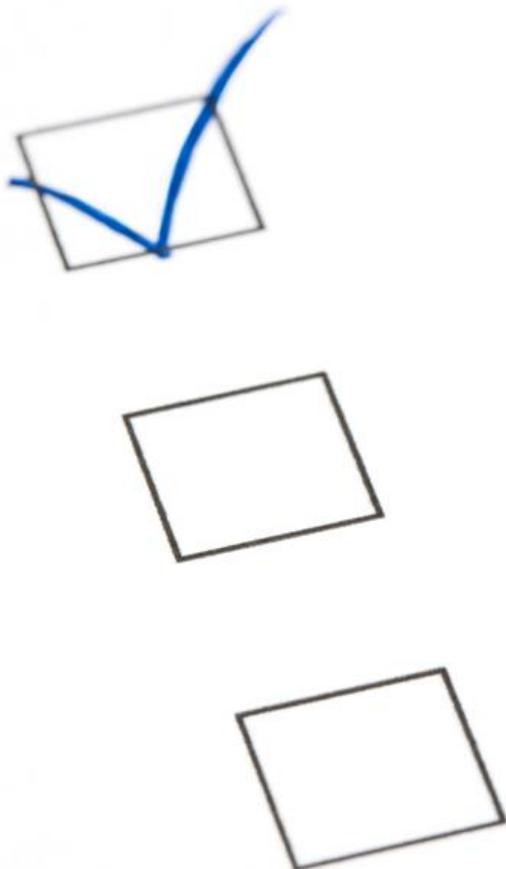


# Stockton-on-Tees Borough Council



## Audit Progress Report

February 2014



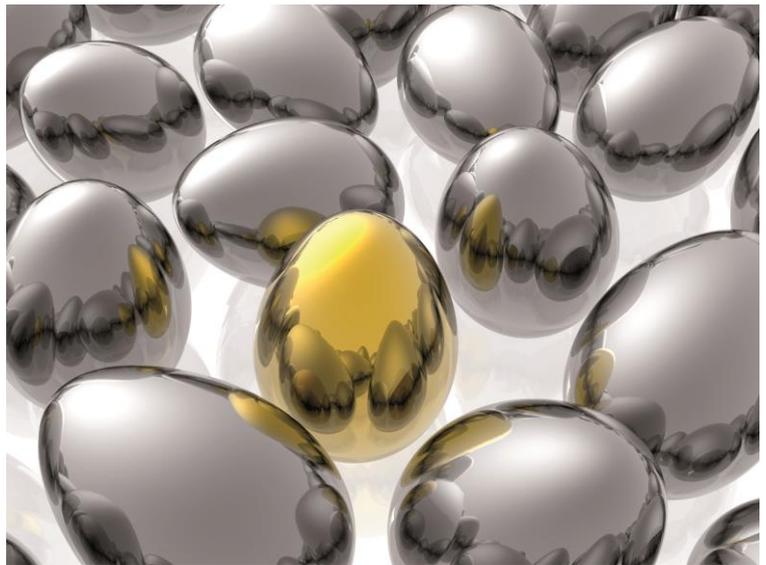
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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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# 01



## Purpose of this paper

The purpose of this paper is to update the Audit Committee on our progress in meeting our responsibilities as your external auditor. We also include in this paper key emerging national issues and developments which may be of interest to the Audit Committee and actions that you may want to consider.

If you need any additional information please contact Mark Kirkham or Martin Barnes using the contact details at the end of this update.

Finally, please note our website address ([www.mazars.co.uk](http://www.mazars.co.uk)) which sets out the range of work Mazars carries out across the UK public sector. It also details the full extent of services Mazars provides within the UK and abroad.

# 02

## Summary of audit progress



Since the Committee last met, we completed all aspects of the Council's 2012/13 audit, as follows:

- the 2012/13 Annual Audit Letter has been issued, and is now also available on the Audit Commission website;
- we completed our work and certified the Council's 2012/13 Housing and Council Tax Benefits Subsidy Claim, and submitted the required documentation to the Department for Work and Pensions within the prescribed timetable; and
- a report summarising the work done, fees and findings from certification of 2012/13 grants and other funding returns has been agreed with management and submitted to the Audit Commission.

We presented to the Committee in September 2013 on Audit Quality, highlighting the Financial Reporting Council's Audit Quality Inspections Annual Report 2012/13. We recently learned that the 2012/13 audit of Stockton-on-Tees Borough Council has been selected for Audit Quality Review. We will update the committee at future meetings.

## Summary of audit progress (continued)

In November 2013 we were commissioned to complete certification procedures on the Council's Audit Grant Report and Accounts Return for Initial Teacher Training (ITT). The ITT Grant is no longer within the certification remit of the Audit Commission, but the Council still has to arrange certification. We completed agreed procedures and submitted our report to the National College of Teaching and Leadership before its deadline. Our fee for the work was £2,000, excluding VAT.

Our planning for the 2013/14 audit is now well under way. We are on target to present our Audit Strategy Memorandum to the Audit Committee at its next meeting. This document will set out the risks we identify for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

# 03



## Emerging issues and developments

The following pages outline for your attention some significant emerging issues and developments in respect of:

- Auditing the Accounts 2012/13, Quality and timeliness of local public bodies' financial reporting;
- Future of Local Audit: Consultation on Secondary Legislation, DCLG;
- Audit Commission oversight of audit quality, quarterly reports;
- Audit Commission consultation on 2014/15 fees;
- Financial Reporting Council Audit Quality Thematic Review: Materiality; and
- Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14.

# Emerging issues and developments

Issue / development	Possible action
<p><b>Auditing the Accounts 2012/13, Quality and timeliness of local public bodies' financial reporting</b></p> <p>This Audit Commission report summarises the financial reporting outcomes for local authorities and other bodies within its regime. Audit opinions were issued at 99% of councils by 30 September 2013. The report names authorities that produced their accounts early and also names those where there were delays or non standard wording to the auditor's reports.</p>	<p>The Council met all of the statutory deadlines and received an unqualified audit opinion on 30 September 2013.</p> <p>The report can be found at <a href="http://www.audit-commission.gov.uk/2013/12/commission-highlights-year-on-year-improvement-in-financial-reporting/">http://www.audit-commission.gov.uk/2013/12/commission-highlights-year-on-year-improvement-in-financial-reporting/</a></p>
<p><b>Future of Local Audit: Consultation on Secondary Legislation, DCLG</b></p> <p>The Local Audit &amp; Accountability Act 2014 received Royal Assent on 30 January 2014.</p> <p>This DCLG consultation was wide ranging, but also includes proposals in relation to the Accounts and Audit Regulations. One important consultation question, of wider interest to authorities, is whether the local authority accounts production timetable should be brought forward.</p> <p>The consultation has now closed and we are awaiting the results of the process.</p>	<p>If the accounts timetable is brought forward this would impact on the Council's accounts production processes.</p> <p>The consultation can be found at: <a href="http://localaudit.readandcomment.com/">http://localaudit.readandcomment.com/</a></p>

# Emerging issues and developments

Issue / development	Possible action
<p><b>Audit Commission oversight of audit quality, quarterly reports</b></p> <p>Our regulator, the Audit Commission, also publishes quarterly and annual reports on the quality of the work it has outsourced to the firms. There are no significant issues highlighted in respect of Mazars LLP.</p>	<p>See Appendix A for a summary of Mazars' internal quality control processes.</p> <p><a href="http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/">http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/</a></p>
<p><b>Audit Commission consultation on 2014/15 fees</b></p> <p>The Audit Commission is consulting on its 2014/15 proposed work programme and scales of fees. The proposal is that 2014/15 scale audit fees are set at the same level as the fees applicable for 2013/14, thus locking in the 40 per cent reduction made to fees from 2012.</p> <p>The consultation closed on 10 January 2014 and the Commission plans to publish the final work programme and scales of fees for 2014/15 in March 2014.</p>	<p>For information only.</p> <p>Updates to follow, see <a href="http://www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scale-of-fees-201415/">http://www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scale-of-fees-201415/</a></p>
<p><b>Financial Reporting Council Audit Quality Thematic Review: Materiality</b></p> <p>The FRC reported on its review of auditor's consideration and application of materiality. The review did not refer to the public sector, however the principles are relevant.</p>	<p>Our Audit Strategy Memorandum will provide details of our assessment of materiality for the Council.</p>

# Emerging issues and developments

Issue / development	Possible action
<p><b>Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14</b></p> <p>The Audit Commission's latest research, published in November 2013, Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14, shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges.</p> <p>But, the Commission says, with uncertainty ahead, councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.</p>	<p>As reported in our Annual Audit Letter and VFM conclusion for 2012/13, to date the Council has demonstrated financial resilience.</p> <p>In common with the national picture, we also identified that the Council faces significant financial challenges and difficult decisions will need to be considered.</p> <p>The report can be found at <a href="http://www.audit-commission.gov.uk/2013/11/councils-show-financial-resilience-but-must-continue-adapting/">http://www.audit-commission.gov.uk/2013/11/councils-show-financial-resilience-but-must-continue-adapting/</a></p>

# 04

## Contact details



Mark Kirkham

Director and Engagement Lead

[mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk)

0113 3878850

Martin Barnes

Senior Manager

[martin.barnes@mazars.co.uk](mailto:martin.barnes@mazars.co.uk)

0191 383 6325

Address:

Rivergreen Centre

Aykley Heads

Durham

DH1 5TS