

# Audit strategy

---

**Shropshire Council**

**Audit 2010/11**

**The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.**

**Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.**

**As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.**

# Contents

<b>Introduction .....</b>	<b>2</b>
<b>Responsibilities .....</b>	<b>3</b>
<b>Fee for the audit .....</b>	<b>4</b>
<b>Auditors report on the financial statements.....</b>	<b>6</b>
Materiality .....	6
Identifying opinion audit risks.....	6
<b>Testing strategy .....</b>	<b>8</b>
<b>Value for money conclusion .....</b>	<b>10</b>
<b>The audit team.....</b>	<b>12</b>
Independence and objectivity .....	12
Meetings .....	12
Quality of service .....	13
Planned outputs.....	13
<b>Appendix 1 Basis for fee .....</b>	<b>14</b>
Assumptions .....	14
<b>Appendix 2 Independence and objectivity .....</b>	<b>15</b>
<b>Appendix 3 Working together .....</b>	<b>17</b>
Meetings .....	17
Sustainability.....	17
<b>Appendix 4 Glossary .....</b>	<b>18</b>

# Introduction

1 This plan sets out the audit work that I propose to undertake for the audit of financial statements 2010/11 and the VFM conclusion. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:

- audit work specified by the Audit Commission for 2010/11;
- current national risks relevant to your local circumstances; and
- your local risks.

2 As your appointed auditor, the audit of the financial statements I deliver to you is governed by International Standards on Auditing (ISAs). These standards prescribe the basic principles and essential procedures, with the related guidance, which govern my professional conduct as your auditor.

3 As with all guidance and frameworks, auditing standards are revised and updated, often in a piecemeal fashion. However, in 2009 the auditing profession completed a comprehensive project to improve the clarity of all the ISAs. This is known as the Clarity Project.

4 One of the main objectives of the Clarity Project was to promote greater consistency of application between auditors. This has been done by reducing the ambiguity within existing ISAs and improving their overall readability and understandability.

5 As I reported to you on 25 November 2010 the new clarified framework will apply to my audit of your 2010/11 financial statements. Because of the new standards, you can expect to see some changes in the way my audit team delivers your audit and the information they seek from you. These changes are highlighted throughout the strategy.

6 For 2010/11 the Audit Commission requires me to give my statutory VFM conclusion on your arrangements to secure economy, efficiency and effectiveness in relation to two criteria:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

7 This strategy also includes the work required in order for me to issue a VFM conclusion.

# Responsibilities

**8** The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.

**9** The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

**10** I comply with the statutory requirements governing our audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice.

## Fee for the audit

**11** The fee for the audit is £328,500, as indicated in my letter of 22 April 2010 and reported at the meeting of the Audit Committee on the 18 June 2010.

**12** In setting the fee, I have assumed that:

- the overall level of risk in relation to the audit of accounts is consistent with that for 2009/10 in all areas, but recognise there will be specific risks in relation to the audit of the implementation of International Financial Reporting Standards (IFRS);
- the economic downturn may impact upon the income streams for the Council or the greater take up of demand lead services such as housing benefits;
- good quality, accurate working papers will be available at the start of the financial statements audit; and to support the restatement of 2009/10 balances to comply with International Financial Reporting Standards (IFRS); and
- Internal Audit undertakes appropriate work on all material systems, continues to meet the appropriate professional standards and this is available for our review by 30 April 2011.

**13** Based upon the above and taking into accounts matters reported in my recent Annual Governance Reports the fee proposed for 2010/11 is 1.2 per cent above the scale fee indicated by the Audit Commission and is within the normal level of variation specified by the Commission. If the above assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, I will discuss this first with the Corporate Head of Finance and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

**14** Further information on the basis for the fee is set out in Appendix 1.

### Fee Rebate

**15** The published fee scale for 2010/11 included a 6 per cent increase to cover the costs of additional audit work arising from the introduction of International Financial Reporting Standards (IFRS). In July 2009, in recognition of the financial pressures that public bodies are facing in the current economic climate, the Commission confirmed that it would subsidise the 'one-off' element of the cost of transition to IFRS for councils. The Council received a rebate in November 2010.

**16** The Audit Commission Board has also decided to return some of the audit fees already collected for work proposed this year on Use of Resources and decided not to charge any inspection fees for work on the

Managing Performance part of the assessment of organisational effectiveness, as there was no value to this once CAA ended.

**17** These rebates will reduce the fee payable by the Council by 13.8 per cent.

**18** The Audit Commission also requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, I will work with your finance team to identify any specific actions that the Council could take and to provide ongoing audit support.

# Auditors report on the financial statements

## **I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).**

**19** I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2011.

### **Materiality**

#### **Identifying opinion audit risks**

**20** I will apply the concept of materiality in both planning and performing the audit, in evaluating the effect of any identified misstatements, and in forming my opinion. As part of my audit risk identification process I need to understand fully the Council in order to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. I do this by:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering the financial performance of the Council;
- assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Council information systems.

**21** I have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

---

Table 1: **Specific risks**

<b>Risk area</b>	<b>Audit response</b>
<b>Organisational restructuring</b> The Council is restructuring to reflect its new approach to service delivery and to deliver costs savings. There are likely to be staff changes and a reduction in staff that may potentially impact upon the delivery of my audit.	I will monitor as part of my normal audit procedures and if there are significant issues that impact upon my audit report them to the Audit Committee.



Risk area	Audit response
<p>IFRS</p> <p>The 2009/10 financial statements need to be restated using the International Financial Reporting Standards (IFRS) and 2010/11 will be the first full year of IFRS with associated new accounting policies to be introduced.</p>	<p>This is a new area for Local Government. We provided a workshop for your lead officers on 18 January 2011 and will provide a presentation on the changes to be expected to the Authority's accounts to the Audit Committee in May 2011.</p> <p>We will review the opening balances as a specific audit procedure. The working paper requirement schedule will incorporate those for IFRS.</p>
<p><b>Redundancy</b></p> <p>The Council has indicated probable job losses as a result of its restructuring and efficiency plans. This could lead to a material redundancy provision in the financial statements that will need to be calculated in line with the statutory framework.</p>	<p>We will substantively test the redundancy provision in the financial statements, including a sample of any actual in year redundancy figures, to ensure compliance with statutory regulations.</p>
<p><b>Valuation of housing stock</b></p> <p>In 2009/10 adjustments were made to the valuation of council housing as a result of the availability and use of the appropriate index. There is a risk that the correct index will not be available or be used in 2010/11.</p>	<p>We will examine how the Council has valued its housing stock for 2010/11 to ensure it is consistent with 2009/10 and carry out testing on the valuation as appropriate.</p>
<p><b>PFI schemes</b></p> <p>The Council has two PFI schemes which are subject to complex accounting arrangements and where there were unadjusted audit differences in 2009/10 which will be carried forward into 2010/11.</p>	<p>We will examine the inputs to the PFI models to ensure figures are truly and fairly stated in the financial statements and follow up the Council's further consideration on the initial recognition of the fair value of the underlying assets.</p>

22 I have considered the risks for the statutory value for money (VFM) conclusion as outlined in paragraph 31.

# Testing strategy

**On the basis of risks identified above I will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.**

**23** I can carry out the testing both before and after the draft financial statements have been produced (pre- and post-statement testing). However, one of the changes brought about by the ISA Clarity Project is a greater focus on tests of a substantive nature. The testing strategy has been developed alongside your finance team to maximise the efficiency of the approach.

**24** I aim to complete all of the controls assurance work by the end of April 2011 and wherever possible, I will complete some of the substantive testing earlier in the year before the financial statements are available for audit. I have identified the following areas where substantive testing could be carried out early.

- Review of accounting policies.
- Analytical review on council tax.
- Analytical review on NNDR.
- Investments – ownership.
- Year-end feeder system reconciliations.
- Going concern assumption.
- Physical verification of assets.
- Classification of leases.
- Classification of fixed assets.
- Redundancy costs.
- Discussions on litigation and claims.
- Journal testing.

Where I identify other possible early testing, I will discuss it with officers.

**25** Wherever possible, I will seek to rely on the work of Internal Audit to help meet my responsibilities. For 2010/11, I expect to be able to use the results of the following pieces of work.

- General Ledger.
- Fixed Assets and capital.
- Sales ledger (Debtors).
- Purchase ledger (Creditors).
- Treasury Management.
- Cash/income collection.
- Payroll.
- Housing Benefits.

- Council Tax.
- NNDR.
- Housing Rents.

26 I will also seek to rely on the work of other auditors, as appropriate, to meet my responsibilities. For 2010/11, I plan to rely on the work of other auditors in the following areas:

- South Shropshire Leisure Ltd - part of the Council's group accounts.
- Pooled budgets with Shropshire Primary Care Trust.
- Joint Committee work regarding West Mercia Supplies.
- Pension Fund entries in the financials statements.

27 I also plan to rely on the work of experts in the following areas:

- Valuation of non current assets.
- Actuarial valuation of pension balances.
- Valuation of financial instruments.

### Key milestones and deadlines

28 The key stages in producing and auditing the financial statements are in Table 2.

29 I will agree with you a schedule of working papers required to support the entries in the financial statements. The agreed fee is dependent on the timely receipt of accurate working papers.

30 During the audit, the audit team will meet with the Finance staff on a regular basis and review the status of all queries. I can arrange meetings depending on the need and the number of issues arising.

Table 2: **Proposed timetable**

Activity	Date
Control and early substantive testing	February/March 2011
Receipt of accounts	Early July 2011
Sending audit working papers to the auditor	Mid July 2011
Start of detailed testing	Mid July 2011
Progress meetings	To be arranged
Present report to those charged with governance at the audit committee	September 2011
Issue opinion and value for money conclusion	By 30 September 2011

# Value for money conclusion

## **I am required to give a statutory VFM conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.**

**31** As your appointed auditor I have a continuing statutory responsibility to give a conclusion on whether the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources (commonly known as my Value For Money (VFM) conclusion). The work I undertake is directed by the Audit Commission which announced in October 2010 that it would be reviewing its approach to this work to ensure that it was more targeted and gave better value.

**32** The aim is to now focus this work on an auditor's core responsibilities and on local audit issues. For 2010/11 I am required to give my statutory VFM conclusion on your arrangements to secure economy, efficiency and effectiveness in relation to:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

**33** The VFM conclusion will be in the form of either an unqualified or, if I am not satisfied that the Authority has adequate arrangements in place, qualified VFM conclusion. The key messages from my VFM conclusion work, including suggested areas for improvement, will be reported to the Audit Committee via the annual governance report and annual audit letter.

**34** I have considered the risks that are appropriate to the current value for money conclusion at this time and have set these out below.

Risk area	Audit response
<b>Securing Financial Resilience</b>	
Financial Planning.	Review the medium term financial plans and the 2011/12 budgets to ensure that the Council has taken appropriate account of the current economic climate and the plans are supported by detailed and robust assumptions. Reviewing your reporting on progress against these plans.

Risk area	Audit response
Savings Plan	Review the process for the identification, monitoring and reporting of your savings plans.

---

**Securing economy, efficiency and effectiveness**

---

Performance management.	Review the arrangements in place to ensure that service delivery performance is managed effectively. This will be an update of the detailed work undertaken for my Value for Money conclusion in 2009/10.
-------------------------	---

---

**35** I will plan a full programme of VFM audit work based on my risk assessment. The work will be carried out during February to July 2011.

## The audit team

**Table 3 shows the key members of the audit team for the 2010/11 audit.**

Table 3: **Audit team**

Name	Contact details	Responsibilities
Grant Patterson District Auditor/Engagement Lead	<a href="mailto:g-patterson@audit-commission.gov.uk">g-patterson@audit-commission.gov.uk</a> 0844 798 7816	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Erik Bagnall Audit Manager	<a href="mailto:e-bagnall@audit-commission.gov.uk">e-bagnall@audit-commission.gov.uk</a> 0844 798 4905	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Director of Finance.
Bethan Vaghela Team Leader	<a href="mailto:b-vaghela@audit-commission.gov.uk">b-vaghela@audit-commission.gov.uk</a> 0844 798 4924	Co-ordinates different elements of audit work. Day to day contact for finance staff.

### Independence and objectivity

**36** I am not aware of any relationships that may affect the independence and objectivity of myself as District Auditor or the audit staff, which I am required by auditing and ethical standards to communicate to you.

**37** I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 2.

### Meetings

**38** The audit team will ensure we have knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 3.

## Quality of service

**39** I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

**40** If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

## Planned outputs

**41** My team will discuss and agree reports with the right officers before issuing them to the [Audit Committee].

Table 4: **Planned outputs**

Planned output	Indicative date
Opinion audit plan	February 2011
Annual governance report	September 2011
Auditor's report giving an opinion on the financial statements	September 2011
Final accounts memorandum	November 2011
Annual audit letter	November 2011

## Appendix 1 Basis for fee

The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.

The risk assessment process starts with the identification of the significant financial and operational risks applying to the Council with reference to:

- my cumulative knowledge of the Council;
- planning guidance issued by the Audit Commission;
- the specific results of previous and ongoing audit work;
- interviews with Council officers; and
- liaison with Internal Audit.

### Assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is higher than that identified for 2009/10. This assumption is based upon the introduction of International Financial Reporting Standards (IFRS). In addition the economic downturn may possibly impact upon the income streams of the council or lead to the greater take up of demand lead services such as housing benefits;
- you will inform me of significant developments impacting on the audit;
- Internal Audit meets the appropriate professional standards;
- Internal Audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that I can place reliance for the purposes of our audit;
- you provide:
  - good quality working papers and records to support the financial statements;
  - information asked for within agreed timescales;
  - prompt responses to draft reports; and
- there is no allowance for extra work needed to address questions or objections raised by local government electors.

Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.



## Appendix 2 Independence and objectivity

Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).

The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.

The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.

- Appointed auditors should not perform additional work for an audited body (i.e. work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be

justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.

- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional safeguards in the last 2 years.
- The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.

The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

## Appendix 3 Working together

### Meetings

The audit team will ensure we have knowledge of your issues to inform our risk based audit through regular liaison with key officers.

My proposal for the meetings is as follows.

Table 5: **Proposed meetings with officers**

Council officers	Audit Commission staff	Timing	Purpose
Corporate Head of Finance	Engagement Lead (EL), Audit Manager (AM) and Team Leader (TL) as appropriate	Monthly	General update
Internal Auditor	AM and TL	Monthly	Update on audit issues
Audit Committee	EL and AM, with TL as appropriate	As determined by the Committee	Formal reporting of: Audit Plan; Annual governance report; Annual Audit letter; and Other issues as appropriate

### Sustainability

The Audit Commission is committed to promoting sustainability in our working practices and I will actively consider opportunities to reduce our impact on the environment. This will include:

- reducing paper flow by encouraging you to submit documentation and working papers electronically;
- use of video and telephone conferencing for meetings as appropriate; and
- reducing travel.

## Appendix 4 Glossary

### **Annual audit letter**

Report issued by the auditor to an audited body that summarises the audit work carried out in the period, auditors' opinions or conclusions (where appropriate) and significant issues arising from auditors' work.

### **Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by auditors in accordance with 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, comprising both the members of the body and its management (the senior officers of the body). Those charged with governance are the members of the audited body. (See also 'Members' and 'Those charged with governance'.)

### **Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and other 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, which contain basic principles and essential procedures with which auditors are required to 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.

### **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 that apply to the conduct of audits and with which auditors are required to comply, except where otherwise stated in the standard concerned.

## **Financial statements**

The annual statement of accounts or accounting statements that audited bodies are required to prepare, which summarise the accounts of the audited body, in accordance with regulations and proper practices in relation to accounts.

## **Internal control**

The whole system of controls, financial and otherwise, that is established in order to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

## **Materiality (and significance)**

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 in relation to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, in addition to their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

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 in relation to the financial statements.

Significance has both qualitative and quantitative aspects.

## **Members**

The elected, or appointed, members of local government bodies who are responsible for the overall direction and control of the audited body. (See also ‘Those charged with governance’ and ‘Audited body’.)

## **Regularity (of expenditure and income)**

Whether, subject to the concept of materiality, the expenditure and income of the audited body have been applied for the purposes intended by parliament, and whether they conform with the authorities that govern them.

## **Remuneration report**

Audited bodies are required to produce, and publish with the financial statements, a remuneration report that discloses the salary and pension entitlements of senior managers.

## **Annual Governance Statement**

Local government bodies are required to publish an Annual Governance Statement (AGS) with their financial statements. The disclosures in the AGS are supported and evidenced by the body's assurance framework and is prepared in accordance with guidance issued by CIPFA.

## **Those charged with governance**

Those charged with governance are defined in auditing standards as 'those persons entrusted with the supervision, control and direction of an entity'.

In local government bodies, those charged with governance, for the purpose of complying with auditing standards, are:

- for local authorities – the full council, audit committee (where established) or any other committee with delegated responsibility for approval of the financial statements;
- for police or fire authorities – the full authority, audit committee (where established) or other committee with delegated responsibility for approval of the financial statements;
- for local probation boards and trusts – the board or audit committee; and
- for other local government bodies – the full authority or board or council, audit committee (where established) or any other committee with delegated responsibility for approval of the financial statements

Audit committees are not mandatory for local government bodies, other than police authorities and local probation trusts. Other bodies are expected to put in place proper arrangements to allow those charged with governance to discuss audit matters with both internal and external auditors. Auditors should satisfy themselves that these matters, and auditors' reports, are considered at the level within the audited body that they consider to be most appropriate.

## **Whole of Government Accounts**

The Whole of Government Accounts initiative is to produce a set of consolidated financial accounts for the entire UK public sector on commercial accounting principles. Local government bodies, other than probation boards and trusts, are required to submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, their statutory accounts.

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

© Audit Commission 2011.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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

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



Audit Commission

1st Floor  
Millbank Tower  
Millbank  
London  
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946