

Annual Audit Letter

Stockton-on-Tees BC – year ended 31 March 2013

October 2013



Contents

- 01 Key messages
- 02 Financial statements
- 03 Value for money
- 04 Added Value
- 05 Fees and closing remarks

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01

Key messages

This letter summarises the findings from our 2012/13 audit of Stockton-on-Tees Borough Council.

Key messages

Our 2012/13 audit of Stockton-on-Tees Borough Council was made up of two elements:

- our audit of the financial statements; and
- our assessment of arrangements for achieving value for money in your use of resources.

We summarise below the key conclusions for each element.

Audit opinion and financial statements

We issued an audit report including an unqualified opinion on the Council's financial statements on 30th September 2013. Our audit progressed smoothly, and identified only a small number of errors.

Value for money

We undertook work in line with Audit Commission guidance, including specific work on the robustness of the Council's updated Medium-Term Financial Strategy. We concluded that the Council had proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources.

We also issued our certificate, closing this year's audit, on 30 September 2013.

Forward look

This letter represents the completion of our first year as your appointed auditor, and we look forward to continuing the effective working arrangements we have developed with you. We recognise the challenges you face, which include:

- further reductions in the revenue budget, requiring savings of more than £50 million over the 7 years to 2016/17;
- pressure on demand led services such as those for looked after children, education and adult social care;
- a continuing programme capital works and redevelopment, including the Town Centre and High Street.

We focus our audit on the risks that these challenges present to the Council's financial statements and its ability to maintain proper arrangements for securing value for money. Where relevant we will also share useful 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

The Council produced good quality accounts. This supported an efficient audit and we issued an unqualified opinion before the deadline.

Findings and conclusions

Financial statements

The financial statements are an important tool for the Council to communicate how it has used public money. We issued an audit report including an unqualified opinion on the financial statements on Council. 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 Council's finance team 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 the Audit Committee at its meeting on 23 September 2013. These findings are summarised as follows:

- We did not identify any issues with the qualitative elements of the financial statements that we were required to report to those charged with governance.
- We identified scope to improve internal controls and accounts preparation, and we reported the action management is taking in response.
- We requested a number of amendments to disclosures in the financial statements. All identified errors and misstatements were discussed with management and corrected in the published accounts.

03

Value for money

Our work shows that the Council maintained proper arrangements for securing the 3 Es in use of resources during 2012/13 despite increasing pressure on resources.

Value for money

To inform our work in this area we drew upon:

- our audit work on the Council's Annual Governance Statement as part of the audit of the financial statements;
- the Council's own assessment of its arrangements to challenge and continuously improve the way it uses its financial resources; and
- risk based work on the robustness of the Medium Term Financial Strategy.

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

Annual Governance Statement

There were no issues arising from our review of the Council's Annual Governance Statement that led us to consider the Council did not have proper arrangements for securing economy, efficiency and effectiveness.

Arrangements to secure value for money

We found that the Council continues to demonstrate proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council's finance function is well-qualified, informed and capable and the overall financial governance culture is strong. In particular:

- financial planning is integrated and forward-looking in the Medium Term Financial Plan, which is regularly updated and fundamental to the Council's Forward Plan.
- reserves are sufficient to meet current plans and have been managed well; and
- there are clear arrangements for financial monitoring, forecasting and reporting.

04

Added value

We have continued to seek ways to add value to the Council.

Added value

As a major firm of accountants and advisors with a commitment to improving public services we are well placed to support the 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 the Council.

Additional services

As part of our commitment to the sector as a whole and to you as our client, we provide you with relevant, practical insights from our knowledge of the emergency services, local government, and NHS sectors and experience of other public and private sector organisations.

During the year, through our regular meetings with the Chief Executive and Corporate Director of Resources, and through our attendance at Audit Committee meetings we have provided relevant information.

In February 2013 members of your finance team attended a workshop aimed at supporting our clients to prepare their 2012/13 financial statements and to provide an early insight into future developments in financial reporting that may be relevant to the local government sector. We plan on holding similar events in early 2014.

05

Fees and closing remarks

Effective working with the Council has ensured our fees are in line with those agreed with you at the start of this year's audit.

Fees and closing remarks

Our audit fees for the year are in line with those communicated to you in our Audit Strategy Memorandum dated January 2013, being £167,940 (plus VAT). We did not undertake any non-audit services for the Council in 2012/13.

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

Report	Date issued
2012/13 Fee Letter	November 2012
Audit Strategy Memorandum	January 2013
Audit Completion Report	September 2013
Auditor's report on the financial statements and value for money	September 2013

The 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.

Mark Kirkham

Director

October 2013