

Annual Audit Letter 2013/14

North Tyneside Council



October 2014

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October 2014

Dear Members

Annual Audit Letter 2014

We are pleased to present to you the Council's Annual Audit Letter setting out the results of our audit of the Council's 2013/14 accounts.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2011 and the National Audit Office.

2013/2014 was another financially challenging year for the Council. Central government funding continues to reduce, necessitating some difficult decisions on spending priorities and a new approach to meeting the needs of the community. We reflect on these matters in the value for money part of this letter. We were able to issue an unqualified opinion on the statement of accounts and an unqualified value for money conclusion.

I would like to express my thanks for the assistance of the Council's finance team, as well as Senior Officers and the Audit Committee, during the audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07979 164467 or gareth.davies@mazars.co.uk.

Yours faithfully

Gareth Davies
Partner
Mazars LLP

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01 Overall messages

Purpose of this letter

Our Annual Audit Letter provides a summary of our work and findings from the 2013/14 audit for Members and other interested parties.

In addition to this letter, we presented our Audit Completion Report to the Council on 25 September 2014 which provides more detail of the work we have undertaken as the Council's external auditor in 2013/14.

Our audit of the statement of accounts

We issued an audit report including an unqualified opinion on the Council's statement of accounts on 29 September 2014.

The production of the statement of accounts is a significant technical challenge involving a great deal of work by the Council's officers. We appreciate the cooperation of management and the patience, courtesy and assistance shown to us in the completion of our work. The working papers supporting the statement of accounts were of good quality and officers were responsive in following up the queries we raised.

Our audit work identified a number of financial and disclosure issues which, with the exception of one non-material disclosure issue, were amended by officers.

We did not identify any significant deficiencies in internal control during the course of our audit however we did identify one area where internal controls could be further strengthened. This was in relation to out of date information being used to value the enhanced teachers' unfunded liabilities. Officers have agreed that a full valuation will be sought from the scheme's actuaries for the 2014/15 accounts.

Our Value for Money conclusion

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies and the Commission's guidance for 2013/14. We concluded that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our work in this area focused on the two criteria specified by the Audit Commission, and considered whether the Council had proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

In our Audit Strategy Memorandum we also identified one significant risk relevant to the value for money conclusion. This was in relation to the Change, Efficiency and Improvement Programme (CEIP) savings of over £12.2m that were included in the approved 2013/14 revenue budget. Our work identified that savings were achieved either as originally intended or by compensating savings within the service which proposed the original saving.

Whole of Government Accounts (WGA)

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of the Council's WGA consolidation pack with the audited statement of accounts. We reported that the Council's consolidation pack was consistent with the audited statement of accounts on 30 September 2014.

Our other responsibilities

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Audit Commission Act 1998. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any objections in relation to the Council's 2013/14 accounts from local electors, nor did we exercise our wider reporting powers.

02 Fees

As outlined in our Audit Strategy Memorandum presented to the Audit Committee in March 2014, the Audit Commission sets a scale fee for our audit and certification work. The fees applicable to our work in 2013/14 are summarised below.

Element of work	2012/13 Final Fee	2013/14 As previously reported	2013/14 Final Fee
Code audit work	£179,550	£179,550	£180,290
Certification work	£22,400	£18,500	£15,063
Total	£201,950	£198,050	£195,353

All fees exclude VAT

There has been a small increase of £740 in fees for Code audit work since we reported to you in March 2014. This increase has arisen because the Audit Commission no longer makes certification arrangements for the National Non-Domestic Rates (NNDR 3) return, which previously provided auditors with assurance over the relevant entries in the Council's accounts. As a result for 2013/14 we have undertaken additional audit testing to obtain sufficient assurance over the relevant entries in the Council's accounts. The associated additional audit fee is in line with guidelines provided by the Audit Commission to all local authority auditors.

The previously reported fee is the fee reported in the Audit Strategy Memorandum in March 2014. The reduction is due to the removal of council tax benefits and teachers pensions from the scope of this work. The final fee of £15,063 outlined above in relation to certification work is an estimate as we are yet to complete our work on certifying the Council's Housing Benefit claim. We will confirm the final fee charged for certification work when we issue our Annual Certification Report.

There is an additional area of work which is not yet reflected in the fee table. This is in relation to the certification of the Teachers Pensions Return. The arrangements for this have changed and these are still being clarified with officers and with the Teachers Pensions Agency.

We confirm that we did not undertake any non-audit work during the year.

03 Future challenges / other commentary

The main challenge facing the Council, along with other local authorities and the wider public sector, is the continued pressure on the public finances and the need to plan for further reductions in spending, in the face of increased demand for services arising from demographic and other changes.

The Council is developing a new savings programme, Creating a Brighter Future, to succeed the former Change, Efficiency & Improvement Programme (CEIP), which aims to reduce costs through better demand management and improved self service. This demanding programme requires a transformation of the Council's approach, working with its partners in other public services, local communities and the private and voluntary sectors.

We will focus our 2014/15 audit on the risks that these challenges present to the financial resilience of the Council and the robustness of its financial reporting and value for money arrangements. We will continue to offer our support on technical developments and emerging practice from other local authorities dealing with similar challenges.

Should you require any further information on this letter or on any other aspects of our work, please contact:

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