

# Treasury Consultation Response Form

## Proposals for Local Government Audit & Financial Reporting Requirements 2014

Thank you for taking the time to complete this consultation document.

Please respond to the consultation using this form - you are welcome to include as many additional pages as necessary to provide your comments. For collation purposes, it would be helpful if comments could be sent in Microsoft Word format. Anonymous responses will not be considered or included in the summary of comments. All responses will be treated as confidential and **no respondents will be publicly identified.**

### Responses should be sent in writing and preferably by email to:

The Audit (Consultative) Committee  
Internal Audit Division  
1<sup>st</sup> Floor  
Government Office  
Bucks Road  
DOUGLAS  
Isle of Man IM1

**Email:** [internalaudit@gov.im](mailto:internalaudit@gov.im)

**Tel:** (01624) 686552 – Internal Audit Enquiries

**Deadline for responses: 5pm on Friday 31<sup>st</sup> January 2014.**

### Your Contact details:

Please supply details of who has completed this response.

Response completed by:

Name of organisation (if appropriate)

Position in organisation (if appropriate)

Address:

Contact telephone number & email address:

Date:

## Section 2.1 Burial Ground Authorities

### Summary

Treasury is of the opinion that Burial Ground Authorities should be subject to the same Treasury powers to make subordinate legislation in relation to audit exemption.

#### Question 1: Burial Ground Authorities

Do you agree that Burial Ground Authorities should be subject to the same Treasury powers in relation to audit as other Local Government bodies?

Yes

No

Comments:

## Section 2.2 Proposed Regulatory Framework: Audit

### Summary

The Treasury, having noted the high level of financial compliance now being achieved across the sector, now considers that the existing 'one size fits all' approach is no longer appropriate and so is proposing a revised and more proportionate 3 tier framework to audit/inspection, based upon turnover:

Turnover Threshold	Independent Audit/Examination Requirement
Up to £100k	Qualified Independent Examination.
Between £100k to £1m	Assurance Review by a regulated auditor.
Over £1m	Full Statutory Audit.

#### Question 2 Audit:

		Yes	No
(i)	Do you agree that the existing audit framework (i.e. 'one size fits all') is disproportionate and an alternative framework should be implemented?	<input type="checkbox"/>	<input type="checkbox"/>
(ii)	Do you agree that a 3 tier approach to audit/examination is appropriate?	<input type="checkbox"/>	<input type="checkbox"/>
(iii)	Do you agree with the level of audit/examination proposed for each level?	<input type="checkbox"/>	<input type="checkbox"/>
(iv)	Do you agree with the proposed thresholds for each level?	<input type="checkbox"/>	<input type="checkbox"/>
(v)	Do you agree that 'turnover' is the most appropriate financial risk factor to be used to determine the level of independent scrutiny of the financial statements?	<input type="checkbox"/>	<input type="checkbox"/>
(vi)	Do you think that other risk factors should also be used (in addition to turnover) to determine the level of independent scrutiny of the financial statements?	<input type="checkbox"/>	<input type="checkbox"/>

Comments:

### **Section 2.3 Clarification of Treasury Powers in relation to Audits**

#### Summary

Treasury is of the opinion that its subordinate powers under the Act should be clarified to enable the adoption of alternative assurance regimes to audit to be more simply & explicitly implemented.

Treasury is also of the opinion that it is essential that a power should exist to enable it to direct any 'relevant bodies' to be audited by professional auditors if the need arises.

Question 3: Treasury Powers

Do you agree that Treasury's subordinate powers be amended as proposed?

Yes

No

Comments:

## Section 2.4 Proposed Regulatory Framework: Financial Reporting

### Summary

Having considered various alternative approaches Treasury proposes to implement a 3 tier framework to financial reporting requirements linked to the proposed audit examination thresholds:

Turnover Threshold	Financial Reporting Requirement
Up to £100k	Receipts & Payments Accounts (cash accounting) based upon a fixed template. (Income & Expenditure accounting as an option.)
Between £100k to £1m	Basic Income & Expenditure accruals accounting based upon a fixed template (with the option for full FRSSE based Income & Expenditure accounting).
Over £1m	Full Income & Expenditure accruals accounting based upon the FRC Financial Reporting Standard for Smaller Entities (FRSSE).

Question 4 – Financial Reporting		Yes	No
Do you agree that:			
<input type="checkbox"/>	(i) The existing 2 tier financial reporting audit framework is disproportionate and an alternative framework should be implemented?	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	(ii) It would be more appropriate to adopt a 3 tier approach to financial reporting?	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	(iii) The financial reporting levels should be linked to those proposed for audit/examination?	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	(iv) Introducing fixed templates for smaller entities will assist transparency and comparability for users?	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	(v) Cash accounting should be introduced for the smallest bodies?	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	(vi) The current 2007 IOM SORP needs review and updating?	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	(vii) The FRC FRSSE would be a more appropriate standard than the CIPFA SORP on which to base any revised IOM Treasury issued 'proper practices'?	<input type="checkbox"/>	<input type="checkbox"/>

Comments:

**Section 2.5 Auditor Appointment**

Summary

Having considered various alternative approaches Treasury proposes that the auditor/examiner contracts be fulfilled as follows:

Audit/ Examination Type	Estimate of Number of Bodies Affected	Fulfilled By
Qualified Independent Examination	23	Individual bodies to able to appoint their own examiners subject to their having certain qualifications and meeting key independence criteria. Examination Fee payable to be on a scale fixed by the Treasury. Examiners to be subject to oversight by the Treasury appointed auditors.
Assurance Review	22	To be undertaken by the Treasury appointed auditors.
Statutory Audit	7	To be appointed by the Treasury (as per existing provision).

It is proposed therefore that the aim of the forthcoming Local Government Audit Contract tender shall be to appoint a single auditor for undertaking both Statutory Audits and Assurance Reviews across the sector.

Question 5 Auditor Appointment		Yes	No
Do you agree that:			
(i)	The smallest bodies should be permitted to appoint their own Independent Examiners?	<input type="checkbox"/>	<input type="checkbox"/>
(ii)	Independent Examination fees should be fixed by the Treasury?	<input type="checkbox"/>	<input type="checkbox"/>
(iii)	A single point of contact should be maintained for medium & large Local Government bodies? i.e. a single Treasury appointed auditor should undertake all Assurance Reviews and Audits.	<input type="checkbox"/>	<input type="checkbox"/>

Comments: