

**Statement of Responsibilities of
Local Government Auditors and
Local Government Bodies –
Issued by the Chief Local
Government Auditor
(June 2008)**

In accordance with the Local Government (Northern Ireland) Order 2005 the Department of the Environment may, with the consent of the Comptroller and Auditor General for Northern Ireland, designate members of Northern Ireland Audit Office staff as local government auditors. The Department may also, with the consent of the Comptroller and Auditor General for Northern Ireland, designate a local government auditor as Chief Local Government Auditor.

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General introduction

- 1 In accordance with Article 5 of the Local Government (Northern Ireland) Order 2005, the Chief Local Government Auditor is responsible for preparing a Code of Audit Practice (the Code), which prescribes the way in which auditors of local government bodies are to carry out their functions. The Code was approved by resolution of the Assembly on 28 March 2006. The Chief Local Government Auditor may update the Code but its application is subject to the approval of the Assembly at intervals of not more than five years. This statement sets out guidance on general responsibilities relevant to the audit of local government bodies and so supports the Code.
- 2 The purpose of this statement is to assist auditors and local government bodies by summarising where – in the context of the usual conduct of an audit – the different responsibilities of auditors and of the local government body begin and end, and what is to be expected of the local government body in certain areas. Throughout this statement, the term ‘local government body’ covers both the members of the local government body (elected members) and its management (the senior officers).
- 3 The responsibilities of auditors are derived from statute - principally the Local Government (Northern Ireland) Order 2005 and from the Code. Nothing in this statement is intended to limit or extend those responsibilities. In particular, local government bodies should note that, because auditors must not prejudice their independence of the local government body, the audit role does not include providing

financial or legal advice or consultancy to the local government body.

- 4 Auditors may wish to refer to, and/or incorporate, this statement in audit planning documents, annual audit letters, reports and other audit outputs.

Introduction to responsibilities

- 5 Those who are responsible for the conduct of public business and for spending public money are accountable for ensuring both that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 6 In discharging this accountability, public bodies and their management (both members and officers) are responsible for putting in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. They are also required to report on their arrangements in their annual governance statement.
- 7 In carrying out their responsibilities, auditors may wish to obtain representations from management, both orally and in writing, on important matters.
- 8 The following paragraphs summarise the responsibilities of auditors and of local government bodies in relation to the responsibilities of auditors described in the Code.

The audit of the statement of accounts

9 The statement of accounts, which comprise the published accounts of the local government body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. It is the responsibility of the local government body to:

- put in place systems of internal control which contribute to the regularity and lawfulness of transactions;
- maintain proper accounting records; and
- prepare statement of accounts that present fairly the financial position of the body and its expenditure and income and that are in accordance with applicable laws, regulations and accounting policies.

10 The local government body is also responsible for preparing and publishing with its statement of accounts an annual governance statement prepared in accordance with proper practice set out in the CIPFA/SOLACE publication *Delivering Good Governance in Local Government: A Framework*, and related guidance.

11 In preparing its statement of accounts, local government bodies are responsible for:

- preparing realistic plans that include clear targets and achievable timetables;
- assigning responsibilities clearly to staff with the appropriate expertise and experience;

- providing necessary resource to enable delivery of the plan;
- maintaining adequate documentation in support of the statement of accounts and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those statement of accounts;
- ensuring that senior management monitors, supervises and reviews work to meet agreed standards and deadlines; and
- ensuring that a senior individual at top management level personally reviews and approves the statement of accounts before presentation to the auditor. The Chief Financial Officer must sign, date and certify the statement of accounts before they are approved by the local government body.

12 If working papers of appropriate quality are not available at the agreed start date of the audit, the auditor is unable to meet the planned audit timetable and the start date of the audit will be delayed. The audit fee is calculated on the basis that the detailed working papers are provided to an agreed timetable and are of an acceptable standard. If information is not provided to this timetable, or is provided to an unacceptable standard, the local government auditor will charge additional fees for any extra work that is necessary.

13 Local government auditors audit the statement of accounts and give their opinion, including:

- whether they present fairly the financial position of the local government body and its

expenditure and income for the year in question; and

- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

14 In carrying out their audit of the statement of accounts, local government auditors will have regard to the concept of materiality.

15 Subject to the concept of materiality, local government auditors provide reasonable assurance that the statement of accounts:

- are free from material misstatement, whether caused by fraud or other irregularity or error;
- comply with statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

16 Local government auditors plan and perform their audit on the basis of their assessment of risk. They will examine selected transactions and balances on a test basis and assess the significant estimates and judgements made by the local government body in preparing the statements.

17 Local government auditors evaluate significant financial systems, and the associated internal financial controls, for the purpose of giving their opinion on the statement of accounts. Where local government auditors identify any weaknesses in such systems and controls, they will draw them to the attention of the local government body, but they

- cannot be expected to identify all weaknesses that may exist.
- 18 Local government auditors review whether the annual governance statement has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which the local government auditor is aware. In doing so local government auditors take into account the knowledge of the local government body gained through their work in relation to the audit of the statement of accounts and through their work in relation to the body's arrangements for securing economy, efficiency and effectiveness in the use of its resources. Auditors are not required to consider whether the annual governance statement covers all financial risks and controls, nor are local government auditors required to form an opinion on the effectiveness of the audited body's corporate governance procedures or risk and control procedures.
- 19 In carrying out their work on the statement of accounts, local government auditors will:
- plan to complete work and meet agreed deadlines;
 - maintain close liaison with the local government body;
 - provide appropriate and adequate resources and assign responsibilities to staff with relevant expertise and experience.
- 20 Where local government bodies do not meet agreed timetables and/or provide poor documentation such

that additional audit work is necessary, or the audit is delayed, local government auditors will charge additional fees to cover the costs incurred.

Electronic publication of the statement of accounts

- 21 When the local government body publishes its statement of accounts electronically, it is responsible for ensuring that the publication accurately presents the statement of accounts and the local government auditor's report on those statement of accounts. This responsibility also applies to the presentation of any financial information published in respect of prior periods. The local government auditor's report on the statement of accounts should not be reproduced or referred to electronically without the local government auditor's written consent.
- 22 The local government body may also wish to distribute electronic copies of the statement of accounts, and the local government auditor's report on those statement of accounts, to its stakeholders and must ensure that these are presented accurately. The local government auditor's report on the statement of accounts distributed electronically should not be reproduced or referred to electronically without the local government auditor's prior written agreement.
- 23 The examination of the controls over the electronic publication of audited statement of accounts is beyond the scope of the audit of the statement of accounts and the local government auditor can not be held responsible for changes made to audited

information after the initial publication of the statement of accounts and the local government auditor's report.

Responsibilities in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources

24 It is the responsibility of the local government 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, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives;
- determining policy and making decisions;
- ensuring that services meet the needs of users and ratepayers and for engaging with the wider community;
- ensuring compliance with established policies, procedures, laws and regulations;
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
- ensuring compliance with the general duty of best value, where applicable;
- managing its financial and other resources, including arrangements to safeguard the

financial standing of the local government body;

- monitoring and reviewing performance, including arrangements to ensure data quality; and
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption.

- 25 The local government body is responsible for reporting on these arrangements as part of its annual governance statement.
- 26 Local government auditors have a responsibility to satisfy themselves that the local government body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In meeting this responsibility local government auditors should review and, where appropriate, examine evidence that is relevant to the local government body's corporate performance management and financial management arrangements as summarised above and report on these arrangements.
- 27 Local government auditors are responsible for reporting annually their conclusion, having regard to criteria specified by the Chief Local Government Auditor, and will report if significant matters have come to their attention that prevent them from concluding that the local government body has put in place proper arrangements. However, local government auditors are not required to consider whether all aspects all of the local government body's arrangements for securing economy, efficiency and

- effectiveness in its use of resources are operating effectively in practice.
- 28 In planning this work local government auditors consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the local government body's statutory functions and objectives, which apply to the local government body and are relevant to local government auditors' responsibilities under the Code, and the arrangements it has put in place to manage these risks. The local government auditor's assessment of what is significant is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. Local government auditors discuss their assessment of risk with the local government body.
- 29 When assessing risk local government auditors consider:
- the relevance and significance of the potential business risks faced by local government;
 - other risks that apply specifically to individual local government bodies;
 - the local government body's own assessment of the risks it faces; and
 - the arrangements put in place by the local government body to manage and address its risks.
- 30 In assessing risks local government auditors have regard to the evidence gained from previous audit

- work, including the response of the local government body to previous audit work.
- 31 In reviewing the local government body's arrangements for its use of resources, it is not part of local government auditors' functions to question the merits of the policies of the local government body, but local government auditors may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the local government body to decide whether and how to implement any recommendations made by local government auditors and, in making any recommendations, local government auditors should avoid any perception that they have any role in the decision-making arrangements of the local government body.
 - 32 While local government auditors may review local government bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources, they cannot be relied on to have identified every weakness or every opportunity for improvement. Local government bodies should consider local government auditors' conclusions and recommendations in their broader operational or other relevant context.
 - 33 Local government auditors are specifically required to review local government bodies' arrangements for 'monitoring and reviewing performance, including arrangements to ensure data quality'.
 - 34 Good quality data is the essential ingredient for reliable performance and financial information to support decision making. The data used to report on

- performance must be fit for purpose, representing an organisation's activity in an accurate and timely manner.
- 35 The responsibility for collecting data that are fit for purpose and where appropriate conform to prescribed definitions, and reporting performance information that is reliable and accurate, rests with local government bodies.
- 36 The findings of the review of corporate arrangements for data quality will contribute to the local government auditor's conclusion under the Code of Audit Practice on the local government body's arrangements to secure value for money, in relation to the specific criterion on data quality. Where weaknesses have been identified in local government body's arrangements for data quality, the local government auditor will consider the overall impact on the conclusion under the Code of Audit Practice, and make recommendations to support improvements.
- 37 Audit work in relation to the local government body's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it local government auditors' responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although they will be alert to the possibility and will act promptly if grounds for suspicion come to their notice.

Specific powers and duties of auditors

38 Local government auditors have specific powers and duties under the Local Government (Northern Ireland) Order 2005 in relation to matters of legality, including local government's electors' rights. Fees arising in connection with local government auditors' exercise of these powers and duties, including costs relating to the appointment of legal or other advisers to the local government auditors, are borne by the local government body.

Reporting the results of audit work

39 Local government auditors provide:

- an audit planning document;
- oral and/or written reports or memoranda to officers and, where appropriate, members on the results of, or matters arising from, specific aspects of auditors' work;
- pre-certification memorandum
- an audit report, including the auditor's opinion on the statement of accounts;
- a certificate that the audit of the accounts has been completed in accordance with statutory requirements;
- an Annual Audit Letter; and
- an Annual Management Letter.

42 In addition, the following outputs, the need for which may arise at any point during the audit process, are issued where appropriate:

- a report dealing with any matter that the local government auditor considers needs to be raised in the public interest under section 9 of the Order;
- any recommendations under section 12(2) of the Order;
- information to be reported to the Chief Local Government Auditor in a specified format to enable him to carry out any of his functions or to assist other bodies, such as the Northern Ireland Audit Office, in carrying out their functions such as data matching exercises in accordance with the Serious Crime Act 2007.

43 When considering the action to be taken on audit reports, local government bodies should bear in mind the scope of the audit and responsibilities of local government auditors, as set out in the Code and as further explained in this statement. Matters raised by local government auditors will be drawn from those that come to their attention during the audit. The audit cannot be relied upon to detect all errors, weaknesses or opportunities for improvements in management arrangements that might exist. Local government bodies should assess local government auditors' conclusions and recommendations for their wider implications before deciding whether to accept or implement them.

44 Although annual audit letters and reports may be addressed to officers or members of the local government body, they are prepared for the sole use of the local government body. Local government auditors do not have responsibilities to officers or members in their individual capacities (other than in

the exercise of the local government auditors' specific powers and duties in relation to matters relating to electors' rights) or to third parties that choose to place reliance upon the reports from auditors.

Ad hoc requests for local government auditors' views

- 45 There may be occasions when local government bodies will seek the views of local government auditors on the legality, accounting treatment or value for money of a transaction before embarking upon it. In such cases, local government auditors will be as helpful as possible, but are precluded from giving a definite view in any case because local government auditors:
- must not prejudice their independence by being involved in the decision-making processes of the local government body;
 - are not financial or legal advisers to the local government body; and
 - may not act in any way that might fetter their ability to exercise the special powers conferred upon them by statute.
- 46 In response to such requests, local government auditors can offer only an indication as to whether anything in the information available to them at the time of forming a view could cause them to consider exercising the specific powers conferred upon them by statute. Any response from local government auditors should not be taken as suggesting that the proposed transaction or course of action will be

exempt from challenge in future, whether by local government auditors or others entitled to raise objection to it. It is the responsibility of the local government body to decide whether to embark on any transaction.

Access to information

- 47 Auditors have wide-ranging rights of access to documents and information in relation to the audit. Such rights apply not only to documents and information held by the local government body and its members and staff, including documents held in electronic form, but also to the local government body's partners and contractors, whether in the public, private or voluntary sectors.
- 48 There are restrictions on the disclosure of information obtained in the course of the audit, subject only to specific exemptions. The Freedom of Information Act 2000 does not apply to local government auditors, as they have not been designated as 'public authorities' for the purposes of that legislation. Local government bodies wishing to disclose information obtained from a local government auditor are required by law to seek the local government auditor's consent to that disclosure.

Grant claims and returns – certification

- 49 The Chief Local Government Auditor agrees to make certification arrangements in accordance with the framework set out in the separate "Statement of responsibilities of grant-paying bodies, local

government bodies, the Chief Local Government Auditor and appointed auditors in relation to claims and returns” (May 2007). The responsibility for ensuring the completion, accuracy and completeness of grant claims and returns lies with the local government body. Grant-paying bodies may require independent examination as a condition of their acceptance of claims and returns and may ask the Chief Local Government Auditor to make arrangements for local government auditor certification of claims and returns. The Chief Local Government Auditor will have regard to what it is appropriate, practically and professionally, to expect the certification process and local government auditors to do before agreeing to make certification arrangements.