

Auditing the Accounts 2012/13

Local government bodies

The Audit Commission's role is to protect the public purse.

We do this by appointing auditors to a range of local public bodies in England. We set the standards we expect auditors to meet and oversee their work. Our aim is to secure high-quality audits at the best price possible.

We use information from auditors and published data to provide authoritative, evidence-based analysis. This helps local public services to learn from one another and manage the financial challenges they face.

We also compare data across the public sector to identify where services could be open to abuse and help organisations fight fraud.

Contents

Summary	2
Introduction	4
Principal bodies	6
Background.....	6
Audit of the accounts	6
Whole of Government Accounts returns.....	13
Value for money conclusions.....	16
Auditor reporting	19
Small bodies	20
Background.....	20
Accounting requirements	20
External audit framework	21
Accounting statements	22
Auditor reporting	27
Challenges for 2013/14	30
Appendix 1: Types of principal audited bodies	32
Appendix 2: Reasons for late audit opinions at principal bodies	33
Appendix 3: Summary of principal bodies named in this report	34
Appendix 4: Opinions issued by 30 September 2013 on the 2012/13 annual return by county area	40
Appendix 5: Assertions in the annual governance statement for small bodies	41
Appendix 6: Qualified opinions for small bodies by county area	42
References	43

Summary

Overall, both principal and small bodiesⁱ continued to perform well in meeting their financial reporting responsibilities for 2012/13.

Improvement year-on-year has resulted in over 98 per cent of all local government bodies receiving an audit opinion by 30 September 2013.

Audited accounts are the principal means by which public bodies discharge their accountability for the stewardship of public money. Publishing timely audited accounts, with an unqualified audit opinion, reflects well on bodies' financial management arrangements and is a fundamental feature of good governance. The audit process also provides essential assurance to accounting officers for the relevant government departments that the funds distributed to local government bodies have been safeguarded and accounted for properly.

Almost all bodies received an audit opinion by 30 September 2013.

- The audit opinion was issued by 30 September at 99 per cent of councils, all fire and rescue authorities, 97 per cent of police bodies, 98 per cent of other local government bodies and 98 per cent of both parish councils and internal drainage boards (IDBs). This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2011/12.
- Overall, 475 out of 510 principal bodies met the statutory accounts publication requirements. However, there were issues with timely publication of audited accounts at 35 bodies.
- Thirteen principal bodies received an unqualified opinion by 31 July 2013 and published their audited accounts promptly. This compares to 11 bodies for 2011/12.
- For the first time since the Commission began publishing *Auditing the Accounts*, there are no small bodies that have failed to prepare and publish audited accounts for the last three years.

Responsible financial officers (RFOs) met their requirement to sign and certify the accounts by 30 June 2013 at almost all principal bodies.

- The RFO failed to sign and certify the accounts by 30 June 2013 at five principal bodies.

ⁱ Principal bodies include councils, fire and rescue authorities, police bodies and other local government bodies. Small bodies include parish councils and internal drainage boards.

The overwhelming majority of audited bodies received an unqualified audit opinion on their accounts.

- At the date of preparing this report, only one principal body had received a qualified audit opinion on the 2012/13 accounts.
- The majority of small bodies (92 per cent of parish councils and 91 per cent of IDBs) received an unqualified opinion on their 2012/13 annual return by 30 September. However there was a significant increase in qualified opinions for IDBs.

Bodies maintained the timeliness of the information provided to inform Whole of Government Accounts (WGA).

- Auditors aimed to issue the assurance statement on the WGA return by 4 October 2013. They were able to do so at 345 councils (97 per cent), all fire and rescue authorities, 35 police bodies (92 per cent) and 23 other local government bodies (96 per cent). This is consistent with 2011/12, where auditors at 97 per cent of principal bodies were able to issue their assurance report by the specified submission date.

Principal bodies have put in place proper arrangements for securing value for money (VFM).

- Of the 2012/13 conclusions on bodies' arrangements to secure VFM issued by auditors at the date of preparing this report, only those for 12 councils, two police bodies and two other local government bodies were qualified.

Auditors exercised their public reporting powers at two principal bodies and six small bodies.

- Auditors issued a public interest report to Corby Borough Council and made statutory recommendations to Walsall Metropolitan Borough Council.
- Auditors issued public interest reports to six parish councils but made no statutory recommendations to small bodies.

Bodies have shown financial resilience but must continue adapting as they face further financial management and reporting challenges in 2013/14.

- Councils will continue to face financial uncertainty presented by reduced funding and other, local, financial challenges.
- Police bodies will again face accounting difficulties associated with the complexities arising from the abolition of police authorities and the creation of a police and crime commissioner (PCC) and a chief constable as separate legal entities in each local police area.

Introduction

1 Audited accountsⁱ are the principal means by which public bodies discharge their accountability for the stewardship of public money. Publishing timely audited accounts, with an unqualified audit opinion, reflects well on bodies' financial management arrangements and is a fundamental feature of good governance.

2 The audit process also provides assurance to the accounting officers of relevant government departments that the funds distributed to local public bodies have been safeguarded and accounted for properly. The information in this report will help to inform the annual governance statement (AGS), included by government departments in their annual report and accounts, and the supporting annual accountability 'systems statement' published on their website.

3 In this report, the Audit Commission (the Commission) summarises the results of auditors' work at principal and small bodies. Principal bodies include councils, fire and rescue authorities, police bodies and other local government bodies. Principal bodies spend around £137 billion of public money each year. Small bodies include parish councilsⁱⁱ and IDBs with annual turnover below £6.5 million.

4 The report names principal bodies where:

- the RFO did not sign and certify the accounts by 30 June 2013;
- the auditor's opinion on the accounts was not issued by 30 September 2013;
- the auditor's assurance statement on the WGA return was not issued by 4 October 2013;
- the auditor issued a non-standard accounts opinion, non-standard conclusion in the WGA assurance statement or non-standard VFM conclusion;
- accounts were not published by 30 September 2013;
- audited accounts were not published by 30 September 2013 when an audit opinion had been issued on or before that date;
- the AGS did not state that the body complied with the *CIPFA Statement on the role of the Chief Financial Officer*, or explain how it had equivalent arrangements in place; and

i The terms 'accounts', 'financial statements', and 'accounting statements' are used in this report to refer to the annual statement of accounts that bodies are required to prepare in accordance with relevant regulations and proper practices.

ii The term 'parish councils' includes parish councils, community councils, neighbourhood councils, village councils, town councils and parish meetings in parishes where there is no parish council.

- the auditor issued a public interest report or made statutory recommendations.

5 Small bodies included in this report were required to publish their 2012/13 accounting statements and AGS by 30 September 2013. Small bodies do this in the form of an annual return. Auditors aimed to issue the opinion and certificate on the 2012/13 annual return by the same deadline. This enables small bodies to publish their annual return with an auditor's report.

6 The report names those small bodies:

- where the auditor was not able to issue an opinion on the annual return by 30 September for the last three years or more;
- named in last year's report that have taken positive action for 2012/13 to address the concerns identified; and
- where the auditor has issued a public interest report or made statutory recommendations.

7 A list published alongside this report names the parish councils and IDBs that received a qualified opinion on their annual return in 2012/13, and identifies those bodies that also received a qualification in 2011/12 and/or 2010/11.

Principal bodies

Background

8 This section of the report summarises the results of auditors' work for 2012/13 at:

- 356 councils;
- 31 fire and rescue authorities;
- 76 police bodies; and
- 47 other local government bodiesⁱ.

9 Auditors' work includes the audit of the financial statements; a review of the WGA return; a review of arrangements to secure VFM; and the exercise of their statutory reporting powers.

Audit of the accounts

Requirements

10 The principal bodies covered by this section of the report are required to prepare and publish their annual accounts in accordance with:

- statutory requirements and timetables, as set out in the *Accounts and Audit (England) Regulations 2011* (the Regulations) (Ref. 1); and
- relevant financial reporting standards.

11 The Regulations require the RFO to sign and certify the accounts by no later than 30 June. The body is required, by no later than 30 September, to approve and publish its accounts, which must include publication on its website, together with any audit opinion issued. The RFO must recertify the presentation of the accounts before approval by the body.

Early issue of opinion and publication of audited accounts

12 Table 1 lists the 13 bodies where auditors were able to issue an unqualified opinion and VFM conclusion on the 2012/13 accounts by 31 July 2013, and the body published audited accounts promptly. For 2011/12, auditors were able to issue the opinion by 31 July 2012, and the accounts were published promptly, at 11 bodies.

ⁱ A breakdown of the types of principal bodies covered in the report is available at Appendix 1.

Table 1: **Bodies with early publication of audited accounts**

Body	Date opinion issued	Date audited accounts published
Councils		
*Oldham Metropolitan Borough Council	31 May 2013	31 May 2013
*Transport for London	29 July 2013	29 July 2013
*Kent County Council	24 July 2013	30 July 2013
*Royal Borough of Greenwich	31 July 2013	1 August 2013
Fire and rescue authorities		
*Kent and Medway Fire and Rescue Authority	9 July 2013	26 July 2013
Other local government bodies		
Yorkshire Purchasing Organisation ⁱ	26 April 2013	30 April 2013
*Transport for Greater Manchester	9 July 2013	9 July 2013
*Great Aycliffe Town Council	22 July 2013	23 July 2013
*Nexus	25 July 2013	25 July 2013
*London Waste and Recycling Board	25 July 2013	2 August 2013
Centro	24 July 2013	5 August 2013
*West Yorkshire Passenger Transport Executive	26 July 2013	6 August 2013
West Yorkshire Integrated Transport Authority	31 July 2013	6 August 2013

Source: Audit Commission

13 The Commission congratulates the bodies in Table 1 on their performance. Ten of the 13 bodies have published their audited accounts early for at least three of the last four years; these have been marked in the Table with an asterisk.

14 Oldham Metropolitan Borough Council was again the first council to have its audit opinion issued and to publish its audited accounts. It is also the only council to publish its audited accounts in May since the Commission began collecting information on early publication to support the first *Auditing the Accounts* report covering 2008/09.

15 Centro and the City of London Corporation have demonstrated that other bodies can also significantly increase the timeliness of their financial reporting. Centro published its audited accounts 54 days earlier than in 2011/12. The City of London Corporation received the auditor's opinion on 7 August 2013 and published its accounts on 18 August 2013, 41 days earlier than in 2011/12.

ⁱ The Yorkshire Purchasing Organisation has a 31 December financial year-end, and published its audited accounts within four months.

Certification of accounts by the RFO

16 The Regulations require the RFO of a principal body, by no later than 30 June, to:

- sign and date the statement of accounts; and
- certify that it presents a true and fair view of the financial position of the body at the end of the financial year and the body's income and expenditure for that year.

17 The RFO certification demonstrates their confidence in the accuracy of the financial statements and the controls operating within the body. Late certification can cause delay to the audit and may result in members not being able to approve the accounts by 30 September. It may also potentially indicate wider concerns with the accounts production process.

18 The RFO at 99 per cent of bodies signed and certified the accounts by 30 June 2013. The five bodies where this did not happen are:

- Birmingham City Council;
- Chief Constable for Dorset Police;
- Epping Forest District Council;
- South Worcestershire Shared Services Partnership Joint Committee; and
- West London Waste Authority.

19 The RFO did not sign and certify the accounts for 2011/12 by 30 June 2012 at seven councils.

Issuing audit opinions on the accounts

20 The Audit Commission Act 1998 (the Act) requires auditors to issue an opinion on the accounts on completion of the audit. Auditors aim to issue the opinion by the statutory accounts publication deadline of 30 September, to enable bodies to publish their accounts with an auditor's report.

21 Table 2 shows there were only eight bodies (2 per cent) where the auditor was unable to issue the opinion on the 2012/13 accounts by 30 September 2013.

Table 2: **When auditors issued the opinion on the 2012/13 and 2011/12 accounts**

Type of body	Number of bodies (2012/13)	Bodies where the auditor issued the opinion by 30 September		
		Number 2012/13	Percentage 2012/13	Percentage 2011/12
Councils	356	351	99	98
Fire	31	31	100	100
Police	76	74	97	97
Other LG bodies	47	46	98	100
Total	510	502	98	98

Source: Audit Commission

22 There was an outstanding objection to the accounts at one of the eight bodies which meant the auditor could not issue the 2012/13 opinion by 30 September 2013. This body is not named in Table 3 below. As at the date of preparing this report, the opinion at this body has not yet been issued.

23 Table 3 lists the remaining seven bodies where the auditor was unable to issue the opinion on the 2012/13 accounts by 30 September 2013 for reasons unconnected to local elector objections. Where the auditor has now issued the opinion, the date of issue is provided.

Table 3: **Bodies where the auditor was unable to issue the 2012/13 opinion by 30 September 2013**

Body	Date opinion issued
Councils	
Birmingham City Council	31 October 2013
Craven District Council	31 October 2013
Newham London Borough Council	14 November 2013
Slough Borough Council	31 October 2013
Police bodies	
Chief Constable for Kent Police	24 October 2013
Police and Crime Commissioner for Kent	24 October 2013
Other local government bodies	
Lee Valley Regional Park Authority	22 November 2013

Source: Audit Commission

24 The most common reasons for delays in issuing the opinion on the 2012/13 accounts were:

- technical accounting issues; and
- various errors identified during the audit.

25 Appendix 2 sets out the reasons for the delay at each of the bodies listed in Table 3.

Non-standard audit opinions on the accounts

26 Auditors may issue five possible types of audit opinion (Table 4). An opinion other than unqualified is known as a 'non-standard opinion'.

Table 4: **Types of audit opinion**

Type of opinion	Description
Unqualified opinion	The financial statements give a true and fair view, in all material respects, in accordance with the identified financial reporting framework.
Non-standard opinions	
Qualified 'except for' opinion – limitation of scope	The financial statements give a true and fair view, except for the effect of a matter where the auditor was unable to obtain sufficient evidence. For example, the auditor considers the accounting records for a material transaction or balance in the accounts to be inadequate.
Qualified 'except for' opinion – disagreement	The financial statements give a true and fair view, except for the effect of a matter where there was a material disagreement between the auditor and audited body about how the matter was treated in the financial statements.
Adverse opinion	There was a disagreement that was so material, or pervasive, the financial statements as a whole were misleading or incomplete.
Disclaimer of opinion	The auditor was not able to express an opinion, because he or she could not obtain evidence to such an extent the financial statements as a whole could be misleading or incomplete.

Source: *Audit Commission*

27 At the date of preparing this report, only one non-standard opinion has been issued on the 2012/13 accounts at a principal body. This is at Manchester City Council, where the group accounts received a qualified 'except for' opinion due to a limitation of scope. This is because the assets of a material component of the group accounts were included in the group accounts at their original cost, when the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* (the Local Authority Code), published by CIPFA/LASAACⁱ, required them to be included at their fair value.

28 Manchester City Council's group audit opinion for 2011/12 was updated in August 2013 to reflect the same issue as it also affected the 2011/12 accounts. No other non-standard audit opinions were issued for 2011/12.

ⁱ Local Authority (Scotland) Accounts Advisory Committee

Follow-up of 2011/12 outstanding opinions

29 In *Auditing the Accounts 2011/12*, published in December 2012, we noted there were opinions outstanding for three councils. Auditors have now issued unqualified opinions for 2011/12 at all three bodies.

Publishing the accounts

30 Bodies are required, by no later than 30 September, to approve and publish their accounts. The accounts must be published on the body's website, together with any audit opinion issued. Overall, 475 bodies (93 per cent) met the requirements of the Regulations: 468 bodies published audited accounts on their website; and seven bodies that did not have an audit opinion by 30 September published unaudited accounts.

31 Fourteen bodies published unaudited accounts on their website by 30 September, either in committee papers or elsewhere on their website, even though the audit opinion had been issued and the body was in a position to publish the audited accounts by this date. In the Commission's view, this does not meet the requirements of the Regulations. We stated in *Auditing the Accounts 2011/12* that the Commission would name these bodies in this year's report. These bodies are:

- Cheshire Fire and Rescue Authority;
- Chesterfield Borough Council;
- Chief Constable for North Yorkshire Police;
- London Borough of Hillingdon;
- Newark and Sherwood District Council;
- North Norfolk District Council;
- Northumberland National Park Authority;
- Nottingham City Council;
- Peak District National Park Authority;
- Peterborough City Council;
- Police and Crime Commissioner for Merseyside;
- Police and Crime Commissioner for North Yorkshire;
- Sefton Council; and
- Trafford Metropolitan Borough Council.

32 There were a further 18 bodies where the auditor had issued the opinion on or before 30 September but there was a lack of effective communication between the auditor and the body which resulted in the body not receiving the signed auditor's opinion in sufficient time to publish the accounts before the deadline.

33 Bodies and auditors need to agree a robust project plan and timetable that allows sufficient time for the accounts to be published, with the audit opinion, by 30 September.

- Bodies do not need to wait to receive a hard copy audit opinion with the auditor's original signature before publishing their audited accounts as the auditor's original signature is not published. It is sufficient for the auditor to confirm in writing that the opinion has been signed and issued

on that date. Bodies receive a copy of the proposed opinion from the auditor in advance and should prepare their accounts for publication including this copy and publish it once they have received confirmation from the auditor.

- Where auditors may not be in a position to complete work on the WGA by 30 September, the accounts opinion should be issued in good time to allow the body to publish their audited accounts by the deadline.

34 The three principal bodies that did not publish their accounts, either audited or unaudited, by 30 September 2013 are:

- Birmingham City Council;
- Chief Constable for Thames Valley Police; and
- Lower Severn (2005) Internal Drainage Board.

35 The government is encouraging greater transparency by public bodies to explain how they spend public money. It is disappointing that these three bodies, including the largest council in the country, did not manage to meet their statutory duty to publish accounts within six months of the end of the financial year.

Annual Governance Statement

36 The Regulations require bodies to:

- conduct a review at least once a year of the effectiveness of the system of internal control; and
- approve and publish an AGS in accordance with proper practices (Ref .2).

37 In 2010, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its *Statement on the Role of the Chief Financial Officer in Local Government* (the Statement). The Statement sets out how the chief financial officer (CFO) should fulfil the requirements of legislation and professional standards in carrying out their role. It also sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. This includes the principle that the CFO is a key member of the leadership team. A similar publication, the *CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable*, was issued in July 2012, and applies to police bodies.

38 The Local Authority Code requires bodiesⁱ to confirm in their AGS that the body's financial management arrangements conform to the governance requirements of the Statement. Where they do not, the body must provide an explanation of how its financial management arrangements deliver the same impact.

39 For 2012/13, 492 bodies (96 per cent) included a disclosure in their AGS that met the requirements of the Local Authority Code. Fifteen of these bodies (3 per cent) disclosed that their arrangements did not conform to the

ⁱ The parish council and IDB that elected to account as larger relevant bodies are not subject to this requirement.

governance requirements of the Statement, and included an explanation of how their arrangements achieved the same impact.

40 A further 16 bodies did not meet the requirements of the Local Authority Code as they did not include the relevant disclosure in their AGS. We stated in *Auditing the Accounts 2011/12* that the Commission would name these bodies in this year's report. They are:

- Burnley Borough Council;
- Cheltenham Borough Council;
- Cheshire West and Chester Council;
- Chief Constable for Avon and Somerset Police;
- Chief Constable for Essex Police;
- Chief Constable for Lincolnshire Police;
- Chief Constable for Nottinghamshire Police;
- Chief Constable for Wiltshire Police;
- Devon and Somerset Fire and Rescue Authority;
- Humber Bridge Board;
- Police and Crime Commissioner for Avon and Somerset;
- Police and Crime Commissioner for Essex;
- Police and Crime Commissioner for Lincolnshire;
- Police and Crime Commissioner for Nottinghamshire;
- Police and Crime Commissioner for Wiltshire; and
- Rossendale Borough Council.

Whole of Government Accounts returns

Issuing assurance statements on the WGA returns

41 The WGA is a set of consolidated financial statements for the entire UK public sector, covering about 3,000 bodies. The Department for Communities and Local Government (DCLG) and HM Treasury (HMT) require specified local government bodies to submit a WGA return. The WGA return is based on, but separate from, the body's statutory financial statements.

42 Of the 510 principal bodies covered by this report, 449 were required to submit a WGA return for 2012/13. The breakdown of these bodies is given at Appendix 1.

43 The National Audit Office (NAO) sets an audit threshold above which auditors are required by the Commission's *Code of Audit Practice* (the Code) to review and report on the WGA return. The threshold for 2012/13 was set at income, expenditure, assets or liabilities above £300 millionⁱ.

44 For bodies above the threshold, auditors are required to issue an assurance statement with a conclusion on whether the WGA return:

- has been prepared in accordance with HMT's guidance and instructions; and
- is consistent with the body's audited statutory accounts.

ⁱ The threshold for 2011/12 was set at £100 million.

45 For 2012/13, 181 bodies were above the audit threshold. A further 268 bodies were required to submit a WGA return but were below the audit threshold. At these bodies, the auditor is only required to submit a shortform assurance statement that consists of confirmation that a review is not required.

46 The target date for auditors to issue the 2012/13 assurance statement was 4 October 2013. This is the date specified by DCLG and HMT for the submission of WGA returns within the overall timetable for HMT to prepare the 2012/13 WGA consolidated accounts and for the NAO to audit them.

47 At 3 per cent of bodies in both 2012/13 and 2011/12, auditors were unable to issue their WGA assurance statement by the submission date specified by DCLG and HMT (Table 5).

Table 5: **When auditors issued their assurance statements on the 2012/13 and 2011/12 WGA returns**

Type of body	Number of bodies (2012/13)	Bodies where the auditor issued the assurance statement by the deadline		
		Number 2012/13	Percentage 2012/13	Percentage 2011/12
Councils	356	345	97	97
Fire	31	31	100	100
Police	38	35	92	95
Other LG bodies	24	23	96	100
Total	449	434	97	97

Source: Audit Commission

48 Table 6 identifies eightⁱ bodies where the auditor was unable to issue the assurance statement on the 2012/13 WGA return by 4 October 2013. Where the auditor has now issued the assurance statement, the date of issue is provided.

i The auditors at seven further bodies were unable to issue the WGA assurance statement by 4 October 2013 for reasons outside of the body's control. Auditors at six of these seven bodies have now issued the WGA assurance statement.

Table 6: **Bodies where the auditor was unable to issue the 2012/13 assurance statement on the WGA return by the specified submission date**

Body	Date assurance statement issued
Councils	
Birmingham City Council	8 November 2013
Craven District Council	31 October 2013
London Borough of Lambeth	18 October 2013
Medway Council	31 October 2013
Newham London Borough Council	Not yet issued
Slough Borough Council	Not yet issued
Police bodies	
Police and Crime Commissioner for Kent	Not yet issued
Other local government bodies	
Lee Valley Regional Park Authority	22 November 2013

Source: Audit Commission

Non-standard conclusions in the auditor's assurance statement on the WGA return

49 Auditors may issue three types of conclusion in their assurance statement on the WGA return (Table 7) at bodies above the audit threshold. A conclusion other than 'Agree' is known as a non-standard conclusion.

Table 7: **Types of WGA assurance statement conclusion**

Type of conclusion	Description
Agree	The WGA return is consistent with the audited statutory accounts and there are no unadjusted errors above the threshold of £1 million.
Non-standard conclusions	
Agree, 'except for'	The WGA return is consistent with the audited statutory accounts except for uncorrected misstatements above the £1 million threshold.
Disagree	The WGA return is not consistent with the audited statutory accounts.

Source: Audit Commission

50 Of the assurance statements issued at the date of preparing this report, auditors had issued a non-standard disagree conclusion on the 2012/13 WGA return at one council: Southend on Sea Borough Council.

51 In addition, auditors issued non-standard agree 'except for' conclusions on the 2012/13 WGA return at three councils and one police body. These are:

- Brighton and Hove City Council;
- Middlesbrough Council;
- Police and Crime Commissioner for Essex; and
- South Tyneside Council.

52 It is important that auditors and RFOs maintain a dialogue during the review of the WGA return. This will ensure that the implications of uncorrected misstatements above the £1 million threshold are understood and accepted by the RFO, and that there are no surprises in the auditor's assurance statement.

53 The number of non-standard conclusions has reduced compared with 2011/12 where auditors issued non-standard assurance statements at nine councils and one police body.

Follow-up of 2011/12 outstanding WGA assurance reports

54 In *Auditing the Accounts 2011/12*, published in December 2012, we noted there were WGA assurance reports outstanding for four councils. Auditors have now issued agree conclusions on the 2011/12 WGA assurance report at three of these councils. The fourth council, London Borough of Lambeth, received an agree 'except for' conclusion.

Value for money conclusions

Background

55 Auditors have a duty under section 5(1)(e) of the Act to satisfy themselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. In discharging this duty, auditors are required to carry out their work in accordance with the Code. The Code requires auditors to issue a VFM conclusion alongside the opinion on the financial statements.

56 It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance. It is also the responsibility of the audited body to review the adequacy and effectiveness of these arrangements regularly. The audited body is responsible for reporting on aspects of these arrangements as part of its AGS.

57 For 2012/13, auditors of councils, fire and rescue authorities, and the two Metropolitan police bodiesⁱ gave their VFM conclusion based on the following two criteria specified by the Commission:

- the organisation has proper arrangements in place for securing financial resilience; and

ⁱ The Mayor's Office of Policing and Crime and the Commissioner of Police of the Metropolis.

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

58 For all other police bodies and the other local government bodies covered by this report, the Commission did not specify criteria for the auditor to report against. Auditors meet their VFM duty by:

- reviewing the AGS;
- reviewing the results of the work of the Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- undertaking other local risk-based work as appropriate, or any work mandated by the Commission.

59 Auditors conclude whether or not there are any matters arising from their VFM work that they need to report.

Non-standard VFM conclusions

60 Where the specified criteria apply, auditors may issue three types of VFM conclusion (Table 8). A conclusion other than unqualified is known as a non-standard conclusion.

Table 8: **Types of VFM conclusion**

Type of conclusion	Description
Unqualified	The auditor is satisfied that, in all significant respects, the body made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.
Non-standard VFM conclusions	
Qualified 'except for'	The auditor is satisfied that the body made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013, in all significant respects, except for one or more specific weaknesses.
Adverse	The auditor is not satisfied that the body made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013, as significant weaknesses were identified.

Source: Audit Commission

61 Where the specified criteria do not apply, the auditor may issue a 'report on matters arising' if they believe there is a matter arising from their VFM work that they need to report.

Councils, fire and rescue authorities and Metropolitan police bodies

62 Of the 2012/13 VFM conclusions issued at councils, fire and rescue authorities and Metropolitan police bodies at the date of preparing this report, auditors had issued a non-standard conclusion at 12 councils. An adverse conclusion was issued at Wirral Metropolitan Borough Council. The other 11 non-standard conclusions were qualified 'except for' conclusions. These were issued to:

- Bexley London Borough Council;
- Birmingham City Council;
- Calderdale Metropolitan Borough Council;
- Cheshire East Council;
- Corby Borough Council;
- Cumbria County Council;
- Devon County Council;
- Herefordshire Council;
- Rochdale Metropolitan Borough Council;
- Royal Borough of Kingston Upon Thames; and
- Somerset County Council.

63 At the date of preparing this report, the 2012/13 VFM conclusion for one council had not been issued. This is the body referred to in paragraph 22 where the opinion has been delayed due to an outstanding objection to the accounts.

Police bodies outside London and other local government bodies

64 Auditors issued a 'report on matters arising' for 2012/13 at two police bodies and two other local government bodies. These bodies are:

- Chief Constable for Surrey Police;
- Police and Crime Commissioner for Surrey;
- South Yorkshire Pensions Authority; and
- West London Waste Authority.

Follow-up of 2011/12 outstanding VFM conclusions

65 In *Auditing the Accounts 2011/12*, published in December 2012, we noted there were VFM conclusions outstanding for four councils. Auditors have now issued the 2011/12 VFM conclusion at all of these councils. One conclusion was unqualified. The conclusion for Gloucester City Council was qualified 'adverse'. Two conclusions were qualified 'except for', and were issued to:

- Birmingham City Council; and
- Corby Borough Council.

Auditor reporting

66 The Act requires auditors to consider whether they should report, in the public interest, on any matter that comes to their attention during the audit. Auditors may issue a public interest report where they consider a matter is sufficiently important to be highlighted to the audited body or the public, either as a matter of urgency or at the conclusion of the audit.

67 Auditors also have a duty under the Act to consider whether to make any written recommendations to the audited body that need to be considered and responded to publicly; these are known as section 11 recommendations.

Public interest reports

68 Since publishing *Auditing the Accounts 2011/12*, auditors issued only one public interest report to a principal body: Corby Borough Council. This report was issued in June 2013 and related to failings in the Council's arrangements for managing four major regeneration capital projects.

69 All public interest reports are available on the [Commission's website](#).

Section 11 recommendations

70 Since the publication of *Auditing the Accounts 2011/12*, the auditor for Walsall Metropolitan Borough Council issued one section 11 recommendation in October 2013 relating to the need for the Council to review its governance framework.

Small bodies

Background

71 This section of the report summarises the results of auditors' work for 2012/13 at 9,600 parish councils and 127 IDBs with annual turnover below £6.5 millionⁱ. Turnover is taken as the greater of gross annual income or gross annual expenditure. Together these bodies are classed as 'small bodies', and are audited under the Commission's limited assurance audit regimeⁱⁱ.

72 Parish councils are elected bodies that represent their community and provide or contribute to a range of services – for example, parks and open spaces, cemeteries, allotments and bus shelters. They serve about 15 million people in England and spend over £500 million of public money each year. This expenditure is funded mainly through an annual charge, known as a precept, set by the parish council and collected on its behalf as part of council tax.

73 IDBs are bodies that provide flood risk and water level management services in areas of special drainage need. They spend around £60 million of public money each year. This expenditure is funded mainly through drainage rates on land occupiers and special levies on the local authorities in each IDB drainage area.

Accounting requirements

74 Small bodies included in this report are required to prepare their accounting statements in accordance with statutory requirements and timetables, as set out in the Accounts and Audit Regulations (England) 2011, and proper practices (Ref. 3 and Ref. 4).

75 Small bodies complete their accounting statements in the form of an annual return. The annual return includes the:

- accounting statementsⁱⁱⁱ;
- AGS; and
- external auditor's certificate and opinion.

i There were also 224 other miscellaneous small bodies, mainly joint committees. The results of their audits are not included in this report.

ii Small bodies may choose to prepare accounts as if they were a larger relevant body. One parish council, one IDB and one joint committee chose this approach and are therefore included in the principal bodies' section of the report.

iii The accounting statements are the annual income and expenditure account and statement of balances, or the receipts and payments account that a small body is required to prepare in accordance with proper practices.

76 The external auditor, appointed by the Commission, is required to conduct an audit in accordance with the Act and Schedule 1 to the Code. Paragraphs 78 to 81 of this report provide further information on the external audit framework and auditors' responsibilities.

77 Small bodies were required to approve their 2012/13 accounting statements and AGS by 30 June and publishⁱ these by 30 September 2013. In practice, small bodies fulfil this requirement by publishing the annual return.

External audit framework

Audit framework

78 The Commission has established a 'limited assurance' audit framework for small bodies with an annual turnover of up to £6.5 million. The framework does not require a full audit in accordance with professional auditing standards. Instead it provides a level of assurance proportionate to the amounts of public money managed by these small bodies.

79 Under the limited assurance approach, auditors undertake a basic audit of the annual return at bodies with annual turnover up to £200,000 and an intermediate audit at bodies with a turnover between £200,001 and £6.5 million. Under the basic audit approach, small bodies are required to submit a minimum amount of informationⁱⁱ to the auditor with a completed annual return. As well as the basic audit requirements, the intermediate audit approach requires auditors to consider the small body's overall control environment in more detail. Auditors obtain additional evidence to support their opinion to reflect the greater risk associated with higher levels of activity or expenditure.

Auditors' responsibilities

80 The Code requires external auditors of small bodies to examine the accounts and any additional information and explanation provided. Auditors give an opinion on the annual return and certify the completion of the audit. Auditors issue an unqualified audit opinion where they consider the annual return meets the specified requirements.

81 In addition, the Act requires auditors to consider whether, in the public interest, they should report on any matter that comes to their attention during the audit. Auditors report where they consider a matter is sufficiently important to be highlighted to the audited body or to the public, either urgently or at the end of the audit. This might include reporting on governance issues such as the failure to produce, or provide evidence to support, the annual return.

i Small bodies can meet the publication requirement by displaying a notice containing the required information.

ii The year-end bank reconciliation and a brief explanation of any significant variances compared to the figures for the previous year.

Accounting statements

Issuing the audit certificate and opinion

82 Auditors aimed to issue the opinion and certificate on the 2012/13 annual return by 30 September 2013, to enable small bodies to publish their annual return with an auditor's report by the statutory deadline.

83 By 30 September 2013, auditors had issued the opinion and certificate on the 2012/13 annual return at 9,400 parish councils (98 per cent) and 125 IDBs (98 per cent). This is an improvement on 2011/12 where auditors issued the opinion and certificate by 30 September 2012 at 97 per cent of both parish councils and IDBs.

84 Appendix 4 shows, by county area, the number of parish councils and IDBs where auditors issued the opinion and certificate on the 2012/13 annual return by 30 September 2013.

Persistently late audited annual returns

85 The government is encouraging greater transparency by public bodies to explain how they spend public money. Local electors and land occupiers are entitled to see how their parish council or IDB respectively has spent public money. Those small bodies that fail to publish an audited annual return are not providing this most basic level of accountability.

86 In *Auditing the Accounts 2010/11*, the Commission identified 14 parish councils that had not produced an annual return for 2010/11 and at least the previous two years. Five of these bodies also failed to complete an annual return for 2011/12, and received a public interest report as a result.

87 It is positive that these remaining five bodies have met their reporting obligations for 2012/13. Carrington Parish Meeting declared it had no income or expenditure for the year. Greatford Parish Council received an unqualified audit opinion on its annual return. The three other parish councils received a qualified opinion so they still have work to do to improve their financial reporting in future years. These are:

- Fillingham Parish Meeting;
- Little Ponton and Stroxtan Parish Council; and
- Wyville cum Hungerton Parish Meeting.

88 For the first time since the Commission began publishing *Auditing the Accounts*, there are no parish councils or IDBs that have persistently failed to prepare and publish audited accounts for three consecutive years. This is a significant achievement and reflects the commitment to local accountability of the great majority of small bodies.

89 However, each year there are a small number of parish councils that fail to complete an annual return. Where parish councils are active and so depend on local taxpayers for funding, they must also be accountable to their communities. Parish councils are independent bodies but they should

look to work together with other local authorities where the failure to account arises from capacity weakness, an absence of controls or poor governance.

90 In some cases persistent problems in producing an audited annual return may indicate that a parish council has become dormant, and there may be no active parish clerk or chairman to take responsibility. In these cases, the council tax authority is empowered to conduct and determine a community governance review, which must take into account the views of local people. This may, for example, include bringing together neighbouring parishes into a larger community group to take advantage of structural efficiencies.

Case study – Community governance review

During 2012/13, Stratford-on-Avon District Council undertook a wide ranging community governance review of its entire district area. Its task was to consider whether the existing parish councils are reflective of the identities and interests of the communities in those areas and are effective and convenient and to consider whether it is appropriate for those parish councils to be merged, altered or abolished.

The review identified the necessary restructuring of local accountability to meet the changed needs of its community. The outcome promises improved community engagement, more cohesive communities, better local democracy and a more effective and convenient delivery of local services. The Council intends to repeat the exercise every 10 to 12 years.

Follow up of prior year audit opinions for IDBs

91 In *Auditing the Accounts 2011/12*, we noted concern about Middle Level Commissioners where the auditor had been unable to issue an opinion for 2011/12 and three previous years.

92 The auditor has now issued an adverse opinion on both the 2008/09 and the 2009/10 accounts, when the IDB was required to account as a principal body.

93 From 2010/11, the IDB has been accounting as a small body. The auditor has issued qualified opinions on both the 2010/11 and 2011/12 annual returns. Only the annual return for 2012/13, delayed by the need to finalise the prior years' audits, is now outstanding.

Qualified audit opinions

94 Auditors issue an unqualified audit opinion where they consider the annual return is in accordance with the specified requirements. Where this is not the case, the auditor will qualify the opinion, setting out the reasons.

95 Auditors may qualify the opinion on the Annual Return because of issues identified in the accounting statements; the AGS; or both. A qualification on the AGS may relate to one or more of the assertions the small body is required to make. These assertions are listed in Appendix 5.

Number of qualified opinions

96 Auditors issued a qualified opinion on the 2012/13 annual return by 30 September 2013 at 751 parish councils (8 per cent) and 11 IDBs (9 per cent). This is slightly higher than 2011/12 for parish councils. For IDBs this is significantly higher after an improvement in 2011/12. Of the 762 small bodies receiving a qualified opinion by 30 September 2013, 173 parish councils and one IDB had also received a qualified opinion in 2011/12.

97 Of continuing concern are the 67 parish councils where auditors have qualified the opinion for three consecutive years (2010/11 to 2012/13). The persistent qualification of the opinion at these 67 small bodies suggests systemic weaknesses in their financial management and governance arrangements which need to be addressed locally.

98 The Commission has published on its [website](#) lists of those individual parish councils and IDBs where auditors issued a qualified opinion on the 2012/13 annual return by 30 September 2013ⁱ. The lists show where the opinion was also qualified in either or both of the previous two years.

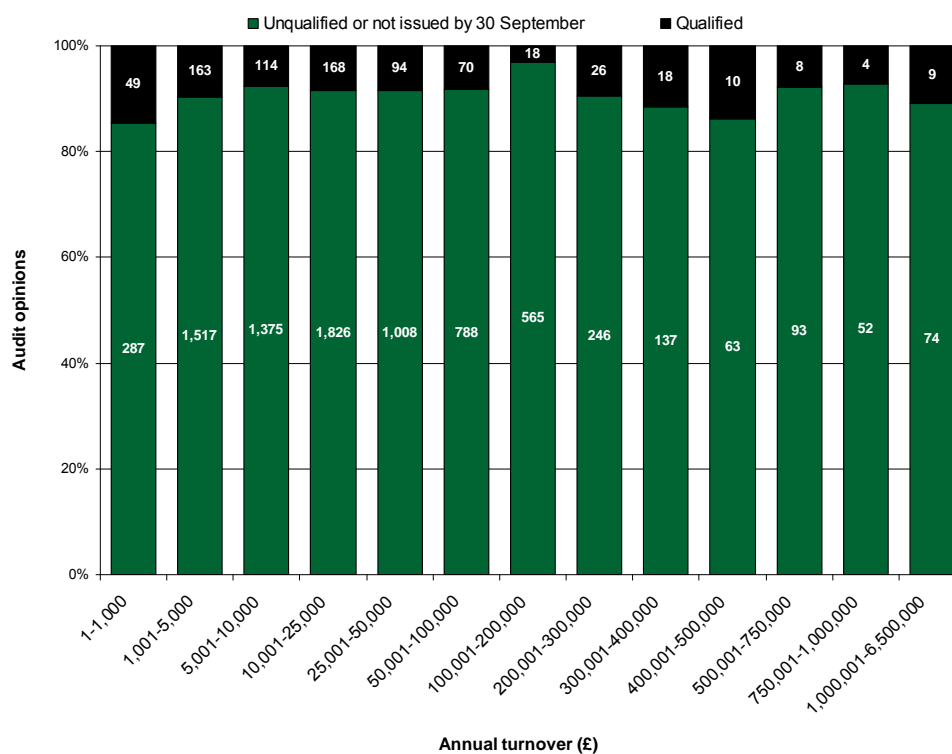
99 Figure 1 and Table 9 show the number and percentage of qualified opinions, by annual turnoverⁱⁱ, for parish councils and IDBs respectively.

100 There were 495 small bodies that had annual turnover of £25,000 or less and received a qualified opinion on their annual return in 2012/13. The *Local Audit and Accountability Bill*, which is currently before Parliament, proposes that these bodies will not receive a routine annual audit. In the Commission's view, it is not clear how local taxpayers will receive independent external assurance around accountability and governance for the public monies received or spent by these bodies.

ⁱ A third list shows the status of the small bodies where an opinion on the annual return had not been issued by 30 September 2013.

ⁱⁱ The Commission uses 15 turnover bandings to set the external audit fee scales for small bodies.

Figure 1: Qualified audit opinions at 30 September 2013 for parish councils by annual turnover



Source: Audit Commission

Table 9: Qualified audit opinions at 30 September 2013 for IDBs by annual turnover

Annual turnover	Number of IDBs	Number of qualified opinions issued by 30 September 2013
£1 to £25,000	22	1 (5%)
£25,001 to £200,000	50	8 (16%)
£200,001 to £1 million	36	1 (3%)
£1 million to £6.5 million	19	1 (5%)
Total	127	11 (9%)

Source: Audit Commission

101 Table 10 shows the number of bodies with a qualified opinion by annual turnover for parish councils and IDBs combined.

Table 10: **Number of small bodies with qualified opinions by annual turnover**

Annual turnover	Number of small bodies	Number of qualified opinions issued by 30 September 2013
£0 to £200,000	8,932	685 (8%)
£200,001 to £1 million	693	65 (9%)
£1 million to £6.5 million	102	12 (12%)
Total	9,727	762 (8%)

Source: Audit Commission

102 Appendix 6 shows the number of qualified opinions for 2012/13 by county area, with comparative information for 2011/12.

Basis for qualified opinions

103 Auditors qualified the opinion on the 2012/13 annual return at small bodies mainly because of governance issues identified in the AGS (Table 11).

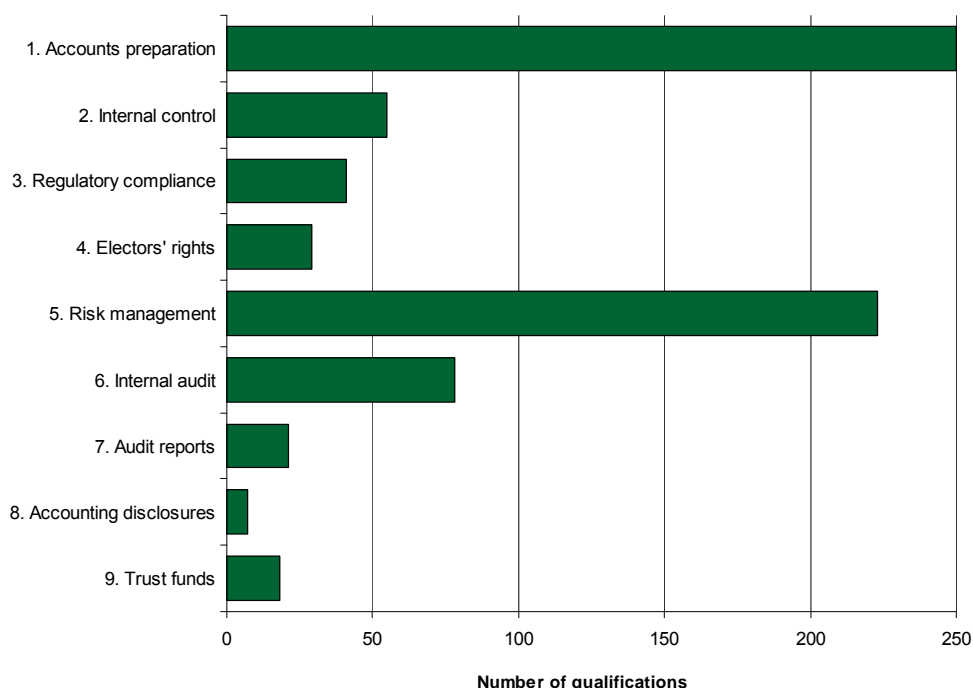
Table 11: **Nature of qualified opinions on the 2012/13 and 2011/12 annual return at small bodies**

Basis	Number of bodies with a qualified opinion 2012/13	Number of bodies with a qualified opinion 2011/12
Accounting statements	173 (23%)	127 (19%)
AGS	488 (64%)	488 (75%)
Both accounting statements and AGS	101 (13%)	41 (6%)
Total	762 (100%)	656 (100%)

Source: Audit Commission

104 Figure 2 shows the number of qualifications relating to each of the AGS assertions. Some small bodies may receive a qualified opinion relating to more than one assertion.

Figure 2: **The number of small body qualifications relating to each AGS assertion**



Source: Audit Commission

105 The qualifications on the AGS for 2012/13 shown in Figure 2 were issued to 589 small bodies. There were 73 small bodies where the auditor qualified two or more assertions in the AGS.

106 The most common reasons for AGS qualifications at small bodies in 2012/13 related to accounts preparation and risk management. In 2011/12 most qualifications related to risk management.

Auditor reporting

107 The Act requires auditors to consider whether they should report, in the public interest, on any matter that comes to their attention during the audit. Auditors may issue a public interest report where they consider a matter is sufficiently important to be highlighted to the audited body or the public, either as a matter of urgency or at the conclusion of the audit.

108 Auditors also have a duty under the Act to consider whether to make any written recommendations to the audited body that need to be considered and responded to publicly. These are known as section 11 recommendations.

Public interest reports

109 Auditors issued six public interest reports to small bodies between December 2012 and November 2013. Three reports related to the failure to produce, or provide evidence to support, the 2011/12 annual return, while three related to a failure of governance or accountability.

Failure to produce, or provide evidence to support, the 2011/12 annual return

- Carrington Parish Council.
- Fillingham Parish Meeting.
- Gosfield Parish Council.

Governance or accountability issues

- Longstanton Parish Council – issued in September 2013, relating to failures in governance by the Council in managing a sports and social club.
- Wellesbourne Parish Council – issued in December 2012, relating to the development of a museum scheme that the Parish Council did not have the statutory powers to undertake.
- Kirby Muxloe Parish Council – issued in May 2013, relating to multiple failures of governance and accountability within the Parish Council. A case study on the Council, showing the impact that a report in the public interest can have, is provided below.

Case study – Kirby Muxloe Parish Council

During the 2011/12 audit, seven local electors exercised their right to object to the accounts of Kirby Muxloe Parish Council (the Council). The objections covered a total of 17 areas.

The external auditor considered the objections, and decided to issue a report in the public interest. This was published on 1 May 2013. The report looked at the assertions that the Council made in its annual return adopted by the Council in June 2012. It found that the Council:

- could not show that the accounting statement had been prepared in accordance with proper practices;
- stated it had an effective system of internal control and had reviewed its effectiveness when it was not in a position to make this statement;
- did not comply with laws and regulations in a number of cases identified by the auditor, despite stating it had taken reasonable steps to satisfy itself that there had been no such instances;
- may not have complied with its statutory duties to allow members of the public to inspect the accounts;
- had not carried out a risk assessment despite stating that it had within its AGS;
- did not make a copy of the internal auditor's report available to members despite saying that it took action to address all the matters raised by the internal auditor in its AGS; and
- declared that it had no trust funds despite being the sole trustee of the Recreation Ground charity.

Case study – Kirby Muxloe Parish Council (continued)

In total, the external auditor made 19 recommendations to address these and wider governance issues identified as a result of their work.

At a meeting of the Council held in June 2013, six members of the Council resigned, making the Council inquorate and unable to make official decisions. As a result, Blaby District Council, the council tax authority covering Kirby Muxloe, used its statutory powers to make a number of temporary appointments to the Council to allow it to operate pending fresh elections.

The Council still faces significant challenges. Completion of the 2012/13 annual return is still outstanding, and the Council will have to work with the local community and the district council to become an effective parish council and restore the confidence of local electors.

110 All public interest reports are available on the [Commission's website](#).

Section 11 recommendations

111 Since publishing *Auditing the Accounts 2011/12*, auditors have issued no section 11 recommendations to small bodies.

Challenges for 2013/14

Financial management

112 Local government is in the midst of a challenging and uncertain financial period. Since May 2010, the government has been implementing a programme of public spending reductions with the aim of reducing the UK's budget deficit. According to the Institute of Fiscal Studies (Ref. 5), the main local government budget is expected to reduce by 35 per cent from 2010/11 to 2015/16. Public spending reductions are expected to continue beyond 2015/16, although their extent and how they will be delivered is not yet clear.

113 Alongside reductions in funding from central government, audited bodies face other significant financial challenges, including:

- growing demand for some services;
- below-inflation council tax increases;
- reductions in other income streams;
- changes from April 2013 in the way that councils support households to pay council tax and a 10 per cent reduction in the funding from government for this; and
- the introduction, also from April 2013, of local business rates retention, which provides an incentive for councils to promote economic growth but creates uncertainty about the level of income they will receiveⁱ.

114 Since 2011, the Commission's Tough Times series of reports has examined how councils have dealt with these issues to date. The [first Tough Times report](#) looked at preparations for budget delivery in 2011/12. [Tough Times 2012](#), published in November 2012, examined what happened in 2011/12 and the preparations for 2012/13. [Tough Times 2013](#), published in November 2013, describes the changes in central government funding to councils from 2010/11 to 2013/14 and the changes in councils' spending on services over that period. It also presents the findings of our 2013 survey of councils' appointed auditors concerning:

- how councils have coped with their recent financial challenges; and
- councils' prospects for financial resilience.

115 *Tough Times 2013* will be of interest to senior officers and members as they prepare their spending plans for 2014/15. The findings presented will allow councils to compare their circumstances, strategies and actions against the national picture. It also provides policymakers and other stakeholders with a broad picture of the implications of councils' responses to financial challenges to inform future decision making.

ⁱ A more detailed explanation of the changes is provided in our data briefing on business rates, [Business Rates: Using Data in the VFM Profiles](#), Audit Commission, 2013

Police accounts

116 In 2012 the Police Reform and Social Responsibility Act 2011 abolished police authorities and created a police and crime commissioner (PCC) and a chief constable as separate legal entities in each local police area. These new bodies produced their first accounts for the year ended 31 March 2013.

117 PCCs and chief constables are able to decide their own local arrangements for financial management and governance, and these arrangements differ between local police areas. This has led to variations in the approach adopted by different police areas to the content of their accounts.

118 On 1 April 2014 local police bodies will implement further changes to their governance arrangements, with the possible transfer of staff and responsibilities to the chief constable. These changes will also have an impact on the accounting treatment adopted by PCCs and chief constables for the financial year 2014/15 onwards and make the accounts less comparable and understandable. The Commission is working with the Home Office and CIPFA to identify what guidance police bodies and auditors may find useful to address these unintended consequences.

The Commission's 2013/14 Auditing the Accounts report

119 In December 2014 the Commission will publish *Auditing the Accounts 2013/14: Local government bodies*. This will be the final *Auditing the Accounts* report the Commission publishes before it is due to close on 31 March 2015. The *Local Audit and Accountability Bill*, which is currently before Parliament, makes no provision for the collation and reporting of the results of the audit process as a national whole. The Commission believes that this information is important to taxpayers and accounting officers and should continue to be produced after the Commission closes.

Appendix 1: Types of principal audited bodies

Type and number of bodies	Breakdown
Councils (356)	Includes 27 county councils, 201 district councils, 33 London borough councils, 36 metropolitan district councils, 56 unitary councils, the Greater London Authority, London Legacy Development Corporation and Transport for London.
Fire and rescue authorities (31)	The analysis for fire and rescue authorities excludes the 15 county council fire and rescue authorities as they are part of the relevant county council for financial reporting purposes.
Police bodies (76)	<p>Includes one police and crime commissioner (PCC) and one chief constable in each of the 37 local police areas in England outside of London, the Mayor's Office for Policing and Crime (MOPAC) and the Commissioner of Police for the Metropolis (CPM). The City of London Police Authority is included within the City of London Corporation for financial reporting purposes.</p> <p>For WGA purposes, PCCs produced a consolidated WGA return covering the relevant chief constable. The MOPAC and the CPM also produce one combined WGA return.</p>
Other local government bodies (47)	<p>Includes three individual corporate bodies, six integrated transport authorities (ITAs), 13 joint committees, nine national park authorities, six passenger transport executives (PTEs), two pension authorities, six waste disposal authorities and two small bodies (one parish council and one IDB) that elected to account as a larger relevant body for 2012/13.</p> <p>For WGA purposes, the pension authorities, joint committees, one independent corporate body and the two small bodies are exempt. Five of the six ITAs produced a consolidated WGA return covering the relevant PTE.</p>

Source: Audit Commission

Appendix 2: Reasons for late audit opinions at principal bodies

Body	Accounts were submitted late for audit	Auditor resource constraints	Representations not received from those charged with governance in accordance with ISA 260	Awaiting assurance from another auditor	Insufficient availability of staff at the audited body to support the audit	Legal issue	Technical accounting issue	Objection issue	Various errors identified during the audit	Other reasons
Councils										
Birmingham City Council	✓									
Craven District Council					✓				✓	
Newham London Borough Council	✓				✓				✓	
Slough Borough Council									✓	
Police bodies										
Chief Constable for Kent Police							✓			
Police and Crime Commissioner for Kent							✓			
Other local government bodies										
Lee Valley Regional Park Authority							✓		✓	

Appendix 3: Summary of principal bodies named in this report

Body	Accounts not certified by RFO by 30 June 2013	Audit opinion not issued by 30 September 2013	Non-standard audit opinion	Audited accounts not published by 30 September 2013	CIPFA statement not complied with	WGA assurance report not issued by 4 October 2013	Non-standard WGA assurance statement	Non-standard VFM conclusion	Public interest report	Section 11 recommendation	2011/12 prior year issues
Councils											
Bexley London Borough Council								✓			
Birmingham City Council	✓	✓		✓		✓		✓			✓
Brighton and Hove City Council							✓				
Burnley Borough Council					✓						
Calderdale Metropolitan Borough Council								✓			
Cheltenham Borough Council					✓						
Cheshire East Council								✓			
Cheshire West and Chester Council					✓						
Chesterfield Borough Council				✓							
Corby Borough Council								✓	✓		✓
Craven District Council		✓				✓					
Cumbria County Council								✓			
Devon County Council								✓			

Body	Accounts not certified by RFO by 30 June 2013	Audit opinion not issued by 30 September 2013	Non-standard audit opinion	Audited accounts not published by 30 September 2013	CIPFA statement not complied with	WGA assurance report not issued by 4 October 2013	Non-standard WGA assurance statement	Non-standard VFM conclusion	Public interest report	Section 11 recommendation	2011/12 prior year issues
Epping Forest District Council	✓										
Gloucester City Council											✓
Herefordshire Council								✓			
London Borough of Hillingdon				✓							
London Borough of Lambeth						✓					✓
Manchester City Council			✓								✓
Medway Council						✓					
Middlesbrough Council							✓				
Newark and Sherwood District Council				✓							
Newham London Borough Council		✓				✓					
North Norfolk District Council				✓							
Nottingham City Council				✓							
Peterborough City Council				✓							
Rochdale Metropolitan Borough Council								✓			
Rossendale Borough Council					✓						
Royal Borough of Kingston Upon Thames								✓			

Body	Accounts not certified by RFO by 30 June 2013	Audit opinion not issued by 30 September 2013	Non-standard audit opinion	Audited accounts not published by 30 September 2013	CIPFA statement not complied with	WGA assurance report not issued by 4 October 2013	Non-standard WGA assurance statement	Non-standard VFM conclusion	Public interest report	Section 11 recommendation	2011/12 prior year issues
Sefton Council				✓							
Slough Borough Council		✓				✓					
Somerset County Council								✓			
South Tyneside Council							✓				
Southend on Sea Borough Council							✓				
Trafford Metropolitan Borough Council				✓							
Walsall Metropolitan Borough Council										✓	
Wirral Metropolitan Borough Council								✓			
Fire and rescue authorities											
Cheshire Fire and Rescue Authority				✓							
Devon and Somerset Fire and Rescue Authority					✓						
Police bodies											
Chief Constable for Avon and Somerset Police					✓						
Chief Constable for Dorset Police	✓										
Chief Constable for Essex Police					✓						
Chief Constable for Kent Police		✓									

Body	Accounts not certified by RFO by 30 June 2013	Audit opinion not issued by 30 September 2013	Non-standard audit opinion	Audited accounts not published by 30 September 2013	CIPFA statement not complied with	WGA assurance report not issued by 4 October 2013	Non-standard WGA assurance statement	Non-standard VFM conclusion	Public interest report	Section 11 recommendation	2011/12 prior year issues
Chief Constable for Lincolnshire Police					✓						
Chief Constable for North Yorkshire Police				✓							
Chief Constable for Nottinghamshire Police					✓						
Chief Constable for Surrey Police								✓			
Chief Constable for Thames Valley Police				✓							
Chief Constable for Wiltshire Police					✓						
Police and Crime Commissioner for Avon and Somerset					✓						
Police and Crime Commissioner for Essex					✓		✓				
Police and Crime Commissioner for Kent		✓				✓					
Police and Crime Commissioner for Lincolnshire					✓						
Police and Crime Commissioner for Merseyside				✓							
Police and Crime Commissioner for North Yorkshire				✓							

Body	Accounts not certified by RFO by 30 June 2013	Audit opinion not issued by 30 September 2013	Non-standard audit opinion	Audited accounts not published by 30 September 2013	CIPFA statement not complied with	WGA assurance report not issued by 4 October 2013	Non-standard WGA assurance statement	Non-standard VFM conclusion	Public interest report	Section 11 recommendation	2011/12 prior year issues
Police and Crime Commissioner for Nottinghamshire					✓						
Police and Crime Commissioner for Surrey								✓			
Police and Crime Commissioner for Wiltshire					✓						
Other local government bodies											
Humber Bridge Board					✓						
Lee Valley Regional Park Authority		✓				✓					
Lower Severn (2005) Internal Drainage Board				✓							
Northumberland National Park Authority				✓							
Peak District National Park Authority				✓							
South Worcestershire Shared Services Partnership Joint Committee	✓										
South Yorkshire Pensions Authority								✓			
West London Waste Authority	✓							✓			

Bodies named for early publication of audited accounts

- Centro
- Great Aycliffe Town Council
- Kent and Medway Fire and Rescue Authority
- Kent County Council
- London Waste and Recycling Board
- Nexus
- Oldham Metropolitan Borough Council
- Royal Borough of Greenwich
- Transport for Greater Manchester
- Transport For London
- West Yorkshire Integrated Transport Authority
- West Yorkshire Passenger Transport Executive
- Yorkshire Purchasing Organisation

Bodies named for earlier production of audited accounts

- Centro
- City of London Corporation

Appendix 4: Opinions issued by 30 September 2013 on the 2012/13 annual return by county area

County area	Number of parish councils	Opinions issued by 30 September 2013	Number of IDBs	Opinions issued by 30 September 2013
Avon	136	133 (98%)	1	1 (100%)
Bedfordshire	124	124 (100%)	1	1 (100%)
Berkshire	103	102 (99%)	0	N/A
Buckinghamshire	217	204 (94%)	1	1 (100%)
Cambridgeshire	259	255 (98%)	43	42 (98%)
Cheshire	234	233 (99%)	0	N/A
Cleveland and Durham	185	184 (99%)	0	N/A
Cornwall	213	202 (95%)	0	N/A
Cumbria	266	266 (100%)	0	N/A
Derbyshire	258	246 (95%)	0	N/A
Devon	400	386 (97%)	1	1 (100%)
Dorset	192	192 (100%)	0	N/A
East Sussex	103	100 (97%)	4	4 (100%)
Essex	283	277 (98%)	0	N/A
Gloucestershire	263	259 (98%)	0	N/A
Hampshire and Isle of Wight	295	293 (99%)	0	N/A
Herefordshire	138	133 (96%)	1	1 (100%)
Hertfordshire	125	123 (98%)	0	N/A
Humberside	238	237 (99%)	20	20 (100%)
Kent	314	310 (99%)	5	5 (100%)
Lancashire	248	245 (99%)	1	1 (100%)
Leicestershire	283	271 (96%)	0	N/A
Lincolnshire	454	431 (95%)	9	9 (100%)
Norfolk	528	517 (98%)	13	12 (92%)
North Yorkshire	600	593 (99%)	10	10 (100%)
Northamptonshire	260	260 (100%)	0	N/A
Northumberland	156	156 (100%)	0	N/A
Nottinghamshire	209	207 (99%)	1	1 (100%)
Oxfordshire	317	315 (99%)	0	N/A
Shropshire	193	188 (97%)	4	4 (100%)
Somerset	316	305 (97%)	2	2 (100%)
South Yorkshire	93	91 (98%)	2	2 (100%)
Staffordshire	186	180 (97%)	0	N/A
Suffolk	426	422 (99%)	4	4 (100%)
Surrey	87	87 (100%)	0	N/A
Warwickshire	224	217 (97%)	1	1 (100%)
West Sussex	156	155 (99%)	3	3 (100%)
West Yorkshire	89	88 (99%)	0	N/A
Wiltshire	268	259 (97%)	0	N/A
Worcestershire	161	154 (96%)	0	N/A
Total	9,600	9,400 (98%)	127	125 (98%)

Appendix 5: Assertions in the annual governance statement for small bodies

AGS assertion	'Yes' means that the small body took the following action:
1. We have approved the accounting statements, which have been prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	Prepared its accounting statements in the way prescribed by law.
2 We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3 We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential noncompliance with laws, regulations and codes of practice which could have a significant financial effect on the ability of the body to conduct its business or on its finances.	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
4 We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	During the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
5 We have carried out an assessment of the risks facing the body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Considered the financial and other risks it faces and has dealt with them properly.
6 We have maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems.	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.
7 We have taken appropriate action on all matters raised in reports from internal and external audit.	Responded to matters brought to its attention by internal and external audit.
8 We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and, where appropriate have included them in the accounting statements.	Disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.
For parish councils only	
9 Trust funds (including charitable) – in our capacity as the sole managing trustee we have discharged our responsibility in relation to the accountability for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.

Appendix 6: Qualified opinions for small bodies by county area

The number of qualified opinions for each county area as a percentage of small bodies in that area.

County area	Parish council qualified opinions 2012/13 issued by 30 September 2013	Parish council qualified opinions 2011/12	IDB qualified opinions 2012/13 issued by 30 September 2013	IDB qualified opinions 2011/12
Avon	6 (4%)	7 (5%)	0 (0%)	0 (0%)
Bedfordshire	11 (9%)	13 (10%)	0 (0%)	0 (0%)
Berkshire	4 (4%)	5 (5%)	N/A	N/A
Buckinghamshire	7 (3%)	17 (8%)	0 (0%)	0 (0%)
Cambridgeshire	19 (7%)	21 (8%)	1 (2%)	1 (2%)
Cheshire	27 (12%)	9 (4%)	N/A	N/A
Cleveland and Durham	22 (12%)	23 (13%)	N/A	N/A
Cornwall	13 (6%)	2 (1%)	N/A	N/A
Cumbria	18 (7%)	15 (6%)	N/A	N/A
Derbyshire	21 (8%)	11 (5%)	N/A	N/A
Devon	14 (4%)	6 (2%)	0 (0%)	0 (0%)
Dorset	15 (8%)	20 (11%)	N/A	N/A
East Sussex	12 (12%)	9 (9%)	3 (75%)	0 (0%)
Essex	33 (12%)	11 (4%)	N/A	N/A
Gloucestershire	13 (5%)	25 (10%)	N/A	0 (0%)
Hampshire and Isle of Wight	40 (14%)	3 (1%)	N/A	N/A
Herefordshire	7 (5%)	5 (4%)	0 (0%)	0 (0%)
Hertfordshire	10 (8%)	18 (14%)	N/A	N/A
Humberside	32 (13%)	16 (7%)	0 (0%)	0 (0%)
Kent	22 (7%)	4 (1%)	2 (40%)	0 (0%)
Lancashire	27 (11%)	25 (10%)	0 (0%)	0 (0%)
Leicestershire	22 (8%)	18 (7%)	N/A	N/A
Lincolnshire	23 (5%)	61 (15%)	0 (0%)	1 (9%)
Norfolk	26 (5%)	26 (5%)	1 (8%)	0 (0%)
North Yorkshire	46 (8%)	47 (8%)	0 (0%)	1 (7%)
Northamptonshire	12 (5%)	16 (10%)	N/A	N/A
Northumberland	21 (13%)	15 (7%)	N/A	N/A
Nottinghamshire	24 (11%)	14 (6%)	0 (0%)	1 (25%)
Oxfordshire	28 (9%)	40 (13%)	N/A	N/A
Shropshire	6 (3%)	18 (9%)	0 (0%)	0 (0%)
Somerset	11 (3%)	10 (3%)	1 (50%)	1 (20%)
South Yorkshire	11 (12%)	13 (14%)	0 (0%)	1 (11%)
Staffordshire	27 (15%)	3 (2%)	N/A	N/A
Suffolk	44 (10%)	57 (13%)	0 (0%)	0 (0%)
Surrey	10 (11%)	12 (14%)	N/A	N/A
Warwickshire	26 (12%)	7 (3%)	0 (0%)	0 (0%)
West Sussex	11 (7%)	4 (3%)	3 (100%)	0 (0%)
West Yorkshire	9 (10%)	3 (3%)	N/A	N/A
Wiltshire	16 (6%)	15 (6%)	N/A	N/A
Worcestershire	5 (3%)	6 (4%)	N/A	N/A
Total	751 (8%)	650 (7%)	11 (9%)	6 (4%)

References

- 1 Accounts and Audit Regulations (England) 2011
- 2 CIPFA/SOLACE, Delivering Good Governance in Local Government: Framework, CIPFA/SOLACE, 2007
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- 4 Joint Practitioners' Advisory Group, Governance and Accountability in Internal Drainage Boards in England: A Practitioners' Guide 2007, Association of Drainage Authorities, 2007
- 5 We Shall Squeeze Until the Pips Squeak: Post-Spending Round Briefing, Tetlow, Gemma (Presentation slides), Institute for Fiscal Studies, 2013.