

Annual Audit Letter

North Tyneside Council – year ended 31 March 2013

October 2013



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01

Key messages

Key messages

The 2012/13 audit for North Tyneside Council was completed by the deadline of 30 September 2013.

The Accounts for 2012/13 gave a true and fair view of North Tyneside Council's financial position

North Tyneside Council accurately reported its financial performance to Government through the whole of government accounting process

North Tyneside Council had arrangements in place to secure value for money

There were no objections to North Tyneside Council's accounts and we have certified closure of the 2012/13 Audit

This letter marks the completion of our first year as your appointed auditor. We are grateful for the cooperation and assistance provided by Members and staff in completing our work.

Forward look

In our view, North Tyneside Council will have to meet some key challenges over the next few years. In particular:

- A projected further reduction in central government funding
- Pressure on demand led services, specifically, Social Care
- The continued challenge of achieving the Change, Efficiency and Improvement (CEI) Programme savings

Our 2013/14 audit will focus on the risks that these challenges present to North Tyneside Council's financial statements and its ability to maintain proper arrangements for securing value for money.

We also share with North Tyneside Council relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

02

Financial statements

Financial statements

The financial statements are an important tool for North Tyneside Council to communicate how it has used public money. We issued an audit report including an unqualified opinion on the financial statements on 30 September 2013. Our audit progressed smoothly, and identified only a small number of errors.

The draft financial statements were of a high quality overall; as were the supporting working papers. We identified no significant issues in the course of our audit, and no material errors were identified. The North Tyneside Council finance team and those now employed by Balfour Beatty were very cooperative whilst we undertook our work, helping us to complete our audit work efficiently.

Audit findings

Our detailed findings were reported in our Audit Completion Report to North Tyneside Council at its meeting on 26 September 2013.

Our audit identified only a small number of potential adjustments to the draft financial statements and the accompanying notes, all of which were amended by officers. This helps improve the clarity of the information in the published accounts.

We did not identify any significant deficiencies in internal controls.

03

Value for money

Value for money

We were required to reach a conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of your resources.

Our conclusion on your arrangements was based on two criteria, specified by the Audit Commission:

- securing financial resilience – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising your resources within tighter budgets and the need to improve productivity and efficiency.

In addition, we identified the following significant risks that we addressed through our work:

- Change, Efficiency and Improvement (CEI) Programme
- Risk Management

Our work in these areas allowed us to satisfy ourselves that despite the significant pressures and challenges faced, North Tyneside Council maintained proper arrangements for securing value for money in its use of resources during 2012/13.

In particular:

- The 2012/13 budget setting process was robust. Against a background of reducing financial resources, close monitoring of the budget helped to ensure that a small General Fund underspend was reported whilst also delivering savings of £16.739 million
- An approved budget was approved for 2013/14, with plans in place to achieve the £12.239 million of savings identified
- In the last 2 financial years (2011/12 and 2012/13) savings of almost £33m have been delivered through the CEI programme to meet grant reductions and cost pressures, and in the next 2 year period North Tyneside Council is expecting to have to deliver a further similar amount
- North Tyneside Council currently have a 2 year Financial Plan in place. However, plans are being made for the introduction of a 4 year medium term financial plan. This plan will also include measures to address the current 2014/15 budget pressures. It is important that the Council continues to focus on the development of a Medium Term Financial Plan in order to meet the targets set by the efficiency agenda, changes to Government policy and the national financial climate
- We found a strong corporate risk management system is in place. In addition, a consistent risk management methodology has been applied across North Tyneside Council

04

Added value

Added value

As a major firm of accountants and advisors with a commitment to improving public services we are well placed to support North Tyneside Council as it moves forwards and develops the way it operates. We do this within the ethical standards applicable to external auditors and with the agreement of North Tyneside Council.

Insights

We provide you with relevant and practical insights from our knowledge of local government and experience of other public and private sector organisations. During the year through our regular meetings with the Chief Executive and Strategic Director of Finance and Resources, and through our attendance at the Audit Committee meetings we have provided insights to:

- The developments in the National Fraud Initiative
- The Audit Commission's VFM and financial ratio tools
- The Future of Public Audit

In addition, in February 2013 members of your finance team attended our workshop aimed at supporting councils to prepare their financial statements for 2012/13 and highlight potential future accounting issues.

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Fees and closing remarks

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Our audit fees for the year are as communicated in our Audit Strategy Memorandum dated February 2013, being £179,550 (plus VAT). In addition we will carry out the audit of 4 grant claims (including Housing Benefits) at an estimated cost of £22,400 (plus VAT). We did not undertake any other non-audit services for North Tyneside Council in 2012/13.

We have discussed and agreed this letter with the Strategic Director of Finance and Resources and will provide copies to all Members. Further detailed findings and conclusions in the areas covered by our audit are included in the reports issued to North Tyneside Council during the year.

Report	Date issued
2012/13 Fee Letter	October 2012
Audit Strategy Memorandum	February 2013
Audit Progress Report	May 2013
Risk Management Arrangements	September 2013
Audit Completion Report	September 2013
Auditor's report on the financial statements and value for money	September 2013
Audit Certificate	September 2013

North Tyneside Council has taken a positive and constructive approach to our audit and we wish to thank Members and officers for their support and co-operation during our audit in the past year.

Steve Nicklin

Director

October 2013