

Sunderland City Council provides a range of support services to the Authority. Specifically, it prepares year end financial statements and undertakes treasury management on your behalf.

Response and conclusion

We have reviewed the contractual arrangements in place and where possible relied on the audit work undertaken by the Council's external audit team. We have also undertaken sample checks on information provided by the service organisation and are seeking specific representations from management to confirm that shared costs and joint transactions have been correctly allocated between the two sets of accounts.

Pension assets and liabilities

The accounting treatment for the national Firefighters' Pension Fund account (FFPF) and top up grant is specified by the Code. Employees who are not firefighters belong to the Tyne and Wear Local Government pension scheme (TWLGPS) which is accounted for on a different basis under IAS19.

These are material and highly complex transactions, reliant to a large extent on information provided by third parties. Therefore there is an inherent risk that the financial statements may be materially misstated.

We have reviewed the Authority's process for engaging with pension fund actuaries and have:

- agreed pension fund transactions and disclosures to actuarial information provided
- confirmed the reasonableness of key assumptions used
- sought assurances from TWLGPS auditors where appropriate.

We sought specialist technical assistance with regard to top up grant accounting, This confirmed that an acceptable basis for top up grant accounting had been adopted, and that pension liabilities as stated in the balance sheet were correct. However, amendments were agreed to:

- make the basis of accounting clear
- reallocate pension costs within note 37, and between various CIES headings, to meet Code requirements.

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 not identified any significant weaknesses in the Authority's overall systems of internal control.

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. This includes the following.

- Qualitative aspects of 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

There is only one matter I wish to report, namely that the Authority has not yet implemented the requirements of IAS16 in relation to component accounting. This accounting standard requires that major components of non current assets (in your case fire stations, the control room and the headquarters building) are divided into their constituent parts so that depreciation charges, impairments and revaluations can be calculated on a more accurate basis. Implementation is usually linked to asset revaluations which the Authority carries out over a five year rolling programme.

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. As at 7 September 2012, I have not completed the procedures specified by the National Audit Office. I expect to complete this work and issue my report by 30 September 2012.

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 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.

Table 2: Value for money conclusion criteria and my findings

Criteria	Risk	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The 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 leadership team may not fully understand the current financial position and likely future challenges, or may focus on thinking and operating in the short term. There may be poor communication to staff and stakeholders about the Authority's financial risks and challenges and the strategies it has in place to tackle them.</p> <p>Budgets may not reflect the level of savings required to manage expected reductions in funding.</p> <p>Budget setting processes may not be robust.</p> <p>Financial risks may not be properly identified or effectively managed.</p> <p>The Authority may fail to manage its spending within budget or not meet key financial targets. Poor treasury management could lead to additional budget pressures, cash flow problems and non-</p>	<p>As in previous years the Authority has in place a medium term strategic plan (covering the next 3-5 years) and annual capital and revenue budgets. Financial plans are based on a realistic assessment of future funding levels, coupled with a clear commitment to delivering expenditure within budget whilst at the same time maintaining adequate levels of working balances and reserves.</p> <p>The updated IRMP, associated action plan and corporate risk register demonstrate an understanding of the possible implications of reducing spend in terms of fire risk, and set out how this is being mitigated and managed. Staff, the unions, and key stakeholders have all been consulted on the IRMP and what spending priorities should be going forward.</p> <p>There is a good track record of managing to budget and delivering agreed savings plans. In the face of £3.4m funding reductions in 2011/12 the Authority has balanced the revenue budget to within £7k., and maintained general fund balances at over £3m. It has also transferred £3m to earmarked reserves, in order to increase its resilience during the tough times to come.</p>

Criteria	Risk	Findings
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>compliance with Code and statutory requirements.</p> <p>There is a risk that insufficient action will be taken to review priorities and challenge established ways of working in the light of reduced funding. Savings decisions may not be based on adequate, appropriate or up to date information, and may not adequately consider the impact of savings delivery on the public and services.</p> <p>The Authority may have limited information on how costs and performance compare with others. It may be unable to justify high unit costs, or have a poor understanding of what drives changes in costs over time. There may be reluctance to challenge the way activities are delivered or to explore new ways of delivering activities, for example through outsourcing or shared service arrangements, or in partnership with others.</p> <p>Efficiency plans may not be sufficiently challenging or detailed, and may focus on achieving short-term goals or ignore the potential impact of savings delivery on performance. Arrangements to monitor achievement of efficiencies and the impact on services may be deficient.</p>	<p>The Authority's costs per head of population have reduced significantly over the past 5 years and efficiency savings in 2011/12 totalled almost £0.6m. Savings to date have been delivered through a combination of:</p> <ul style="list-style-type: none"> – Freezing all new recruitment and not filling vacant posts; this will assist in implementing a major review of back office services during 2012 – Restructuring community safety functions – A vehicle fleet review, extending the lives of current assets and purchasing any new vehicles outright rather than by lease. – Reducing the number of retained appliances <p>Consultation with front line staff and unions has led to the introduction of a redeployment process coupled with ERVR schemes for qualifying staff. Progress has also been made during 2011-12 on a number of strategic reviews. These include senior management and duty officer arrangements, and the introduction of a low activity staffing model at two fire stations; the significant savings projected from these reviews have been built into the Authority's future financial plans.</p> <p>In addition to these major strategic initiatives, efficiency logs at all stations and HQ departments have identified a number of opportunistic, smaller efficiencies and savings on utility and fuel bills. Shared service arrangements with Sunderland City Council, and 2 major PFI schemes, have been in place for several years now but continue to yield financial savings.</p> <p>The Authority actively participates in FRA benchmarking clubs and demonstrate a good understanding of how its costs and activity levels compare within this peer group There is good use of financial and activity modelling, cost benefit analysis and other financial techniques to inform efficiency reviews and financial decision making.</p>

Criteria**Risk****Findings**

Quarterly performance reports consider the relationship between spending and performance but despite funding reductions in 2011/12 performance in overall terms has been maintained. In overall terms 77% of key performance indicators show improvement compared to 2010/11, overall fire risk has continued to reduce and accidental dwelling fires are down by 11%. Number of deaths and injuries from fire, and levels of reported arson, have remained stable during the year.

I therefore 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.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the firefighters’ pension fund financial statements of Tyne and Wear Fire and Rescue Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters’ pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFAS/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Tyne and Wear Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting

policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report 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 Tyne and Wear Fire and Rescue Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report 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, Tyne and Wear Fire and Rescue 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 accounts of Tyne and Wear Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Steve Nicklin

District Auditor

Nickalls House

Metro Centre

Gateshead NE11 9NH

September 2012

Appendix 2 – Draft letter of management representation

Tyne and Wear Fire and Rescue Authority - 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 at Tyne and Wear Fire and Rescue Authority, 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

Audit sample testing has identified some missed accruals, with a total estimated value of £33,000. In view of the relatively small sums of money involved, I have decided not to adjust the financial statements.

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.

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.

Specific representations

I am satisfied that:

- loans, cash and investment balances managed by Sunderland City Council on the Authority's behalf have been correctly identified and allocated between the two sets of financial statements
- the cost of services provided to the Authority by Sunderland City Council have been properly identified and included in the accounts
- staff and other costs have been correctly allocated between fire fighting and community safety activities.

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 Tyne and Wear Fire and Rescue Authority

I confirm that this letter has been discussed and agreed by those charged with governance on 24 September 2012.

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

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

