

This supporting information has been prepared to assist the auditor in performing the risk assessment to inform their work on the conclusion on value for money (VFM) arrangements under Auditor Guidance Note 3 (AGN 03). The supporting information is intended to provide additional sector specific context only. It is **NOT** part of the statutory guidance and auditors are only required to have regard to the explicit requirements set out in AGN 03. This document should be read in conjunction with supporting information: general arrangements.

Auditor Guidance Note 3 (AGN 03)

Supporting information:

Other local bodies

February 2017

Background

This section provides some general information about the sector.

Auditors are required to provide a conclusion on the arrangements to secure VFM for other local bodies that are not smaller authorities. The [Local Audit and Accountability Act 2014](#) defines what constitutes 'smaller authorities' in Part 2, Section 6. Where an authority's gross income or gross expenditure (whichever is higher) does not exceed £6.5 million for the period under audit, or either of the preceding two periods, the authority would normally be considered a "smaller authority". Such entities are out of scope for AGN 03 and this supporting information, unless they have opted to produce accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting and undergo a full audit.

Schedule 2 of the [Local Audit and Accountability Act 2014](#) lists the various relevant authorities in scope for that Act (and therefore the guidance in AGN 03; subject to the smaller authority exemption).

Other local bodies not explicitly covered elsewhere in the supporting information, and where not under the "smaller authority" exemption, are listed:

- A parish council.
- A joint authority established under [Part 4 of the Local Government Act 1985](#).
- A Passenger Transport Executive.
- The Greater London Authority.

- A functional body.
- The London Pensions Fund Authority.
- The London Waste and Recycling Board.
- The Common Council.
- A parish meeting.
- The Council of the Isles of Scilly.
- Charter trustees.
- A port health authority for a port health district that is wholly in England.
- The Broads Authority.
- A National Park authority for a National Park in England.
- A conservation board established by order of the Secretary of State under [section 86 of the Countryside and Rights of Way Act 2000](#).
- An authority established for an area in England by an order under [section 207 of the Local Government and Public Involvement in Health Act 2007](#) (joint waste authorities).
- An internal drainage board for an internal drainage district that is wholly in England.
- An economic prosperity board established under [section 88 of the Local Democracy, Economic Development and Construction Act 2009](#).
- A combined authority. For further supporting information on combined authorities, please refer to the separate document [Supporting Information: Combined Authorities](#) on the NAO website. Combined Authority supporting information is intended to be helpful to auditors of combined authorities, constituent authorities, and auditors of authorities planning to join or form a combined authority in future.
- Any person or body exercising functions in relation to an area wholly in England or partly in England and partly in Wales - which was originally subject to audit provisions contained in an enactment passed before the [Audit Commission Act 1998](#), and to which the audit provisions of that Act applied by virtue of paragraph 4(1) or 7 of Schedule 4 to that Act immediately before the repeal of section 2(1) of that Act by the [Local Audit and Accountability Act 2014](#) (*i.e. designed as continuing provision for any body previously covered under the jurisdiction of the Audit Commission*).

Where an auditor is unsure whether or not a local body is in scope for AGN 03 they are encouraged to discuss the matter with their firm's technical support, who can refer the query to the NAO if required.

Legal framework for body

This section sets out the legislation that governs the audited body's sector, together with any statutory guidance issued thereunder. It is included to provide auditors with information about the roles and responsibilities of the audited body as set out in law.

The legal framework for each individual local body will depend on its authorising legislation. Auditors may wish to draw on their ISA 315 procedures in relation to their work on the financial statements audit as an opportunity also to consider the local body's framework of authorities in the context of the requirements of AGN 03. For example; where the legal framework places reporting requirements on a local body, this might be relevant for both the true and fair presentation of the accounts **and** for the local body's arrangements to secure VFM.

Sector developments

This section sets out some of the current developments within the sector which may be of interest to auditors when completing their risk assessment. It is neither prescriptive nor exhaustive, and should not be used as a checklist. It does not cover developments at individual audited bodies and auditors are likely to need to draw on their own local knowledge.

AGN 03 describes what "proper arrangements" comprise for the purposes of the work under the Code, and the sector developments have been grouped according to those sub-criteria set out in the AGN. The AGN states "*Auditors are not required to consider all illustrative significant risks set out... [and] should consider the illustrative significant risks insofar as they are consistent with their understanding of the audited body*". Similarly, the sector-level developments are only intended to be considered where the auditor deems them relevant. And as the AGN further states, "*where other matters come to the auditor's attention which - in the auditor's judgement - are relevant to the discharge of their duties in respect of VFM arrangements under the Code, their impact on the risk assessment should be considered, irrespective of whether or not the issue is explicitly referenced within the scope of proper arrangements*". Therefore the auditor is ultimately responsible for preparing and documenting a risk assessment that mitigates the engagement risk.

The Autumn Statement, published on 23 November 2016, stated that the Government no longer seeks to deliver a surplus in 2019-20. However, it does not necessarily follow that pressure on public spending will decrease and therefore risks around sustainable resource deployment including medium to long term financial planning are unlikely to reduce.

For other local bodies, the sector developments in respect of local authorities are likely to be most relevant to their risk assessment. Auditors may find the information in the *Supporting information: Local Authorities* useful.

Governance reporting

This section sets out the Annual Governance Statement reporting requirements for the audited body mapped against the description of proper arrangements. Auditors might find this useful when considering the “subject matter” as defined in AGN 03 in order to prepare their risk assessment.

Local bodies’ own governance reporting provides helpful, although not necessarily comprehensive, information about the subject matter for auditors’ work.

The extent to which the information contained in the governance statement will inform the auditor’s risk assessment will depend on the auditor’s knowledge of the audited body and the quality of the evidence supporting the body’s governance statement.

Auditors may find the CIPFA/SOLACE framework helpful, when considering the governance reporting at other local bodies, however, this should be proportionate to the nature of the local authority. **Auditors should not consider these categorisations as prescriptive or exhaustive, or use the framework as a ‘checklist’.** This framework is included in the Supporting Information: Local Authorities.

Sector specific resources

This section sets out some of the key stakeholders and their publications that auditors might find useful when preparing their risk assessment. Where a framework or guidance suggests “best practice” this will not necessarily map onto proper arrangements for VFM, where adequate practice may suffice. Auditors might wish to add value and make the audited body aware of “best practice” guidance they identify.

National Audit Office: The NAO scrutinises public spending for Parliament. It publishes various outputs relevant to the audited body’s sector; in this case on [local services](#). Reports that might be of particular interest to auditors of LAs are included in the supporting information for local authorities under sector specific resources.

Local Government Association (LGA) publications: The LGA regularly produces guidance and case studies that cover local government. For example, it maintains [LG Inform](#), which is designed to provide up-to-date published data about a local area and the performance of LAs. Auditors may find these resources helpful to either identify risk factors or to use as a comparator to the arrangements in place at the audited body.

PSAA Value for money profiles: Public Sector Audit Appointments Limited maintains profiles that bring together data about the costs, performance and activity of local authorities and fire and rescue authorities. Auditors may find these profiles helpful to identify risk factors from trends in input, output, and outcome data relevant to the audited body.