

# Report on the results of auditors' work 2014/15

Local government bodies

December 2015

**Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.**

**The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to PSAA by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.**

**The company is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims.**

**Before 1 April 2015, these responsibilities were discharged by the Audit Commission.**

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## Summary

Overall, the timeliness and quality of financial reporting for 2014/15, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies<sup>1</sup>.

Table 1 summarises the key results for principal bodies and small bodies for 2014/15 and compares them with the results for 2013/14.

Table 1: **Key results for 2014/15 and 2013/14**

	Principal bodies 2014/15	Principal bodies 2013/14	Small bodies 2014/15	Small bodies 2013/14
<b>Opinions on the accounts</b>				
Opinions issued by 31 July	5%	3%	N/a	N/a
Opinions issued by 30 September	97%	98%	99%	99%
Non-standard opinion	0%	0%	13%	11%
<b>Whole of government accounts</b>				
Assurance statements issued by the deadline	92%	95%	N/a	N/a
Non-standard assurance statement	1%	6%	N/a	N/a
<b>Conclusions on the arrangements to secure value for money</b>				
Non-standard conclusion	4%	4%	N/a	N/a
<b>Statutory reporting powers</b>				
Public interest report	2	2	9	5
Statutory recommendations	3	0	0	0

Source: PSAA

<sup>1</sup> Principal bodies include councils, fire and rescue authorities, police bodies and other local government bodies. Small bodies include parish councils and internal drainage boards with annual turnover below £6.5 million.

## Introduction

- 1 The Audit Commission previously published *Auditing the Accounts* reports for principal local government bodies and small bodies summarising the results of the work of auditors appointed by the Audit Commission.
- 2 Following the closure of the Audit Commission on 31 March 2015, Public Sector Audit Appointments Limited (PSAA) became responsible on a transitional basis for appointing auditors<sup>2</sup> to local government bodies and for overseeing the delivery of consistent, high-quality and effective external audit services. This is the first report for local government bodies published by PSAA, summarising the results of auditors' work at 509 principal bodies and 9,755 small bodies for 2014/15.
- 3 Auditors' work on the 2014/15 accounts for principal local government bodies and small bodies was carried out under the Audit Commission Act 1998 and the Code of Audit Practice 2010 issued by the Audit Commission. Under the Local Audit and Accountability Act 2014, the National Audit Office (NAO) became responsible for preparing and issuing a new Code of Audit Practice that will first apply to audits of the 2015/16 accounts<sup>3</sup>.
- 4 Audited accounts<sup>4</sup> 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 reporting and financial management arrangements and is a fundamental feature of good governance.
- 5 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.
- 6 The report is presented in two sections. The first section covers the results of auditors' work on the 2014/15 accounts at principal local government bodies. The second section covers the results of auditors' work on the 2014/15 annual return at small bodies.
- 7 This report names principal bodies where the appointed auditor:
  - was able to issue the opinion on the accounts by 31 July 2015;
  - was unable to issue the opinion on the accounts by 30 September 2015;
  - was unable to issue the assurance statement on the whole of government accounts (WGA) return by 2 October 2015;
  - issued a non-standard accounts opinion, non-standard conclusion in the WGA assurance statement or non-standard conclusion on the arrangements to secure value for money;
  - included an emphasis of matter paragraph, other matter paragraph or a report by exception in the audit report; or

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<sup>2</sup> For 2014/15 audits, PSAA had contracts with seven audit firms for principal body work and four audit firms for small body work. Further details are available on the [PSAA website](#).

<sup>3</sup> The Code of Audit Practice published in April 2015 is available on the [NAO website](#).

<sup>4</sup> 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.

- issued a public interest report or made statutory recommendations.
- 8 The report names small bodies where the auditor issued a public interest report or made statutory recommendations. A list published alongside the report on the PSAA website also names small bodies that received a qualified opinion on their annual return for 2014/15 and indicates where they also received a qualified opinion for 2012/13 and/or 2013/14.

## Principal bodies

### Background

9 This section of the report summarises the results of auditors' work for 2014/15 at:

- 356 councils;
- 31 fire and rescue authorities;
- 76 police bodies; and
- 46 other local government bodies<sup>5</sup>.

10 Auditors' work included: the audit of the financial statements; a review of the WGA return; a review of arrangements to secure value for money; and any exercise of the auditor's statutory reporting powers.

### Responsibilities of principal bodies and auditors

11 The principal bodies covered by this section of the report were required to prepare and publish their annual accounts for 2014/15 in accordance with:

- statutory requirements and timetables as set out in the Accounts and Audit (England) Regulations 2011; and
- the CIPFA/LASAAC Code of Practice on local authority accounting in the United Kingdom 2014/15.

12 Auditors were required to undertake their work on the 2014/15 accounts in accordance with the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies.

13 The Code of Audit Practice 2010 required auditors to:

- give an opinion on the financial statements, including whether they:
  - give a true and fair view of the financial position of the audited body and its expenditure and income for the year in question; and
  - have been prepared properly in accordance with the relevant accounting framework;
- review and report on other information published with the financial statements;
- review and report on the WGA return;
- issue a conclusion on whether the body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- consider the need to exercise their statutory powers.

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<sup>5</sup> A breakdown of the types of principal bodies covered in the report is available at Appendix 1.

## Opinions on the accounts

### Timeliness of issue

**14** For 2014/15, auditors aimed to issue their opinion on the accounts by the statutory accounts publication date of 30 September 2015, to enable bodies to publish their accounts with the auditor's report.

**15** Table 2 lists the 23 bodies (5 per cent) where the auditor was able to issue an earlier unqualified opinion on the accounts, by 31 July 2015 or within four months of the financial year-end. For 2013/14, auditors were able to issue an unqualified opinion by 31 July 2014 at 16 bodies (3 per cent).

Table 2: **Bodies with early 2014/15 opinion**

Body	Date opinion issued
<b>Councils</b>	
City of Westminster Council	18 May 2015
Oldham Metropolitan Borough Council	19 May 2015
Borough of Broxbourne Council	24 July 2015
Kent County Council	27 July 2014
South Norfolk District Council	27 July 2015
East Sussex County Council	28 July 2015
Mid Devon District Council	29 July 2015
Wiltshire Council	29 July 2015
Royal Borough of Greenwich	30 July 2015
Surrey County Council	30 July 2015
Basildon Borough Council	31 July 2015
Breckland District Council	31 July 2015
Broadland District Council	31 July 2015
Bury Metropolitan Borough Council	31 July 2015
Dacorum Borough Council	31 July 2015
<b>Fire and rescue authorities</b>	
Kent and Medway Fire and Rescue Authority	14 July 2015
<b>Other local government bodies</b>	
Centro	3 July 2015
Transport for Greater Manchester	3 July 2015



Body	Date opinion issued
Greater Manchester Waste Disposal Authority	9 July 2015
South Yorkshire Pensions Authority	28 July 2015
Nexus	30 July 2015
<b>Police bodies</b>	
Commissioner of Police of the Metropolis	24 July 2015
Mayor's Office for Policing and Crime	24 July 2015

Source: PSAA

16 Table 3 shows there were 15 bodies (3 per cent) where the auditor was unable to issue the opinion on the 2014/15 accounts by the statutory accounts publication date of 30 September 2015.

Table 3: **When auditors issued the opinion on the 2014/15 and 2013/14 accounts**

Type of body	Number of bodies	2014/15 Number issued by 30 September	2014/15 Percentage issued by 30 September	2013/14 Percentage issued by 30 September
Councils	356	345	97	99
Fire	31	30	97	90
Police	76	74	97	97
Other LG bodies	46	45	98	100
<b>Total</b>	<b>509</b>	<b>494</b>	<b>97</b>	<b>98</b>

Source: PSAA

17 Table 4 lists 14 of the 15 bodies where the auditor was unable to issue the opinion on the 2014/15 accounts by 30 September 2015. Where the auditor has now issued the opinion, the date of issue is provided.

18 There was an outstanding objection to the accounts at one body which meant that the auditor could not issue the 2014/15 opinion by 30 September 2015. This body is not named in Table 4. At the date of preparing this report, the opinion at this body has not been issued.

Table 4: **Bodies where the auditor was unable to issue the 2014/15 opinion by 30 September 2015**

Body	Date opinion issued
<b>Councils</b>	
Adur District Council	6 October 2015
Cambridgeshire County Council	Not yet issued
Cherwell District Council	19 October 2015
Copeland Borough Council	Not yet issued
Great Yarmouth Borough Council	6 October 2015
London Borough of Lambeth	Not yet issued
London Borough of Tower Hamlets	Not yet issued
Redditch Borough Council	Not yet issued
Rossendale Borough Council	Not yet issued
Surrey Heath Borough Council	Not yet issued
Watford Borough Council	1 October 2015
<b>Fire and rescue authorities</b>	
South Yorkshire Fire and Rescue Authority	Not yet issued
<b>Police bodies</b>	
Chief Constable for Northamptonshire Police	Not yet issued
Police and Crime Commissioner for Northamptonshire	Not yet issued

Source: PSAA

**19** The most common reasons for delays in issuing the opinion on the 2014/15 accounts were:

- various errors identified during the audit; and
- insufficient availability of staff at the body to support the audit.

**20** Appendix 2 sets out the reasons for the delay at each of the bodies listed in table 4.

#### Non-standard opinions on the accounts

**21** Auditors may issue five possible types of audit opinion (Table 5). An opinion other than unqualified is known as a 'non-standard' opinion.

Table 5: **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.
<i>Non-standard opinions</i>	
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 they could not obtain evidence to such an extent that the financial statements as a whole could be misleading or incomplete.

Source: PSAA

**22** At the date of preparing this report, no non-standard opinions have been issued on the 2014/15 accounts at principal bodies. This is consistent with 2013/14.

#### Follow-up of 2013/14 outstanding opinions

**23** In *Auditing the Accounts 2013/14*, published in December 2014, the Audit Commission reported that the 2013/14 opinion had not been issued at three councils. Auditors have now issued unqualified opinions to all of these councils.

## Emphasis of matter, other matter, and reports by exception

**24** Auditors may add an 'emphasis of matter' paragraph after their opinion. This draws the attention of users of the accounts to a matter, or matters, presented or disclosed in the accounts, which are of such importance that they are fundamental to users' understanding of the accounts. This does not affect the auditor's opinion on the accounts.

**25** Auditors may add an 'other matter' paragraph if they consider it necessary to communicate a matter, other than those that are presented or disclosed in the accounts, that is relevant to users' understanding of the audit, the auditor's responsibilities or the audit report.

**26** Auditors were required to report by exception if:

- the annual governance statement did not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- the information given in the explanatory foreword was not consistent with the financial statements; or
- the auditor exercised any reporting or other special powers under the Audit Commission Act 1998.

**27** Auditors did not issue any emphasis of matter or other matter paragraphs on the 2014/15 accounts. Auditors reported by exception only in respect of the public interest reports and statutory recommendations covered in this report in paragraphs 52 and 55 respectively.

## Whole of Government Accounts returns

### Issuing assurance statements on the WGA returns

**28** The WGA is a set of consolidated financial statements for the entire UK public sector, covering about 5,500 bodies. HM Treasury (HMT) and the Department for Communities and Local Government (DCLG) 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.

**29** Of the 509 principal bodies covered by this report, 448 were required to submit a WGA return for 2014/15 (449 out of 512 for 2013/14). The types of local government bodies covered by WGA are listed at Appendix 1.

**30** The National Audit Office (NAO) sets an audit threshold above which auditors are required to carry out specified procedures on the WGA return. The threshold for 2014/15 was set at income, expenditure, assets or liabilities above £350 million. This is the same threshold as applied for 2013/14.

**31** For 2014/15, 168 bodies were above the audit threshold (168 for 2013/14). 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.

**32** A further 280 bodies were required to submit a WGA return but were below the audit threshold (281 for 2013/14). At these bodies, the auditor is required to complete only the top section of the assurance statement to confirm to the NAO that the body is below the threshold.

**33** The target date for auditors to issue the 2014/15 assurance statement was 2 October 2015. This is the date specified by HMT for the submission of WGA returns within the overall timetable for HMT to prepare the 2014/15 WGA consolidated accounts and for the NAO to audit them.

**34** At 14 bodies (8 per cent) above the audit threshold for 2014/15 (5 per cent for 2013/14), auditors were unable to issue their WGA assurance statement by the submission date specified by DCLG and HMT (Table 6).

Table 6: **When auditors issued their assurance statements on the 2014/15 and 2013/14 WGA returns**

Type of body	Number of bodies	2014/15 Number issued by the specified submission date (2 October 2015)	2014/15 Percentage issued by the specified submission date (2 October 2015)	2013/14 Percentage issued by the specified submission date (3 October 2014)
Councils	148	137	93	95
Fire	1	1	100	100
Police	15	13	87	93
Other LG bodies	4	3	75	100
<b>Total</b>	<b>168</b>	<b>154</b>	<b>92</b>	<b>95</b>

Source: PSAA

**35** Table 7 identifies 13 bodies<sup>6</sup> where the auditor was unable to issue the assurance statement on the 2014/15 WGA return by 2 October 2015. Where the auditor has now issued the assurance statement, the date of issue is provided.

Table 7: **Bodies where the auditor was unable to issue the 2014/15 assurance statement on the WGA return by the specified submission date**

Body	Date assurance statement issued
<b>Councils</b>	
Cambridgeshire County Council	Not yet issued
London Borough of Barking and Dagenham	22 October 2015
London Borough of Lambeth	Not yet issued
London Borough of Lewisham	5 October 2015
London Borough of Tower Hamlets	Not yet issued

<sup>6</sup> The auditor at one body was unable to issue the WGA assurance statement by 2 October 2015 for reasons outside of the body's control.

Body	Date assurance statement issued
Medway Council	Not yet issued
Newham London Borough Council	3 November 2015
Plymouth City Council	8 October 2015
Slough Borough Council	27 November 2015
South Tyneside Council	29 October 2015
Southend-on-Sea Borough Council	13 November 2015
<b>Other local government bodies</b>	
Greater Manchester Combined Authority	8 October 2015
<b>Police bodies</b>	
Police and Crime Commissioner for Essex	7 October 2015

Source: PSAA

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

**36** Auditors may issue four types of conclusion in their assurance statement on the WGA return (Table 8) at bodies above the audit threshold. A conclusion other than 'Agree' is known as a non-standard conclusion.

Table 8: **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 errors above £1 million to report.
<i>Non-standard conclusions</i>	
Agree, except for	The WGA return is consistent with the audited statutory accounts except for the errors listed on the unadjusted errors schedule.
Agree, except for completeness of counterparty identifiers	The WGA return is consistent with the audited statutory accounts except for counterparty information where auditors have been unable to provide assurance over their completeness.
Disagree	The WGA return is not consistent with the audited statutory accounts.

Source: PSAA

**37** Of the assurance statements issued at the date of preparing this report, auditors had issued two non-standard 'agree, except for completeness of counter-party identifiers' conclusions to London Borough of Barking and Dagenham and Slough Borough Council.

**38** For 2013/14, auditors issued non-standard conclusions in their assurance statements at ten bodies (6 per cent).

#### Follow-up of 2013/14 outstanding WGA assurance statements

**39** In *Auditing the Accounts 2013/14*, published in December 2014, the Audit Commission reported that there were WGA assurance statements for 2013/14 outstanding for four councils. One council subsequently received an 'agree' conclusion; Medway Council received an 'agree except for' conclusion; and the assurance statements for London Borough of Lambeth and London Borough of Tower Hamlets are still outstanding.

## Conclusions on the arrangements to secure value for money

### Background

**40** Section 5(1)(e) of the Audit Commission Act 1998 required auditors to satisfy themselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice 2010 required auditors to issue a conclusion on the arrangements to secure value for money alongside the opinion on the financial statements.

**41** 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 annual governance statement (AGS).

**42** For 2014/15, auditors of councils<sup>7</sup>, fire and rescue authorities and police bodies were required to report their conclusion on the arrangements to secure value for money based on the following two criteria specified by the Audit Commission:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

**43** For other local government bodies covered by this report, auditors met their value for money duty for 2014/15 by:

- reviewing the AGS;
- reviewing the results of the work of the Audit Commission and other relevant regulatory bodies or inspectorates, to consider whether there was any impact on the auditor's responsibilities at the audited body; and

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<sup>7</sup> The Council of the Isles of Scilly is treated as an 'other' local government body for the purposes of the conclusion on the arrangements to secure value for money.

- undertaking other local risk-based work as appropriate, or any work mandated by the Audit Commission.

#### Non-standard conclusions on the arrangements to secure value for money

**44** Where the specified criteria applied, auditors could issue three types of conclusion (Table 9). A conclusion other than unqualified is known as a non-standard conclusion.

**Table 9: Types of conclusion on the arrangements to secure value for money**

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 2015.
<i>Non-standard conclusions</i>	
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 2015, 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 2015, as significant weaknesses were identified.

*Source: PSAA*

**45** For other local government bodies where the specified criteria did not apply, the auditor could issue a 'report on matters arising' from their value for money arrangements work.

#### Councils, fire and rescue authorities and police bodies

**46** Of the 2014/15 conclusions issued at councils, fire and rescue authorities and police bodies at the date of preparing this report, auditors had issued a non-standard conclusion at 17 councils, one fire and rescue authority and one police body. Rotherham Metropolitan Borough Council received an adverse conclusion. 'Qualified except for' conclusions were issued to:

- Brighton and Hove City Council;
- Buckinghamshire County Council;



- Chief Constable for South Yorkshire Police;
- Cumbria County Council;
- Darlington Borough Council;
- Derby City Council;
- Essex Fire Authority;
- Lancashire County Council;
- Leicester City Council;
- Manchester City Council;
- Middlesbrough Council;
- Rutland County Council;
- Slough Borough Council;
- Somerset County Council;
- Stroud District Council;
- Sunderland City Council;
- Surrey County Council; and
- West Somerset District Council.

**47** At the date of preparing this report, the 2014/15 value for money arrangements conclusion for seven councils, one fire and rescue authority and two police bodies had not been issued.

#### Other local government bodies

**48** Auditors issued a report on matters arising for 2014/15 at Sheffield City Region Combined Authority.

**49** At the date of preparing this report, the auditor at one other local government body had not reported on the outcome of their value for money arrangements work.

#### Follow-up of 2013/14 outstanding conclusions

**50** In *Auditing the Accounts 2013/14*, published in December 2014, the Audit Commission noted the 2013/14 value for money arrangements conclusion for four councils had not been issued and that the auditor at one other local government body had not reported on the outcome of their value for money arrangements work. Two of the councils subsequently received an unqualified conclusion; Rotherham Metropolitan Borough Council received an adverse conclusion; and London Borough of Tower Hamlets received an 'except for' conclusion. The auditor at the one other local government body did not report any matters arising for 2013/14.

## Auditor reporting

### Public interest reports

**51** Section 8 of the Audit Commission Act 1998 required 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.

**52** Since the Audit Commission published *Auditing the Accounts 2013/14*, auditors have issued public interest reports to two principal bodies:

- North Dorset District Council. This report was issued in May 2015 and related to the use of monies raised from off-street parking charges on general services.
- Newham London Borough Council. This report was issued in January 2015 and related to a number of governance weaknesses identified in respect of the Council's East Ham Campus project.

**53** All public interest reports are available on the [PSAA website](#).

### Statutory recommendations

**54** Auditors also had a duty under section 11 of the Audit Commission Act 1998 to consider whether to make any written recommendations to the audited body that needed to be considered and responded to publicly.

**55** Since the Audit Commission published *Auditing the Accounts 2013/14*, auditors have issued statutory recommendations to three principal bodies:

- Bromsgrove District Council. Recommendations relating to accounts preparation and budgeting arrangements.
- London Borough of Tower Hamlets. Recommendations relating to governance issues.
- Redditch Borough Council. Recommendations relating to accounts preparation and budgeting arrangements.

## Small bodies

### Background

**56** This section of the report summarises the results of auditors' work for 2014/15 at 9,635 parish councils (also includes community councils, neighbourhood councils, village councils, town councils and parish meetings in parishes where there is no parish council) and 120 internal drainage boards (IDBs) with annual turnover below £6.5 million<sup>8</sup>. Turnover is taken as the greater of gross annual income or gross annual expenditure. Together these bodies are classed as 'small bodies'. For 2014/15, auditors were required to undertake their work at small bodies under the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies.

**57** Parish councils are elected bodies that represent their communities and provide or contribute to a range of services – for example, parks and open spaces, cemeteries, allotments and village halls. 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.

**58** IDBs are bodies that provide flood risk and water level management services in areas of special drainage need. They spend around £70 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 drainage area.

### Responsibilities of small bodies and auditors

**59** Small bodies included in this report were required to prepare their 2014/15 accounting statements in accordance with statutory requirements and timetables, as set out in the Accounts and Audit Regulations (England) 2011, and proper practices (Ref. 1 and Ref. 2).

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

- accounting statements<sup>9</sup>;
- annual governance statement (AGS); and
- external auditor's certificate and opinion.

**61** Small bodies were required to approve their 2014/15 accounting statements and AGS by 30 June and publish<sup>10</sup> these by 30 September 2015. In practice, small bodies fulfil this requirement by publishing the annual return.

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<sup>8</sup> There were also 209 other miscellaneous small bodies, mainly joint committees. The results of auditors' work at these bodies are not included in this report.

<sup>9</sup> 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.

<sup>10</sup> Small bodies can meet the publication requirement by displaying a notice containing the required information.

**62** The external auditor was required to review the 2014/15 annual return in accordance with Schedule 1 to the Code of Audit Practice 2010. This required 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 completion of their work. Auditors issue an unqualified opinion where they consider the annual return meets the specified requirements. This is not a full audit in accordance with professional auditing standards. Instead it provides a level of assurance proportionate to the amounts of public money managed individually by these small bodies.

**63** In addition, section 8 of the Audit Commission Act 1998 required auditors to consider whether, in the public interest, they should report on any matter that comes to their attention during their work. Auditors report where they consider a matter is sufficiently important to be highlighted to the audited body or to the public, either urgently or when their work is concluded. This might include reporting on governance issues such as the failure to produce, or provide evidence to support, the annual return.

## Accounting statements

### Issuing the auditor's certificate and opinion

**64** Auditors aimed to issue the opinion and certificate on the 2014/15 annual return by 30 September 2015, to enable small bodies to publish their annual return with an auditor's report by the statutory accounts publication deadline.

**65** By 30 September 2015, auditors had issued the opinion and certificate on the 2014/15 annual return at 9,537 parish councils (99 per cent) and 119 IDBs (99 per cent). For 2013/14, auditors issued the opinion and certificate by 30 September 2014 at 99 per cent of parish councils and all IDBs.

**66** Appendix 4 shows, by county area, the number of parish councils and IDBs where auditors issued the opinion and certificate on the 2014/15 annual return by 30 September 2015.

### Qualified opinions

**67** Auditors issue an unqualified 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.

**68** 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

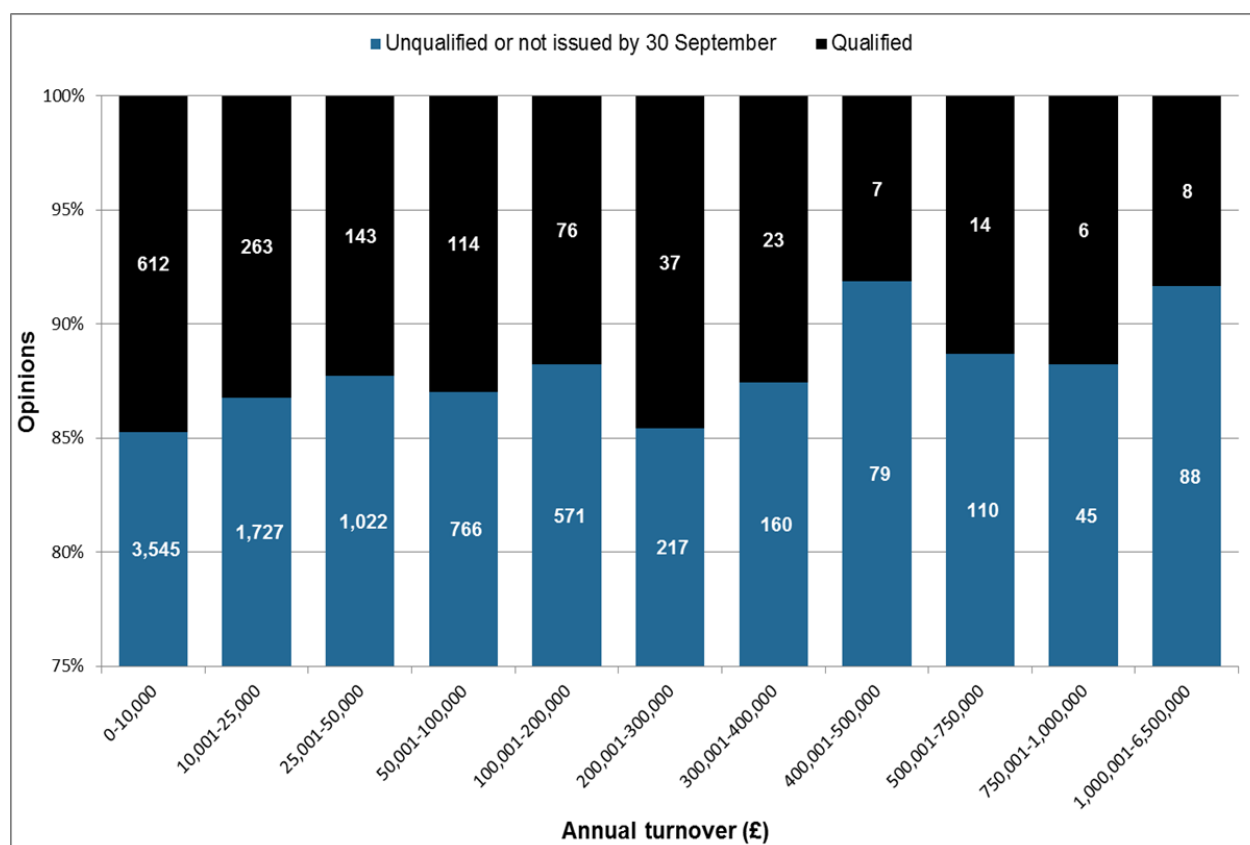
**69** Auditors issued a qualified opinion on the 2014/15 annual return by 30 September 2015 at 1,303 parish councils (14 per cent) and 8 IDBs (7 per cent). For parish councils, the level of qualifications has increased from 11 per cent for 2013/14, and for IDBs it has decreased from 16 per cent for 2013/14. Of the 1,303 parish councils receiving a qualified opinion by 30 September 2015, 206 parish councils (16 per cent) had also received a qualified opinion for

2013/14 and 114 (9 per cent) had received a qualified opinion for three consecutive years (2012/13 to 2014/15).

70 PSAA has published on its website lists of those individual parish councils and IDBs where auditors issued a qualified opinion on the 2014/15 annual return by 30 September 2015<sup>11</sup>. The lists show where the opinion was also qualified for either or both of the previous two years.

71 Figure 1 and Table 10 show the number and percentage of qualified opinions, by annual turnover, for parish councils and IDBs respectively.

Figure 1: **Qualified opinions at 30 September 2015 for parish councils by annual turnover**



Source: PSAA

<sup>11</sup> A third list shows the status of the small bodies where an opinion on the annual return had not been issued by 30 September 2015.

Table 10: **Qualified opinions at 30 September 2015 for IDBs by annual turnover**

Annual turnover	Number of IDBs	Number of qualified opinions issued by 30 September 2015
£1 to £25,000	17	2 (12%)
£25,001 to £200,000	46	1 (2%)
£200,001 to £1 million	35	5 (14%)
£1 million to £6.5 million	22	0 (0%)
<b>Total</b>	<b>120</b>	<b>8 (7%)</b>

Source: PSAA

72 Table 11 shows the number of bodies with a qualified opinion by annual turnover for parish councils and IDBs combined.

Table 11: **Number of small bodies with qualified opinions by annual turnover**

Annual turnover	Number of small bodies	Number of qualified opinions issued by 30 September 2015
£0 to £25,000	6,165	877 (14%)
£25,001 to £200,000	2,739	334 (12%)
£200,001 to £1 million	733	92 (13%)
£1 million to £6.5 million	118	8 (7%)
<b>Total</b>	<b>9,755</b>	<b>1,311 (13%)</b>

Source: PSAA

73 Appendix 6 shows the number of qualified opinions for 2014/15 by county area, with comparative information for 2013/14.

#### Follow-up of prior year opinions

74 In *Auditing the Accounts 2013/14*, the Audit Commission reported that auditors at 87 parish councils had not been able to issue an opinion on the 2013/14 annual return by 30 September 2014. Subsequently, 51 of these parish councils received a qualified opinion; two parish councils failed to submit an annual return, resulting in the auditor issuing a public interest report; and two opinions are still outstanding because auditors are dealing with issues arising from the exercise of local electors' rights.

#### Basis for qualified opinions

75 The main reason auditors qualified the opinion on the 2014/15 annual return at small bodies was because of governance issues identified in the AGS (Table 12).

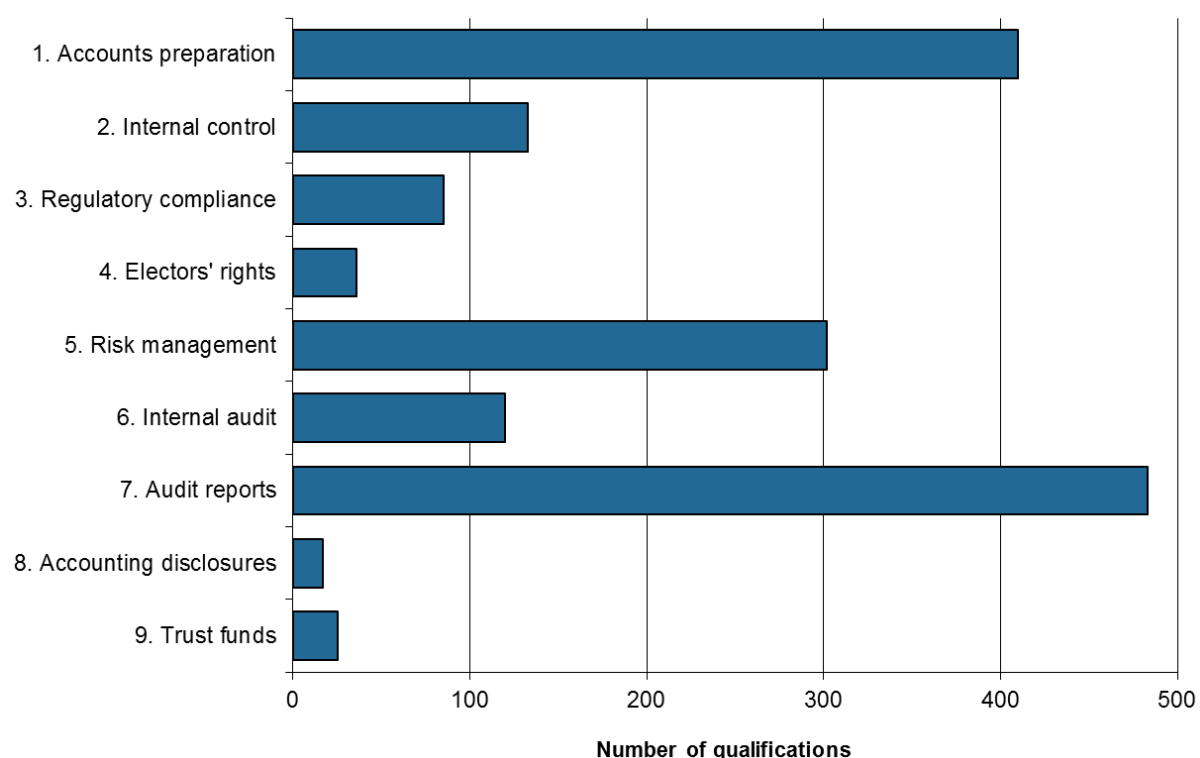
Table 12: **Basis for qualified opinions on the 2014/15 and 2013/14 annual return at small bodies**

Basis for qualification	Number of bodies with a qualified opinion 2014/15	Number of bodies with a qualified opinion 2013/14
Accounting statements	162 (12%)	127 (12%)
AGS	763 (58%)	661 (64%)
Both accounting statements and AGS	386 (29%)	246 (24%)
<b>Total</b>	<b>1,311 (100%)</b>	<b>1,034 (100%)</b>

Source: PSAA

**76** Figure 2 shows the number of qualifications relating to each of the nine assertions required in the AGS for small bodies. 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: PSAA

**77** The qualifications on the AGS for 2014/15 shown in Figure 2 were issued to 1,149 small bodies. There were 281 small bodies where the auditor qualified two or more assertions in the AGS.

**78** The most common reasons for AGS qualifications at small bodies for 2014/15 related to the response of audited bodies to internal and external audit reports, accounts preparation and arrangements for risk management. For 2013/14 most qualifications related to accounts preparation, risk management and internal control.

## Auditor reporting

### Public interest reports

**79** Section 8 of the Audit Commission Act 1998 required 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.

**80** Auditors issued nine public interest reports to small bodies covered by this report between December 2014 and November 2015. Six reports related to the failure to produce, or provide evidence to support, the 2013/14 or 2014/15 annual return, while three related to a failure of governance or accountability.

#### *Failure to produce, or provide evidence to support, the 2013/14 or 2014/15 annual return*

- Belvoir Parish Council (2013/14);
- High Offley Parish Council (2013/14);
- Nelson Town Council (2013/14);
- Stirton with Thorlby Parish Meeting (2014/15);
- Walberswick Parish Council (2014/15); and
- Worsthorne with Hurstwood Parish Council (2014/15).

#### *Governance or accountability issues*

- Brierley Town Council – issued in May 2015, relating to serious governance and control failures arising from a significant fraud by a former clerk.
- Dilwyn Parish Council – issued in March 2015, relating to failings in governance and procedures in relation to the Crown Community Hub project during 2012/13.
- Kirby Muxloe Parish Council – issued in August 2015, highlighting issues which arose in the 2013/14 financial year and commenting on the improvements made since a previous report in the public interest published in May 2013.

**81** All public interest reports are available on the [PSAA website](#).

### Statutory recommendations

**82** Auditors also had a duty under section 11 of the Audit Commission Act 1998 to consider whether to make any written recommendations to the audited body that needed to be considered and responded to publicly.

**83** Auditors have issued no statutory recommendations to small bodies since the publication of *Auditing the Accounts 2013/14*.



## Appendix 1: Types of principal bodies

Type and number of bodies	Composition
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 London, and the Mayor's Office for Policing and Crime (MOPAC) and the Commissioner of Police of 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 produced one combined WGA return.</p>
Other local government bodies (46)	<p>Includes five combined authorities, three miscellaneous bodies, one integrated transport authority, 13 joint committees, nine national park authorities, five 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 larger relevant bodies for 2014/15.</p> <p>For WGA purposes, the pension authorities, joint committees, PTEs, one miscellaneous body and the two small bodies are exempt.</p>

Source: PSAA

## Appendix 2: Reasons for late opinions at principal bodies

Body	Accounts submitted late for audit	Insufficient availability of staff at the body to support	Legal issue	Technical accounting issue	Various errors identified during the	Other reasons
<b>Councils</b>						
Adur District Council		✓			✓	
Cambridgeshire County Council					✓	
Cherwell District Council					✓	
Copeland Borough Council		✓			✓	
Great Yarmouth Borough Council	✓	✓			✓	
London Borough of Lambeth				✓		
London Borough of Tower Hamlets						✓
Redditch Borough Council	✓	✓			✓	
Rossendale Borough Council			✓		✓	
Surrey Heath Borough Council	✓	✓			✓	
Watford Borough Council		✓			✓	
<b>Fire and rescue authorities</b>						
South Yorkshire Fire and Rescue Authority			✓			

Body	Accounts submitted late for audit	Insufficient availability of staff at the body to support	Legal issue	Technical accounting issue	Various errors identified during the	Other reasons
<b>Police bodies</b>						
Chief Constable for Northamptonshire Police					✓	
Police and Crime Commissioner for Northamptonshire					✓	

## Appendix 3: Summary of principal bodies named in the report

Body	Late opinion	Non-standard opinion	Late WGA assurance statement	Non-standard WGA assurance statement	Non-standard conclusion on VFM	Public interest report	Statutory recommendations	2013/14 prior year issue
<b>Councils</b>								
Adur District Council	✓							
Brighton and Hove City Council					✓			
Bromsgrove District Council							✓	
Buckinghamshire County Council					✓			
Cambridgeshire County Council	✓		✓					
Cherwell District Council	✓							
Copeland Borough Council	✓							
Cumbria County Council					✓			
Darlington Borough Council					✓			
Derby City Council					✓			
Great Yarmouth Borough Council	✓							
Lancashire County Council					✓			
Leicester City Council					✓			

Report on the results of auditors' work at local government bodies 2014/15

Body	Late opinion	Non-standard opinion	Late WGA assurance statement	Non-standard WGA assurance statement	Non-standard conclusion on VFM	Public interest report	Statutory recommendations	2013/14 prior year issue
London Borough of Barking and Dagenham			✓	✓				
London Borough of Lambeth	✓		✓					✓
London Borough of Lewisham			✓					
London Borough of Tower Hamlets	✓		✓				✓	✓
Manchester City Council					✓			
Medway Council			✓					✓
Middlesbrough Council					✓			
Newham London Borough Council			✓			✓		
North Dorset District Council						✓		
Plymouth City Council			✓					
Redditch Borough Council	✓						✓	
Rossendale Borough Council	✓							
Rotherham Metropolitan Borough Council					✓			✓
Rutland County Council					✓			
Slough Borough Council			✓	✓	✓			
Somerset County Council					✓			

Report on the results of auditors' work at local government bodies 2014/15

Body	Late opinion	Non-standard opinion	Late WGA assurance statement	Non-standard WGA assurance statement	Non-standard conclusion on VFM	Public interest report	Statutory recommendations	2013/14 prior year issue
South Tyneside Council			✓					
Southend-on-Sea Borough Council			✓					
Stroud District Council					✓			
Sunderland City Council					✓			
Surrey County Council					✓			
Surrey Heath Borough Council	✓							
Watford Borough Council	✓							
West Somerset District Council					✓			
<b>Fire and rescue authorities</b>								
Essex Fire Authority					✓			
South Yorkshire Fire and Rescue Authority	✓							
<b>Police bodies</b>								
Chief Constable for Northamptonshire Police	✓							
Chief Constable for South Yorkshire Police					✓			
Police and Crime Commissioner for Essex			✓					

Report on the results of auditors' work at local government bodies 2014/15

Body	Late opinion	Non-standard opinion	Late WGA assurance statement	Non-standard WGA assurance statement	Non-standard conclusion on VFM	Public interest report	Statutory recommendations	2013/14 prior year issue
Police and Crime Commissioner for Northamptonshire	✓							
<b>Other local government bodies</b>								
Greater Manchester Combined Authority			✓					
Sheffield City Region Combined Authority					✓			

Bodies named for early issue of the audit opinion are listed in Table 2 on page 6.

## Appendix 4: Opinions issued by 30 September 2015 on the 2014/15 annual return by county area

County area	Number of parish councils	Opinions issued by 30 September 2015	Number of IDBs	Opinions issued by 30 September 2015
Avon	136	136	1	1
Bedfordshire	125	123	1	1
Berkshire	103	101	0	0
Buckinghamshire	217	212	1	1
Cambridgeshire	258	255	43	43
Cheshire	235	235	0	0
Cleveland and Durham	185	183	0	0
Cornwall	213	208	0	0
Cumbria	266	266	0	0
Derbyshire	257	257	0	0
Devon	400	395	1	1
Dorset	192	191	0	0
East Sussex	103	103	4	4
Essex	283	281	0	0
Gloucestershire	263	260	0	0
Hampshire and Isle of Wight	295	295	0	0
Herefordshire	138	137	1	1
Hertfordshire	124	124	0	0
Humberside	245	245	15	15
Kent	314	313	5	5
Lancashire	247	246	1	1
Leicestershire	283	278	0	0
Lincolnshire	472	462	9	9
London	1	1	0	0
Norfolk	528	508	13	13
North Yorkshire	607	605	8	8
Northamptonshire	262	262	0	0
Northumberland	156	153	0	0
Nottinghamshire	209	206	1	1
Oxfordshire	317	317	0	0
Shropshire	193	188	4	4
Somerset	316	313	2	2
South Yorkshire	93	92	2	1
Staffordshire	186	183	0	0
Suffolk	427	426	4	4
Surrey	87	87	0	0
Warwickshire	224	221	1	1
West Sussex	156	156	3	3
West Yorkshire	90	89	0	0
Wiltshire	268	264	0	0
Worcestershire	161	160	0	0
<b>Total</b>	<b>9635</b>	<b>9537</b>	<b>120</b>	<b>119</b>

Source: PSAA



## 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.
<b>For parish councils only</b>	
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 issued by 30 September for each county area shown as a percentage of small bodies in that area.

County area	Parish council qualified opinions 2014/15	Parish council qualified opinions 2013/14	IDB qualified opinions 2014/15	IDB qualified opinions 2013/14
Avon	20 (15%)	9 (7%)	0 (0%)	0 (0%)
Bedfordshire	11 (9%)	7 (6%)	0 (0%)	0 (0%)
Berkshire	10 (10%)	0 (0%)	N/A	N/A
Buckinghamshire	15 (7%)	7 (3%)	1	0 (0%)
Cambridgeshire	43 (17%)	60 (23%)	0 (0%)	10 (23%)
Cheshire	33 (14%)	36 (15%)	N/A	N/A
Cleveland and Durham	24 (13%)	17 (9%)	N/A	N/A
Cornwall	23 (11%)	21 (10%)	N/A	N/A
Cumbria	30 (11%)	20 (8%)	N/A	N/A
Derbyshire	52 (29%)	15 (6%)	N/A	N/A
Devon	50 (13%)	46 (12%)	1	1 (100%)
Dorset	20 (10%)	14 (7%)	N/A	N/A
East Sussex	13 (13%)	24 (23%)	0 (0%)	0 (0%)
Essex	59 (21%)	67 (24%)	N/A	N/A
Gloucestershire	36 (14%)	18 (7%)	N/A	N/A
Hampshire and Isle of Wight	23 (8%)	21 (7%)	N/A	N/A
Herefordshire	24 (17%)	12 (9%)	1	0 (0%)
Hertfordshire	16 (13%)	13 (10%)	N/A	N/A
Humberside	71 (29%)	53 (22%)	1	7 (47%)
Kent	52 (17%)	60 (19%)	0 (0%)	0 (0%)
Lancashire	27 (11%)	24 (10%)	1	1 (100%)
Leicestershire	43 (15%)	25 (9%)	N/A	N/A
Lincolnshire	71 (15%)	46 (10%)	0 (0%)	0 (0%)
London	1 (100%)	N/A	N/A	N/A
Norfolk	22 (4%)	17 (3%)	2	0 (0%)
North Yorkshire	140 (23%)	88 (14%)	0 (0%)	0 (0%)
Northamptonshire	16 (6%)	12 (5%)	N/A	N/A
Northumberland	16 (10%)	13 (8%)	N/A	N/A
Nottinghamshire	22 (11%)	21 (10%)	0 (0%)	0 (0%)
Oxfordshire	33 (10%)	28 (9%)	N/A	N/A
Shropshire	10 (5%)	10 (5%)	1	0 (0%)
Somerset	34 (11%)	16 (5%)	0 (0%)	0 (0%)
South Yorkshire	12 (13%)	11 (12%)	0 (0%)	0 (0%)
Staffordshire	31 (17%)	17 (9%)	N/A	N/A
Suffolk	48 (11%)	42 (10%)	0 (0%)	0 (0%)
Surrey	13 (15%)	15 (17%)	N/A	N/A
Warwickshire	43 (19%)	24 (11%)	0 (0%)	0 (0%)
West Sussex	28 (18%)	29 (19%)	0 (0%)	0 (0%)
West Yorkshire	12 (13%)	16 (18%)	N/A	N/A
Wiltshire	31 (12%)	34 (13%)	N/A	N/A
Worcestershire	25 (16%)	7 (4%)	N/A	N/A
<b>Total</b>	<b>1,303 (14%)</b>	<b>1,015 (11%)</b>	<b>8 (7%)</b>	<b>19 (16%)</b>

Source: PSAA

## References

- 1 Joint Practitioners' Advisory Group, Governance and Accountability in Local Councils: A Practitioners' Guide (England) 2014, National Association of Local Councils and the Society of Local Council Clerks
- 2 Joint Practitioners' Advisory Group, Governance and Accountability in Internal Drainage Boards in England: A Practitioners' Guide 2007, Association of Drainage Authorities