

Glossary

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| Accounts and Audit Regulations 2003 – SI 2003 No 533 | Secondary legislation governing the arrangements for preparing and auditing the accounts of local authorities. Much amended – see Appendix 7 for link to up-to-date regulations. |
| Accounting statements | <p>The annual income and expenditure account, statement of balances or record of receipts and payments that a small body is required to prepare in accordance with, and in the form specified in, any annual return required by proper practices in relation to accounts.</p> <p>This definition applies to small bodies only. Other audited bodies are required to prepare a statement of accounts.</p> |
| Annual governance statement | A statement in internal control by the council required by regulations which forms part of the annual return and sets out representations and assertions intended to give the public assurance about the way in which the council has exercised corporate governance. |
| Annual return | The return, specified by the Audit Commission, as the means by which local councils report to the public their statement of accounts, provide a annual governance statement in relation to key financial aspects of corporate governance and present the external auditor’s opinion on the annual return. In addition the annual return includes a report from the council’s internal auditor (this does not have to be published). |
| Appointed auditor | The external auditor appointed by the Audit Commission. |
| Audit Commission Act 1998 | Primary legislation covering the accounts and audit requirements of local councils. |
| Balances | In accounting statements the amounts in each item of account. Commonly used to refer to the sum of all cash and near cash held by a body for future use. See ‘reserves’. |
| Code of Audit Practice | Prepared and issued by the Audit Commission, this Code is laid before Parliament at least every five years and provides the framework within which external auditors must carry out their audits. |
| Contingency | A provision (reserve) for the cost of an event or liability that may happen at some time in the future the true value of which is unknown. |
| Creditor | A person to whom a debt is owed. |
| Debtor | A person from whom a debt is owed. |
| Delegated authority | Formal approval by a council to officers and/or members to act on the council’s behalf. |
| Fidelity Guarantee | A type of insurance against the risk of theft or defalcation by officers responsible for a council’s assets, specifically cash and balances. |
| Governance (Corporate Governance) | The arrangements by which authorities direct their functions and relate to their communities. |

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| Internal audit | A function, within or procured by the council, which is to review and report on the effectiveness of internal controls. |
| Internal control | An activity, process, system or measure to ensure that a local council's activities are carried out properly and as intended. |
| Internal control environment | The overall framework of internal controls and a key element in good corporate governance. |
| Local councils | See part 1 of the guidance for definitions. |
| Material/materiality | In the financial statements, information is material if its omission or misstatement could influence or mislead users of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. |
| Opinion/Qualified opinion | A statement of findings and assurance given by an auditor following the completion of an audit process. A qualified opinion means that the auditor's otherwise positive assurance has been modified in some way usually to report non-compliance or other failure or weakness in the accounts. |
| Precept | A legal demand by a local council on its District Council (or other second tier body) for operating funds to meet budget needs. The precept is recovered from local taxpayers via council tax. |
| Representation | An assertion made within the annual return – see annual governance statement. |
| Reserves | Refers to balances of cash held for specific future purposes or generally to offset risks. Often referred to as 'balances'. |
| Responsible finance officer ('RFO') | The officer, usually, the clerk designated by the council to ensure that the council maintains adequate accounting arrangements. RFOs have specific statutory responsibilities as set out in the Local Government Act 1972. |
| Risk management | The arrangements which a council makes to identify key business risks, evaluate these and put in place to measures to reduce the risk or manage the consequences of its occurrence. |
| Significance | In the financial statements refers to a measure of relative importance or having special meaning. |
| Statement of accounts | The section in the annual return which summarises the financial results of the council. |
| Tender | A bid to provide goods and/or services to the council. Invited from potential suppliers in accordance with Standing orders and Financial Regulations. |
| Ultra vires/Intra vires | Any activities which are beyond the powers of the local council, and so unlawful, are said to be ultra vires. Intra vires refers to activities which are within the legal powers of the council and therefore lawful. |
| Virement | Approved transfers of expenditure from one budget head to another. |
