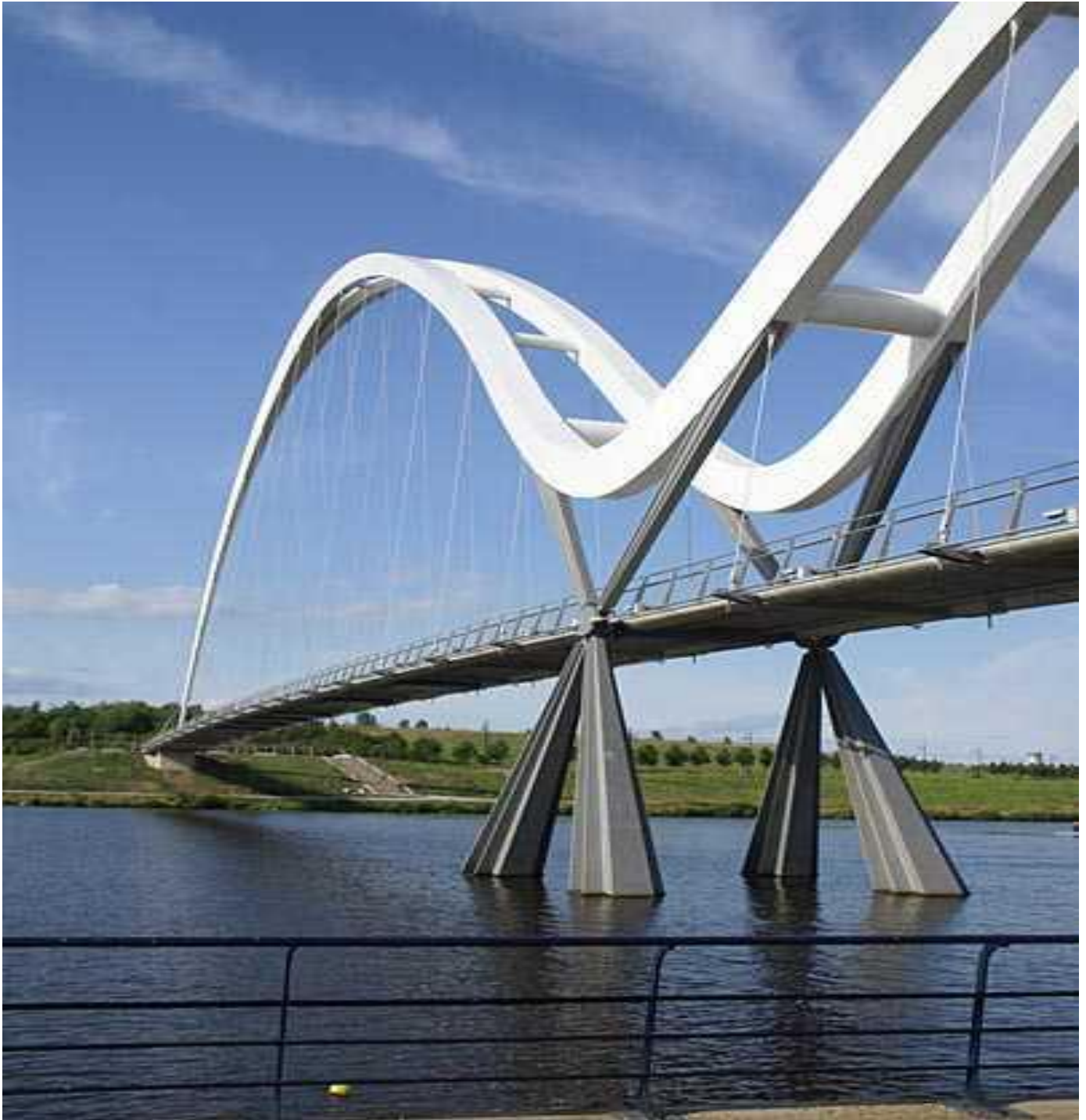


# Audit Completion Report

Stockton-on-Tees Borough Council – year ended 31 March 2014

September 2014



Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham, DH1 5TS

The Audit Committee  
Stockton-on-Tees Borough Council  
Municipal Buildings  
Church Road  
Stockton-on-Tees  
TS18 1LD

September 2014

Dear Members

**Audit Completion Report – Year ended 31 March 2014**

We are delighted to present our Audit Completion Report for the year ended 31 March 2014. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 23 June 2014. We have reviewed the significant audit risks and areas of management judgement included in our Audit Strategy Memorandum and during the course of the audit we subsequently identified the following significant risks/areas of management judgement:

- Financial and governance arrangements supporting 'Big Ticket' savings schemes. See Section 06 of this report.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me 0191 383 6300 or [mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk).

Yours faithfully

Mark Kirkham  
Mazars LLP

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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 re prepared for the sole use of the audited body and we take no responsibility to any Member, Director or Manager in their individual capacity or to any third party.

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# 01 Executive summary

## **Purpose of this document**

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2014 to the Audit Committee members of Stockton-on-Tees Borough Council (the Council) and forms the basis for discussion at the Audit Committee meeting on 29 September.

Our communication with you is important to:

- Share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- Provide you with constructive observations arising from the audit process;
- Ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Council;
- Receive feedback from yourselves as to the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

## **Status and audit opinion**

We have substantially completed our audit of the financial statements for the year ended 31 March 2014.

At the time of preparing this report, the only significant matter outstanding relates to receipt of the information we require from the local government pension fund administering authority's auditor (Deloitte LLP).

We will provide an update to you in relation to the matters outstanding above.

We expect to be able to certify the closure of the 2013/14 audit by 30 September 2014. We have not received any objections to the Council's 2013/14 statement of accounts from electors and have no outstanding matters or correspondence with electors.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 3 October 2014.

Our proposed audit report is set out in Appendix B.

# 02 Financial highlights

## Comprehensive Income and Expenditure Statement

The statement shows the cost of providing services for 2013/14 prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2013/14. The statement shows a deficit for the year for the provision of services of £175 million, which does not differ significantly from the Council's reported performance on its revenue budget. Net spending on services was £57 million less than in 2012/13, which reflects the following key movements between years:

- For Education and Children's Services expenditure, in 2012/13 the £73 million impact from a reduction in the value of school buildings was included. The revaluation was not repeated this year, but current expenditure includes £44 million from the disposal of assets to schools that became academies. New academy schools also reduced service expenditure by £12 million compared to 2012/13.
- The significant fall in income in Central Services to the Public arose from new requirements for Councils to make local arrangements for Council Tax discounts. The system of subsidy that was replaced, meant that in 2012/13 income includes the £18 million subsidy the Council no longer receives.
- Taxation and Non-Specific Grant income reduced by 30%, reflecting reform of the Council Tax and Non-Domestic Rates regimes from which the Council raises much of its resources.

## Balance Sheet

The balance sheet shows the value of the Council's assets and liabilities on a single date at the year end. The main factors affecting the Balance Sheet in 2013/14 were:

- the value of Property, Plant and Equipment fell by 10% which was predominantly due to the transfer of the assets of a number of schools that became academies during the year;
- net current assets were £74 million at the year end, showing as in 2012/13 a healthy position on liquidity;
- short term borrowing has increased compared to the previous year, as an £8 million loan became due in 2014/15; and
- the Council's net assets are matched by reserves which comprise both usable and unusable balances. Among useable reserves, a new £14 million reserve for the renewal of street lighting in the Borough was created during the year. This increase was offset by utilisation of some other reserves, in particular those for insurance and litigation which reduced by £9.6 million.

# 03 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We have concluded that the financial statements have been prepared in accordance with the financial reporting framework; and
- any significant difficulties we experienced during the audit.

## Significant risks

We set out below the significant audit risks identified in our Audit Strategy Memorandum, to which we paid particular attention during our audit in order to reduce the risk of material misstatement in the financial statements.

### Management override of controls

#### Description of the risk

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 override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk in the following ways:

- auditing accounting estimates that have a significant impact on the amounts included in the financial statements, such as depreciation and the movements and balances applicable to the pensions schemes;
- considering whether there were significant transactions outside the normal course of business, and concluding that there are not; and
- testing additional samples of journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Our audit has provided the assurance we sought and has not identified any matters to bring to your attention.

## Revenue recognition

### Description of the risk

There is a risk of fraud in financial reporting relating to revenue recognition, due to the potential to inappropriately record income in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.

This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.

### How we addressed this risk

We will evaluate 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:

- extended testing of receipts and payments at the end of 2013/14 and the start of 2014/15 to ensure that they have been recognised in the right year;
- testing adjustment journals; and
- obtaining direct confirmation of year end bank balances and testing the reconciliations to the ledger.

### Audit conclusion

Our audit has provided the assurance we sought and has not identified any matters to bring to your attention.

## Pension reserve and liability, and related disclosures

### Description of the risk

The Council is required to include information in its financial statements which is provided by the Teesside Pension Fund actuary and based on assumptions and estimates. The valuation of pension fund assets and liabilities may be materially misstated as relatively small changes to the assumptions used can result in material changes to the estimates.

### How we addressed this risk

We will review your controls over establishing estimates, including arrangements for liaising with the Pension Fund and controls over information provided to the Actuary.

We will consider your procedures for reviewing the reasonableness of the assumptions used by the Actuary.

We will liaise with the Pension Fund auditor as set out in the Audit Commission's protocol, to obtain required assurances on the accuracy of information provided to the Actuary by the Pension Fund.

### Audit conclusion

We have not yet received the information we require from the Teesside Local Government Pension Fund administering authority's auditor (Deloitte LLP), and cannot yet conclude on this risk. We will update those charged with governance in due course.

## Key areas of management judgement

We also identify the areas of the accounts which involve significant management judgement in their preparation. These are included for Members' information, to enhance understanding of the financial statements and communicate qualitative aspects of the Council's accounting practices. Whereas for the significant risks above we undertake additional audit procedures to mitigate the risk of misstatement, for the key areas of management judgement we are able to obtain the required audit assurances from our normal audit procedures.

## Valuation of non-current assets

### Description of the area of management judgement

The Council values all Property, Plant and Equipment over a rolling five year period but is required to ensure that there are no material differences in valuations each financial year.

There is a risk that that some material classes of assets may not have been included for valuation in year resulting in a material misstatement.

There is also a risk of material misstatement due to high estimation uncertainty. This is because any percentage change in valuations may result in a material difference due to the size of the asset base.

### How we addressed this area of management judgement

We will review the valuer's report on asset valuations and asset lives, and their work programme.

We will substantively test the material entries in the financial statements for existence, valuation and rights and obligations.

### Audit conclusion

We concluded that management's arrangements for using an expert valuer were appropriate to properly estimate the value of properties in line with accounting policies.

Our work identified no significant matters to bring to your attention.

## Other key areas of management judgement

### Description of the area of management judgement

- Reserves and provisions; and
- Manual accrual of payables and receivables

### How we addressed this area of management judgement

- We have tested material reserves and provisions and the movements in and out during the year; and
- We evaluated the design and implementation of controls over year end accruals, and tested the appropriateness of accrued expenditure on a sample basis. Prepayments and accrued income was not material.

### Audit conclusion

- Reserves and provisions are fairly stated in the accounts, but we noted that there are no clear standing orders or financial instructions which govern the creation of, or allocation of funds to, earmarked reserves.
- There are no matters arising from our work on accrued expenditure that we need to bring to your attention.



## **Accounting policies and disclosures**

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting.

The main changes during the year arose from the amendments to International Accountancy Standard 19 Employee Benefits, affecting presentation and disclosure of pension information. The financial statements reflect the changes, and are not materially misstated in this regard.

## **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.

# 04 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

Matters reported here would be 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.

We did not highlight any internal control issues during the audit.

## Follow up of previous internal control points

We set out below an update on an internal control point raised in the prior year.

### Description of deficiency

The monthly debtors and creditors control accounts reconcile monthly movement rather than the balance. Reconciliation of the year end debtor balance for the audit indicated an imbalance of £105k.

### Potential effects

Debt recovery procedures may not operate effectively, and financial statements could be misstated.

### Remedial action

Fully reconcile the Ledger balance with Aged Debtor and Creditor reports from the payables and receivables modules.

### Management response

Xentrall have changed the reconciliation process in line with recommendations from both internal and external audit.

# 05 Summary of misstatements

We set out below the misstatements and uncertainties, adjusted and unadjusted identified during the course of the audit, above the level of triviality we have set.

## Adjusted misstatements

The misstatements that have been adjusted by management during the course of the audit included:

- restatement of several elements of non-cash movements, and to other investing receipts, within the Cashflow Statement. Trivial net impact on cash and cash equivalents, however;
- correction of audit fees per Note 22, to include variation to scale fee; and
- income and expenditure in 2012/13 for Planning Services were both overstated by £8,483k, as an adjustment to the 2012/13 accounts had not been included.

## Unadjusted misstatements

The table below shows the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

	CIES		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
1 Dr Short Term Borrowing				469
Cr Long Term Borrowing [Being accrued interest not posted in line with Code requirements]			469	
2 Dr Property, Plant and Equipment			346	
Cr Continuing Operations: Expenditure [Being incorrect calculation of depreciation]		346		
<b>Total unadjusted misstatements</b>	-	346	815	469

## Disclosure amendments

During our review of the financial statements and other information we have identified amendments to disclosures which have been amended or adjusted during the audit. The main amendments were as follows:

- typographical, grammatical and formatting issues corrected to improve clarity of disclosure;
- in Note 29, cash and cash equivalents are now included, and amendments have been made to the disclosed amounts for short term debtors and creditors and finance leases; and
- in Note 29.2 the fair value of loans and receivables is now shown.

## Further improvements

We highlighted in 2012/13 a small number of areas where the Council could improve its arrangements for accounts preparation and review. We revisited these areas during the 2013/14 audit, as set out below.

**Description of deficiency**

The accounting treatment for Tees Valley Unlimited (TVU) is driven by its governance arrangements, but these date back many years to other regeneration organisations, and are not clearly set out.

**Remedial action proposed**

Clarify the Council's role and responsibilities as the accountable body for TVU, and agree with LEP partners.

**Management response**

Discussions regarding the future governance arrangements of Tees Valley Unlimited are progressing with the other Tees Valley local authorities. In the meantime the Council has strengthened financial governance arrangements in support of TVU.

**Description of deficiency**

Our work highlighted that there are no clear standing orders or financial instructions for earmarked reserves, which would assist our testing.

**Remedial action**

Clarify the roles of officers and members in the creation of, or allocation of funds to, earmarked reserves.

**Management response**

The Council is reviewing its arrangements for earmarked reserves following new guidance that has been recently published by CIPFA, and will bring forward recommendations before the end of the financial year.

**Description of deficiency**

Over time, application of the current accounting policy has resulted in the provision for impairment of Collection Fund debts increasing to the majority of the outstanding amount.

**Remedial action**

The Council should review its accounting policy for making provisions for the impairment of Council Tax and NNDR debtors.

**Management response**

The Council has reviewed its processes for impairment. However, 2013/14 saw the introduction of the Local Council Tax Support Scheme and the new arrangements for the retention of Business Rates and in view of this it was considered prudent to defer any changes that reduce the impairment provision until the 2015/16 budget setting process.

# 06 Value for money

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do this by considering the Council's arrangements against two criteria specified by the Audit Commission:

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

In our Audit Strategy Memorandum for 2013/14 we set out that the main focus of our VFM work would be the arrangements for delivery of the Medium Term Financial Plan (MTFP). We subsequently recognised a new partnerships, joint ventures and 'invest to save' initiatives have become significant features in delivering the savings required under the MTFP. These developments gave rise to a new significant risk to our 2013/14 VFM conclusion, which is summarised below.

## Significant Value for Money risk

### Financial and governance arrangements supporting 'Big Ticket' savings schemes

#### Description of the risk

Partnerships, joint ventures and 'invest to save' initiatives have become significant features in the Council's plans to preserve service delivery and financial stability, whilst delivering the savings required in the Medium Term Financial Strategy.

The arrangements the Council has in place to enter into such new and often innovative service reconfigurations have become key to the Council's ability to deliver its MTFP and secure value for money from the spending and investments involved.

#### How we addressed this risk

In order to update our knowledge of the Council's arrangements, we selected an example of a service reconfiguration initiative linked to the delivery of MTFP savings, and carried out an independent assessment of:

- the decision making process that resulted in the formation of a limited liability partnership with a private sector partner. We considered the extent to which the venture demonstrates a project which is economically sound, strategically appropriate, financially viable and well managed; and
- the Council's arrangements for managing risks in procurement of a service provider and property assets.

#### Conclusion

We issued a draft report to the Council on this area which concluded that, based on our assessment of the Spark of Genius NE LLP project, in seeking new and innovative ways to deliver services the Council has arrangements that:

- seek to safeguard public money;
- consider the needs of citizens; and
- aim to comply with laws and regulations.

Our work found evidence of controlled and innovative processes when procuring new ways of providing statutory services.

We have completed all of our planned work and intend to issue an unqualified Value for Money conclusion as set out in Appendix B. The table below summarises our findings for each of the Audit Commission criterion:

Criteria	Summary of findings	Conclusion
Financial resilience	<p>The Council has systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p> <p>There is an up-to-date Medium Term Financial Strategy which is aligned to priorities, and realistic assumptions underpin financial planning. Savings plans are expected to deliver forecast budget gaps, and progress is regularly reported to the Cabinet and Council.</p> <p>The financial position remains sound, with spending being contained within available resources, and General Fund balances maintained at the target level.</p>	Criteria met
Securing economy, efficiency and effectiveness	<p>The Council has been effective in prioritising resources within tighter budgets and there are examples where cost reductions have been achieved whilst maintaining service standards by improving efficiency and productivity.</p> <p>The Council challenges its service costs and income in the restructuring and redesign of services as part of 'Big Ticket' reviews in areas of high spending, where it can make the biggest impact.</p> <p>The organisation is aware of the resources available from relevant and potential partners. Opportunities for collaboration and partnership are actively pursued at a local and regional level.</p>	Criteria met

# Appendix A – Draft management representation letter

*To be provided by the CC to us on client headed note paper. It should be signed and dated as close to (but not after) the date of the audit report as possible.*

Mr M Kirkham  
Director  
Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

September 2014

Dear Mark

## **Stockton-on-Tees Borough Council - audit for year ended 31 March 2014**

This representation letter is provided in connection with your audit of the statement of accounts for Stockton-on-Tees Borough Council for the year ended 31 March 2014 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.

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **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 Corporate Director of Resources 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 Cabinet 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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.

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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## **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.

We have 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 Corporate Director of Resources 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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.

#### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 are immaterial, both individually and in aggregate, to the statement of accounts as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

Julie Danks  
Corporate Director of Resources

# Appendix B – Draft audit report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STOCKTON-ON-TEES BOROUGH COUNCIL

### Opinion on the Authority financial statements

We have audited the financial statements of Stockton-on-Tees Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow 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 2013/14.

This report is made solely to the members of Stockton-on-Tees Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### Respective responsibilities of the Corporate Director of Resources and auditor

As explained more fully in the Statement of Responsibilities, the Corporate Director of Resources 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, 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 Corporate Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. 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 Stockton-on-Tees Borough Council as at 31 March 2014 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 2013/14.

### Opinion on other matters

In our opinion, the information given in the explanatory foreword 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 reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

### **Respective responsibilities of the Authority and the auditor**

The Authority 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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 Authority'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 have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority 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 criteria published by the Audit Commission, we are satisfied that, in all significant respects, Stockton-on-Tees Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

### **Certificate**

We certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Mark Kirkham  
For and on behalf of Mazars LLP

Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

[Date]

# Appendix C – Independence

As part of our ongoing 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.