

Audit Completion Report

North Tyneside Council



North Tyneside Council

For the year ended 31 March 2017



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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1. Executive summary

Purpose of this report

The Audit Completion Report sets out the findings of our audit of North Tyneside Council (the Council) for the year ended 31 March 2017, and forms the basis for discussion at the Audit Committee and full Council meetings on 27th and 28th September respectively.

The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £6.604m. We have updated our assessment as part of our continuous planning processes and have set materiality at £6.604m. Our clearly trivial threshold for reporting matters to you has been set at £198k.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in March. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.</p>
Identified misstatements	<p>Our work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.</p>
Value for Money	<p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate having no matters to report in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>
Whole of Government Accounts (WGA)	<p>We anticipate completing our work on your WGA submission, in line with the group instructions issued by the National Audit Office, by the deadline of 30 September 2017. We anticipate reporting that the WGA submission is consistent with the audited financial statements.</p>

The status of our work

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017. At the time of preparing this report, the following significant matters remain outstanding:

Closure procedures	Review and closure processes, including final consideration of post balance sheet events and checking the revised financial statements.
Whole of Government Accounts submission	Work is on-going in this area.

We will provide an update to you in relation to these outstanding matters in a follow-up letter prior to giving our opinion.

2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

Significant risks

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
<p>Management override of control In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk by performing work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates affecting amounts included in the financial statements; • significant transactions outside the normal course of business; • the selection and application of accounting policies; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our work has provided the assurance we sought and has not highlighted any significant issues to bring to your attention, other than the internal control recommendations detailed further in this report.</p>
<p>Revenue recognition There is a risk of fraud in financial reporting relating to income recognition due to the potential to inappropriately record revenue in the wrong period. ISA 240 allows the presumption of fraud relating to revenue recognition to be rebutted in exceptional circumstances, but given the Council's range of revenue sources we have concluded that there are insufficient grounds for rebuttal in 2016/17.</p>	<p>We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing revenue items recorded to ensure they have been recognised in the appropriate year; • testing adjustment journals; and • for major grant income, agreeing amounts to third party documentation. 	<p>Our work has provided the assurance we sought and has not highlighted any significant issues to bring to your attention, other than the internal control recommendations detailed further in this report.</p>

Significant risk	How we addressed the risk	Audit conclusion
<p>Valuation of property, plant and equipment (PPE)</p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of PPE. The value of the Council's PPE is material to the accounts and involves management judgements over the valuations and useful lives of assets.</p>	<p>We:</p> <ul style="list-style-type: none"> considered the Council's arrangements for ensuring that PPE values are reasonable; engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's valuer (where appropriate); assessed the competence, skills and experience of the valuer and the instructions issued to the valuer; and where necessary, performed further audit procedures on individual assets to ensure the basis of valuations is appropriate. 	<p>Our work has provided the assurance we sought and has not highlighted any significant issues to bring to your attention, other than the internal control recommendations detailed further in this report, the amendments to the prior period adjustment and the unadjusted misstatements.</p> <p>See also our follow-up of the previous year recommendation in respect of valuations.</p>
<p>Valuation of defined benefit pension scheme</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We:</p> <ul style="list-style-type: none"> evaluated the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and considered the reasonableness of the Actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office. 	<p>Our audit has provided the assurance we sought and has not highlighted any significant issues to bring to your attention.</p>

Qualitative aspects of the Council's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of the Council's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	<p>We have reviewed the Council's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code). We reviewed the change in the accounting policy for support charges, in light of the changes in the format of the Comprehensive Income and Expenditure Account.</p> <p>In line with our expectations, other than support charges, there have been no significant changes to accounting policies for the year ended 31 March 2017.</p>
Quality of the draft financial statements	<p>We received draft financial statements from management on 16th June 2017; which is ahead of the 30th June deadline and also places the Council well for the earlier deadline of 31 May in 2018.</p>
Quality of supporting working papers	<p>Producing high-quality working papers is a crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit.</p> <p>The working papers provided were of a good quality generally and once again, the cooperation of officers has been appreciated. There is scope for ensuring there is a better audit trail for some statements and disclosure notes.</p>

Significant matters discussed with management

Significant matters which we have discussed with management as part of our audit are set out below.

- The Council's financial resilience and the year-end overspend reported of £0.426m given the projected higher overspend of £5m part way during the year. We refer to this further in the VfM section of this report.
- Controls over the valuation of Property, Plant and Equipment, particularly in light of previous year errors, the significant risk identified and the prior period adjustment.
- Controls within Adult Social Care given issues arising at an earlier stage in our audit and as reported to the Audit Committee.
- The significant increase in the valuation of Council House dwellings following the increase in the regional social housing discount factor.
- The operation of the Better Care Fund and transactions with the Clinical Commissioning Group (CCG).
- Disputed sexual health funding with the CCG: a potential liability in respect of funding which NHS North Tyneside Clinical Commissioning Group (the CCG) believes the Council owes it, due to an alleged error in allocations relation to public health funding and specifically sexual health funding. The Council does not agree with the CCG's assertions. The CCG continues to invoice the Council for the disputed funding (estimated at approximately £500k per annum and dating back to 2013/14, therefore a total of approximately £2 million at the end of 2016/17). The Council does not agree with the CCG's position, therefore it is management's assertion that there is no need to accrue for this liability, either via a creditor or a contingent liability.
- Restatement of the Comprehensive Income and Expenditure Account following a change to the Code of Practice requirements.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

3. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

- **Priority 1 (high)**
 There is potential for financial loss, damage to reputation or loss of information. Weaknesses may have implications for the achievement of strategic objectives and our recommendations should be considered immediately by management.
- **Priority 2 (medium)**
 There is a need to strengthen internal controls or enhance efficiency. Our recommendations should be actioned in the near future.
- **Priority 3 (low)**
 Internal controls should be strengthened where practicable and where there is a cost benefit from doing so.

Current year: other deficiencies in internal control

Description of deficiency	Adult social care (ASC) underpayment of direct payments (priority 2 - medium) Our testing at the planning stage identified underpayment of ASC direct payments relating to controls not working as designed to ensure payment rates matched the agreed support plan.
Potential effects	Understatement of expenditure and ASC clients are underpaid.
Recommendation	The Council reviews controls and processes to ensure they are operating as designed.
Management response	The Council immediately took action earlier in the year when this issue was highlighted and we obtained assurance there was no material underlying error. The Council is running a monthly report to allow it to check any breaks in payment result in the correct care rate subsequently being used.

Follow-up of previous year internal control deficiencies and recommendations

This next section sets out our follow-up of previous year internal control deficiencies and recommendations, covering:

1. **Members interests:** ensuring changes to interests are declared within 28 days as required by the Code of Conduct (**priority 2 - medium**);
2. **Adult Social Care:** ensuring there is adequate evidence to support rates paid for care (**priority 2 - medium**);
3. **Property, Plant and Equipment:** Valuer's judgement (**priority 2 - medium**);
4. **Private Finance Initiative:** retention monies (**priority 3 - low**);
5. **Cut-off testing:** recommendation arising from testing (**priority 3 - low**);
6. **Property:** ensuring there is a signed tenancy agreement in place (**priority 3 - low**);
7. **Journals:** maintaining an audit log of deleted journals (**priority 2 - medium**);
8. **IT audit review:** security - leavers process (**priority 2 - medium**); and
9. **IT audit review:** security - Axis Income Management periodic user review (**priority 2 - medium**).

Description of deficiency	<p>1. Members' interest – compliance with Code of conduct for changes in interests (priority 2 - medium)</p> <p>Testing of related party disclosures identified that Members' declarations of interests were not up-to-date, with the Code of Conduct requiring any changes to be notified within 28 days.</p>
Potential effects	<p>Non-compliance with the Code of Conduct. As set out in the Code, failure to disclose, without reasonable excuse or to register a Disclosable Pecuniary Interest is a criminal offence under section 34 of the Localism Act. Risk of incomplete disclosures.</p>
Recommendation	<p>A reminder should be sent to all Members to ensure they declare changes to interests (in particular at the start of each new year and after new appointments are made) as per the underlying Code at least annually. Reminders on the importance of interest should be built into any on-going training. We understand Internal Audit work is on-going in this area.</p>
Management response	<p>Management will ensure that this recommendation is put in place. The requirement placed upon Members to update their Register of Interests and the significance of any failure to do so forms part of the training on the Code of Conduct. Members are also reminded of the need to do so at other times. The use of the Register of Interests to identify any related party transactions has previously been acceptable to external audit but a need to provide more robust governance arrangements is accepted. As a result the mechanism for identifying any related party transactions will now revert to an annual return from each Member.</p>
Action taken	<p>Testing in 2016/17 identified continued issues in respect of the controls around related party transactions. Currently Members declare interests in various ways including:</p> <ul style="list-style-type: none"> • before or during Council meetings; • the annual return to the Head of Finance, submitted for purposes of identifying potential related party transactions for disclosure in the accounts – this is particularly important as it is via this mechanism that any potential transactions between Members and the Council's strategic partners (e.g. Kier, Engie and Capita) would be disclosed; and

	<ul style="list-style-type: none"> the wider declaration of interests form (which is published online and only updated if there are any revisions required). <p>Testing identified:</p> <ul style="list-style-type: none"> some undisclosed related party transactions totalling £0.231m, albeit ones which had been declared in the online declarations (i.e. the Register of Interests); approximately one third of Members did not technically complete the return to the Head of Finance correctly, omitting their appointments to outside bodies and; other discrepancies between our check against Companies House, the online declarations and the returns to the Head of Finance. <p>Assurance was obtained via cross-checking various sources, including Companies House and the schedule of appointments to outside bodies.</p> <p>Given the issues and discrepancies identified, we recommend Members ensure their declared interests are up to date and also that the annual return to the Head of Finance is promptly submitted and contains all required details.</p>
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Description of deficiency	2. Adult social care – care plans and inadequate evidence to support rates paid (priority 2 - medium)
Potential effects	The Council may be paying the incorrect rate. Risk of financial loss or additional expenditure being incurred.
Recommendation	Controls in place should be strengthened to ensure there is a clear audit trail retained to support changes in rates paid for client support. The Council may wish to consider carrying out a wider exercise to determine if there are other cases where the rates are not supported by adequate evidence.
Management response	Management will request Internal Audit carry out a review of this area to ensure the controls are operating effectively and are strengthened where required.
Action taken	A similar issue arose during our early work in 2016/17 in relation to direct payments: see current year internal control recommendations. Other than the direct payments issue arising, our sample testing of adult social care expenditure did not identify any other significant issues, however the timeliness of responses will need to be improved given the earlier deadline next year.

Description of deficiency	3. Property, Plant and Equipment: Valuer's judgement (priority 2 - medium) Testing of the revaluation of schools identified an inconsistency in the specialised basis of valuation used for high schools between years; the impact of this error has been included in the Summary of Misstatements.
Potential effects	Misstatement of Property, Plant and Equipment.
Recommendation	Acknowledging the Valuer's judgement is a key determinant in arriving at valuations, there should be consistency in the application of specific valuation bases (e.g. for schools) between years, regardless of whether there is a change in the Valuer. The Council's internal controls should include appropriate checks to ensure this happens.
Management response	Management will ensure that all valuations are reviewed for consistency and appropriate evidence of judgements is available.
Action taken	<p>The Council has undertaken work during the year to confirm the accuracy of valuations and as part of following-up previous year PPE issues identified. As part of this, the Council identified some errors which required a prior period adjustment in the accounts as a result of the incorrect building index being used and also incorrect floor measurements. These are detailed by the Council in disclosure Note A, Prior Period Adjustment.</p> <p>Capital accounting is a complex area and some errors have been identified as part of 2016/17 work, as detailed in the misstatements section.</p>

Description of deficiency	4. Private Finance Initiative: retention monies (priority 3 - low) Testing of Private Finance Initiative (PFI) expenditure identified that retention monies were not fully taken into account; the impact of this error is included in the Summary of Misstatements.
Potential effects	Misstatement of Property, Plant and Equipment (Private Finance Initiative).
Recommendation	Ensure retention monies are taken into account in the calculation of Housing PFI expenditure in future years.
Management response	Management will ensure that the recommendation is put in place.
Action taken	The PFI scheme is now completed so there is no carried forward issue in respect of retention monies.

	5. Cut-off testing: receipts and payments (priority 3 - low)
Description of deficiency	Testing of receipts identified an extrapolated error in relation to business rates just below triviality, namely the understatement of 15/16 business rates prepayments. Whilst just below triviality, we recommend controls in this area are reviewed for future years. A trivial error was also identified from our testing of payments, in relation to benefit payments and refunds included in the wrong year.
Potential effects	Misstatement of income and expenditure.
Recommendation	Review the calculation of business rates prepayments in future years to ensure this error is not replicated. Ensure benefit payments and refunds are included in the correct year.
Management response	Management will ensure that the recommendation is put in place.
Action taken	There were no issues identified in respect of business rates cut-off testing in 2016/17.

	6. Property – signed tenancy agreement not in place (priority 3 – low)
Description of deficiency	Sample testing of income identified a property transferred from Tyne and Wear Development company several years ago for which there is no signed tenancy agreement in place.
Potential effects	No formal agreement of rent charges with tenants could lead to disputes over rent.
Recommendation	Ensure there is a signed tenancy agreement in place for all properties.
Management response	Management will endeavour to ensure that there is a signed tenancy agreement in place for all properties.
	There is an on-going review of all tenancies by the Property team in the Council currently.
Action taken	The revised agreement for the property where this issue was identified in 2015/16 has not been signed as of July 2017 as it is still in dispute, however the Council continues to receive the same amount of income as last year. As part of the follow-up, we tested two properties and agreed them to signed tenancy agreements, with no issues arising.

	7. Journals: maintaining an audit log of deleted journals (priority 2 - medium)
Description of deficiency	<p>Prior to journals being posted to the General Ledger (but after the 'initial' posting), they can be deleted, resulting in a gap in the sequential numbering of journals.</p> <p>Our audit testing identified three journals which had been deleted. There were valid explanations and evidence for deletion of two of these journals (being duplicate journals), however there was no evidence to support one journal. It is clear this deleted journal was not posted, therefore there is no risk of material error, however an audit trail must be maintained where journals are deleted, to maintain the integrity of the sequential numbering.</p>
Potential effects	Lack of audit trail; journals are a key control within the General Ledger.
Recommendation	Ensure an audit trail is maintained of deleted journals.
Management response	This recommendation has now been implemented.
Action taken	Our testing in 2016/17 did not identify any issues in this regard.

	8. IT audit review: security - leavers process (priority 2 - medium)
Description of deficiency	<p>Sample testing of leavers identified 3 out of 25 leavers have not been disabled from Northgate (one leaver) or Swift (two leavers) systems. All tested leavers had been disabled from the Active Directory and our review of the last log-on date provided assurance they had not logged on after leaving.</p>
Potential effects	Unauthorised access to the Council's programs may compromise the confidentiality and integrity of information.
Recommendation	Ensure all leavers are disabled from all the systems.
Management response	Management will ensure that the recommendation is put in place. We will review the leavers process and ensure that due diligence is applied for all systems access. We would expect this to be in place already so the review is welcomed as it has identified some current gaps in processes.
Action taken	Officers have been reminded of the need for prompt disabling of leavers.

Description of deficiency	<p>9. IT audit review: security - Axis Income Management periodic user review (priority 2 - medium)</p> <p>No evidence supporting the Axis Income Management (AIM) periodic user review for the audit period was identified at the time of our review. We obtained assurance from other testing including privileged access.</p>
Potential effects	<p>Unauthorised access to the Council's programs may compromise the confidentiality and integrity of data.</p>
Recommendation	<p>Review users at least annually, including, but not limited to:</p> <ul style="list-style-type: none"> • privileged access; • accounts that have not been used for a certain period of time (e.g. 90 days); and • generic accounts.
Management response	<p>Management will ensure that the recommendation is put in place.</p>
Action taken	<p>We understand the Council's IT officers carry out an annual exercise, contacting business areas to ensure access is correct.</p>

4. Value for Money Conclusion

Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>Financial and performance information and reliable and timely financial reporting</p> <p>The Council has continued to regularly report on its financial performance via regular reports to Cabinet and the Finance sub-committee.</p> <p>The Council's finance reports contain a summary of financial performance, which is crucial to facilitate Members' oversight of financial performance and this clarity will be increasingly important in the coming year as financial pressures emerge.</p> <p>The Council's performance is reported to Cabinet by way of regular updates on the recently refreshed 'Our North Tyneside Plan'. The Overview and Scrutiny Committee also receives updates on the 'Our North Tyneside Plan' and challenges officers on performance where appropriate. This strategic performance reporting is supplemented by service-level reporting. Included within the finance reports are regular updates on the 'Creating a Brighter Future' Council-wide transformation plan.</p> <p>Achievement of savings</p> <p>As part of addressing the significant risk identified (see next section), we reviewed a sample of savings in order to assess the reasonableness of plans in place and their deliverability. Overall, we obtained sufficient appropriate evidence of the robustness of the Council's arrangements in this regard.</p>	Yes

Sub-criteria	Commentary	Arrangements in place?																								
	<ul style="list-style-type: none"> In respect of 2016/17, we considered the actual savings delivered: we noted the shortfall of £1.2m in savings required out of a total of £15.737m. We also considered 2017/18 planned savings and carried out sample testing. Finally, we considered the progress being made in respect of savings for 2018/19 onwards; inevitably, at this stage, future plans are not fully quantified although we note there is a project plan in place, with potential areas of savings which are to be quantified. <p>The Creating a Brighter Future (CBF) transformation programme includes regular detailed traffic-light reports to Overview & Scrutiny, which are summarised for inclusion in the regular finance reports to Cabinet. There is scope to further enhance the reporting of progress on the CBF programme by quantifying the value of savings achieved or any shortfall, so there is clarity on progress. We note the new style Quarter 1 finance budget report does include a clear summary of savings against target; it is important that this reporting also quantifies the value of savings not achieved from previous years, so that there is clarity on the overall progress of the programme.</p> <p>We set out below the financial performance over the last three years, both in terms of the overall budget and in respect of savings.</p> <table border="1" data-bbox="412 807 1738 1031"> <thead> <tr> <th></th> <th>Net budget</th> <th>Year-end outturn: under (over) spend</th> <th>Savings – target</th> <th>Savings – actual</th> <th>Savings not achieved</th> </tr> </thead> <tbody> <tr> <td>15/16</td> <td>156,757</td> <td>1,573</td> <td>14,158</td> <td>13,631</td> <td>527</td> </tr> <tr> <td>16/17</td> <td>155,684</td> <td>- 426</td> <td>15,737</td> <td>14,508</td> <td>1,229</td> </tr> <tr> <td>17/18 projected*</td> <td>154,106</td> <td>- 8,842</td> <td>18,338</td> <td>14,176</td> <td>4,162</td> </tr> </tbody> </table> <p>* as per July 2017 Cabinet report</p> <p>The first budget monitoring report for 2017/18 showed a projected overspend of £8.8m, of which approximately half is in respect of savings required for 17/18 which may not be achieved. The Council is being prudent in not recognising savings until they are fully achieved, however the scale of savings yet to be achieved for 2017/18 represents a key risk area.</p> <p><i>Budget reports and the medium-term financial strategy</i></p> <p>In addition, we also reviewed budget monitoring and the overarching medium-term financial strategy (MTFS).</p> <p>The Council has continued to report regularly on its financial performance to both Cabinet and the Finance sub-Committee. The 2016/17 outturn was an overall net overspend of £0.426m (2015/16 underspend of £1.573m) as compared to a much higher projected overspend of approximately £5m part-way during the year. We challenged the Council on the robustness of this year-end outturn to understand the actions taken to arrive at this final year-end outturn.</p>		Net budget	Year-end outturn: under (over) spend	Savings – target	Savings – actual	Savings not achieved	15/16	156,757	1,573	14,158	13,631	527	16/17	155,684	- 426	15,737	14,508	1,229	17/18 projected*	154,106	- 8,842	18,338	14,176	4,162	
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16/17	155,684	- 426	15,737	14,508	1,229																					
17/18 projected*	154,106	- 8,842	18,338	14,176	4,162																					

Sub-criteria	Commentary	Arrangements in place?
	<p>Capital spend in the year totalled £122m. We note that the level of slippage to 2017/18 and future years is higher than in previous years at £34m (37% of the original budget of £92m). This is down to two main schemes – Swan Hunter and Coastal Regeneration. The Council has recognised that the level of reprogramming is high and has taken to address this, including profiling ‘review and challenge’ sessions as part of ensuring there is a realistic and deliverable Investment Plan in place for 2017/18.</p> <p>Medium-term financial strategy (MTFS)</p> <p>The Council approved an updated MTFS in February 2017, covering 2017-2020, based on the refreshed ‘Our North Tyneside’ strategic plan and building on the previous year’s MTFS. The latest MTFS sets out the key challenges and risks facing the Council in delivering its refreshed transformation plan “Creating a Brighter Future”, which is predicated on the continued development of the ‘Target Operating Model’ in the coming years.</p> <p>We considered the robustness of the MTFS as a whole, critically challenging the assumptions it has been based on. Overall, our assessment is that the MTFS is robust, subject to the deliverability of the planned savings, which the Council itself acknowledges is a key financial risk to monitor.</p> <p>Key financial ratios</p> <p>We also considered key financial ratios for the Council, including the working capital ratio (current assets less current liabilities). In recent years, the Council has borrowed on a short-term basis, being most beneficial to it, therefore its levels of short-term borrowing have increased, offset by a decrease in long-term borrowing. The Council recognises this is a short-term strategy and its Treasury Management strategy has been designed to allow it to move to long-term borrowing when appropriate.</p> <p>The Council’s General Fund unearmarked balance remains at £6.6m which it has done in recent years. As financial pressures continue, the Council should keep under consideration the adequacy of this balance. We note also the strategic reserve totalling £13.930m.</p> <p>The key challenges, as recognised by the Council itself include:</p> <ul style="list-style-type: none"> • continued growth in demand in Adult and Children’s Social Care Services; • the timing of delivery of some aspects of the Creating a Brighter Future Programme to the extent that achievement of some savings may be at risk; • on-going issues around agreeing adequate levels of contributions from the North Tyneside Clinical Commissioning Group for clients with health needs and to support social care; • the impact of the National Living Wage on care providers, impacting on commissioning costs. 	

Sub-criteria

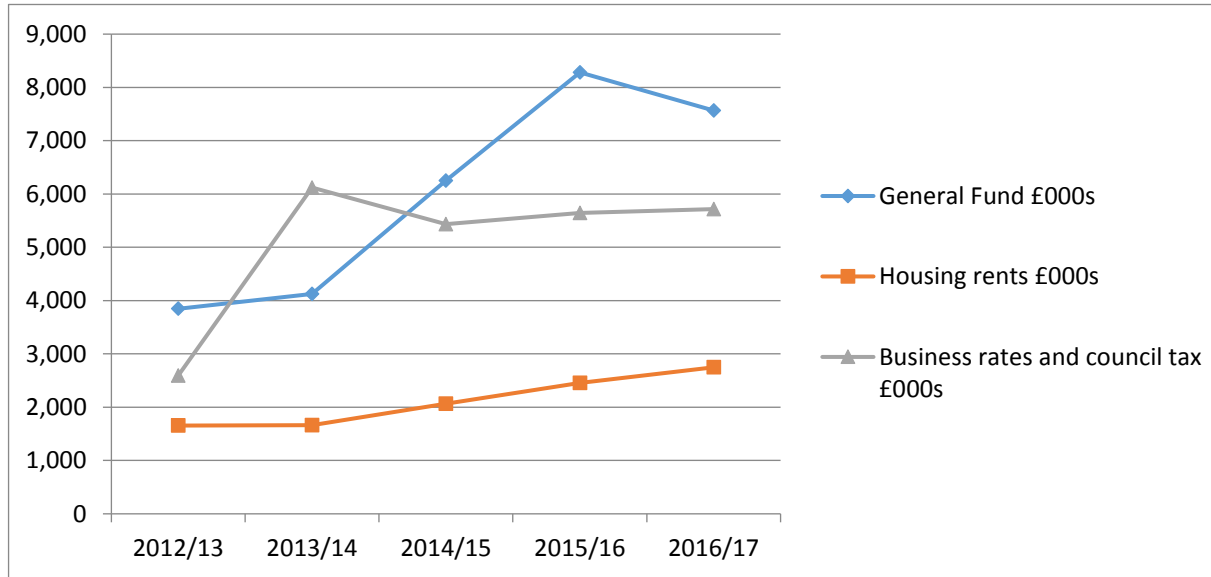
Commentary

Arrangements in place?

Bad debt provision

It is further noted the Council’s overall bad debt provision (impairment allowance) has increased from £8.1m in 2012/13 to £16.034m in 2016/17. Approximately half is accounted for by the provision made for business rates, council tax and housing rents as set out in the figure below. Our audit work has not identified any issues in respect of the calculation of provisions, however we note the increase in recent years. We note also the increase in housing rent arrears; the yearly increase has not been significant at £0.279m, however over the last five years, housing rent arrears have increased by £1.2m or 51%, totalling £3.6m.

Figure 1: the Council’s bad debt provision over the last five years



Managing risks effectively and maintaining a sound system of internal control

The Council's governance framework is set out in its Annual Governance Statement (published as part of its Annual Report including financial statements) along with how the effectiveness of that framework is reviewed throughout the year. Regular risk management reports are presented to Members.

The Council has received an overall 'satisfactory' internal audit opinion for 2016/17, with one limited assurance report in respect of IT business continuity and disaster recovery. A comprehensive internal audit plan is in place which takes into account the strategic priorities of the Council.

Sub-criteria	Commentary	Arrangements in place?
	<p>The Audit Committee published its first annual report this year, following on from the review of the Committee at the end of the previous year, with the summary review reporting:</p> <ul style="list-style-type: none"> • how the Committee has the potential to be a real ‘force for good’; and • that previously the Committee may have felt isolated in its operation but that significant steps have been undertaken during 2016/17 to develop the interaction between the Committee, Senior Leadership Team members and other Committees. 	
Sustainable resource deployment	<p>Effective planning of finances</p> <p>The Council approved a balanced budget in its latest refresh of its Medium-Term Financial Strategy (MTFS) earlier this year. Our consideration of the robustness of the MTFS is set out earlier in this report.</p> <p>Organisational development</p> <p>The Council recognises the importance of a robust workforce strategy and having a sustainable workforce in the future to support its strategic priorities, which may be increasingly made up of a mix of public, private and voluntary support. Separate strategies are in place for key areas, such as Children’s for which the Council has invested in a variety of programmes, partnerships and initiatives that aim to create an environment in which its workforce can flourish.</p>	Yes
Working with partners and other third parties	<p>The Council is party to an increasingly wide range of partnerships and recognises the importance of these in delivering on its objectives. Its Annual Governance Statement highlights partnerships as a governance issue to be closely monitored and the need to continue to embed and review partnership governance arrangements, as well as ensuring boundaries and responsibilities remain clear and are robustly managed.</p> <p>Given the use of service organisations, the Council’s financial and performance reporting includes updates on its key partnerships with Capita, Engie and Kier, supported by the monthly Operational Partnership Board.</p> <p>2015/16 was the first year of the Better Care Fund Pooled Budget for North Tyneside and there were pressures in respect of the Clinical Commissioning Group’s (CCG) own financial pressures which have continued in 2016/17. Since then, the new system-wide Sustainability and Transformation Plans have largely superseded Better Care Funds as the new model for transformation in the health sector. The Council is carefully monitoring the impact upon its services and its work with NHS partners.</p> <p>During 2016/17, the Council worked with the CCG and other partners in respect of a potential new Accountable Care Organisation; this has not progressed further following due diligence work in September of last year.</p> <p>The Council continues to engage with partners in respect of the local devolution agenda.</p>	Yes

Significant Value for Money risk

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Value for Money conclusion risk	Work undertaken	Conclusion
<p>Level of savings required in medium term financial strategy</p> <p>The Council is facing continuing financial pressures from reduced funding, increased demand and changing responsibilities. The Council is responding to these challenges via a programme of efficiencies, service reviews and developing new ways to manage demand and deliver services, encapsulated in its 'Target Operating Model' and 'Creating a Brighter Future' programme.</p> <p>The level of savings the Council needs to achieve over the period of its medium-term financial strategy, on top of savings already achieved in recent years, represents a significant risk to the value for money conclusion.</p>	<p>We carried out audit procedures reviewing the robustness of:</p> <ul style="list-style-type: none"> • the medium-term financial strategy; • budget monitoring reports and other finance updates; and • a sample of the savings plans and underlying assumptions to their delivery. 	<p>Our work has provided the assurance we sought and has not highlighted any significant issues to bring to your attention.</p> <p>The table in the preceding section contains summary comments from our audit procedures to address this risk.</p> <p>The scale of financial challenges facing the Council is increasing each year. A robust Medium-Term Financial Strategy is in place, predicated upon the achievement of savings.</p> <p>2016/17 savings targeted of 15.737m were not achieved in full, with a carried forward impact on 2017/18 savings required of 18.338m.</p> <p>There is scope for a clearer trail and quantification of where savings are not achieved which has been addressed in the Quarter 1 budget report for 2017/18.</p> <p>The Council is well aware that it needs to maintain a focus on robust underlying budget management as well as monitoring the achievement of savings and developing plans for future years' savings.</p>

Reality check and overall assessment

Having gathered evidence of the Council's arrangements we conducted a 'reality check', building upon our existing knowledge of the Council and in particular:

- reports by statutory inspectorates or other regulators;
- achievement of performance and other targets; and
- performance against budgets and other financial targets.

Evidence	Auditor assessment
Reports by statutory inspectorates or other regulators	The recent Ofsted inspection rated the Council as 'good'. There are no adverse findings from any other regulators that we are aware of at this stage.
Achievement of performance and other targets	The final year-end performance report is not available at the time of writing this report. However based on discussions with senior officers and in-year reporting, there are no new risks arising relevant to our VfM responsibilities.
Performance against budgets and other financial targets	The year-end outturn for 2016/17 was an overspend of £0.426m after taking into accounts a transfer from the strategic reserve of £2.726m. We challenged this outturn given the higher overspend of approximately £5m projected part way through the year. The Council is projecting an overspend of approximately £8.8m per its first budget monitoring report for 2017/18; half of which relates to on-going pressures and half relating to shortfalls in efficiency savings. These pressures and shortfalls, when taken into account with the shortfall in efficiency savings from 2016/17 means continued very close monitoring of the achievement of the budget overall and the transformation programme remains vital.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix C states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

Appendix A – summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £0.198m, are set out below. The first two tables outline the identified misstatements which management has assessed as not being material, either individually or in aggregate to the financial statements for 2016/17 and 2015/16, and does not currently plan to adjust. The third and fourth tables outline the misstatements that have been adjusted by management.

Unadjusted misstatements 2016/17				
	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Property, Plant & Equipment: Assets Under Construction		3,731	
	Cr: Property, Plant & Equipment: Council Dwellings			1,816
	Cr: Surplus on Revaluation of Non-Current Assets	1,915		
Being misclassification of the PFI sheltered housing scheme which was accounted for as completed at 31/3/17 and revalued as operational, however scheme was not complete at the year-end.				
2	Dr: Property, Plant & Equipment – Other Land & Buildings		1,184	
	Dr: Commissioning & Investment – gross expenditure	40		
	Cr: Unuseable Reserves – Capital Adjustment Account			1,224
Being estimated understatement of three schools from the Priority Schools Building Programme as a result of being valued on 1 April 2016 instead of when they became operational later in the year, with the date of valuation impacting upon the underlying index used.				
3	Dr: Health, Education, Care & Safeguarding line	272		
	Cr: Creditors			272
Being extrapolated errors identified from cut-off testing.				

Unadjusted misstatements 2015/16					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	Dr: Central costs – gross expenditure	3,846			
1	Cr: Central costs – gross income		3,846		
Being the incorrect treatment of support charges and recharges in 2015/16; impacting on gross income and expenditure only, with no net impact.					
	Dr: CIES – all headings other than HRA and Central Costs	831			
2	Cr: CIES – central costs		831		
Being the incorrect adjustment for pension costs (when reversing out pension charges as required to replace with actual pension charges as required under statute) impacting on allocation between lines only (no net impact). This is an unadjusted error brought forward from last year, relevant to 2015/16 only.					
	Dr: Property, Plant and Equipment - Council Dwellings			387	
3	Cr: CIES – surplus on revaluation of non-current assets		387		
Being error in calculation of revaluation of property, plant and equipment (PPE) brought into use, resulting in understatement of PPE.					
	Dr: Property, Plant and Equipment – Housing PFI			2,261	
4	Cr: PFI Creditors				2,261
Being estimated error in calculation of the housing PFI expenditure for the year in relation to the exclusion from total expenditure of retention amounts.					

Adjusted misstatements 2016/17

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Financing and Investment Income and Expenditure	3,047			
	Cr: Central costs		3,047		
Being reclassification of dividend income between two lines on the face of the Comprehensive Income and Expenditure Statement.					
2	Dr: Business & Economic Development - gross expenditure	400			
	Dr: Commercial & Business Redesign - gross expenditure	835			
	Dr: Commissioning & Investment - gross expenditure	9,915			
	Dr: Environment, Housing & Leisure – gross expenditure	-850			
	Dr: Other headings – gross expenditure	-83			
	Cr: Central costs - gross expenditure		10,217		
Being adjustment of expenditure to so that it reflects actual capital charges rather than budgeted capital charges. No net impact on the net cost of services. Similar adjustment in 2015/16.					

Adjusted misstatements 2015/16

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Business & Economic Development - gross expenditure	5,772			
Dr: Commercial & Business Redesign - gross expenditure	166			
Dr: Commissioning & Investment - gross expenditure	20,474			
Dr: Environment, Housing & Leisure – gross expenditure	-55			
¹ Dr: Other headings – gross expenditure	255			
Cr: Central costs - gross expenditure		26,611		
Being adjustment of expenditure to so that it reflects actual capital charges rather than budgeted capital charges. No net impact on the net cost of services. Similar adjustment in 2016/17.				

Disclosure amendments

Amendments made to the disclosures and other statements are set out in the following table. The financial statements have also been amended for a number of minor errors and omissions and also clarified in areas.

Disclosure note	Amendment
CIES, MIRS, HRA MIRS	Amendments to restated notes to clarify the reason for restatement, in particular the HRA, where the Movement in Reserves Statement now includes HRA earmarked reserves that were previously shown separately.
Note A Prior Period Adjustment	Note revised following change in the year in which the adjustments are shown; previously shown as adjusted in 2015/16 and in the revised accounts, full restatement back to the third balance sheet period has been carried out, impacting on the primary statements and disclosure notes as set out in this note. Clarification of reason for restatement of Property, Plant and Equipment.
Note 4b Segmental Income	Amendment to both years for this new note which shows revenue received for services from external customers. 2015/16: decreased by £16.032m. 2016/17: decreased by £18.717m.
Note 5 Nature of Expenses	Amendments as follows: <ul style="list-style-type: none"> • line 'fees and charges' amended to remove the dividend income as per Note 10 below; • line 'employee expenses' reduced by £3.443m with increase to line 'other service expenses'; and • line 'government grants & contributions' reduced by £0.814m with increase to 'employee expenses'.
Note 9 pensions	Update of discount rate from 2% to 2.6%. Revision of estimated teachers' pensions contributions due in 2017/18 from £8.351m to £9.951m.
Note 11 Financing and Investment Income and Expenditure	Amendment to include dividends received in respect of the Airport and Kier totalling £3.047m. Previously included above net cost of services line, within Central Costs. Resulting amendments to Note 4b Segmental Income, Note 5 Nature of Expenses and Cash Flow Statement notes.
Note 13 Grants and Contributions Income	Amendment of £0.900m between line Environment Agency and Other Grants and Contributions.
Note 16 Related Party Transactions	Amendments to the value of grants and other sums paid to voluntary and other bodies in which Members had declared an interest, from £10.9m to £11.1m due to omitted related party transactions.
Note 31 Useable Reserves	Line headings changed to reflect revised presentation of reserves elsewhere in the accounts, including Note 32.

Disclosure note	Amendment
Collection Fund Statement	<p>Presentation on the face of the Statement amended (no net impact) to show the impairment allowance for Non-Domestic Rates on a gross basis – so that the write-offs in the year are shown. Update of the arrears disclosure note to show this separate presentation also.</p> <p>Minor amendment to the comparatives to correct two lines where the figures have been transposed (provision for appeals and impairment allowance).</p>

Appendix B – draft management representation letter

To be provided to us on headed paper

27th September 2017

Dear Gareth

North Tyneside council - audit for year ended 31 March 2017

This representation letter is provided in connection with your audit of the statement of accounts for North Tyneside Council (the Council) for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

Specifically I confirm I am satisfied there is no liability to the Council in respect of elements of public health funding.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2016/17 in relation to the Council's PFI schemes that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole [INSERT APPENDIX OF UNADJUSTED MISSTATEMENTS in final signed letter].

Yours sincerely

Janice Gillespie,
Head of Finance (s151 officer)

Date.....

Appendix C – draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH TYNESIDE COUNCIL

Opinion on the North Tyneside Council financial statements

We have audited the financial statements of North Tyneside Council (the Council) for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of North Tyneside Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of North Tyneside Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, North Tyneside Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the Comptroller and Auditor General.

Gareth Davies, Partner

For and on behalf of Mazars LLP

Salvus House

Aykley Heads

Durham

DH1 5TS

Date

Appendix D – independence

As part of our on-going risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.