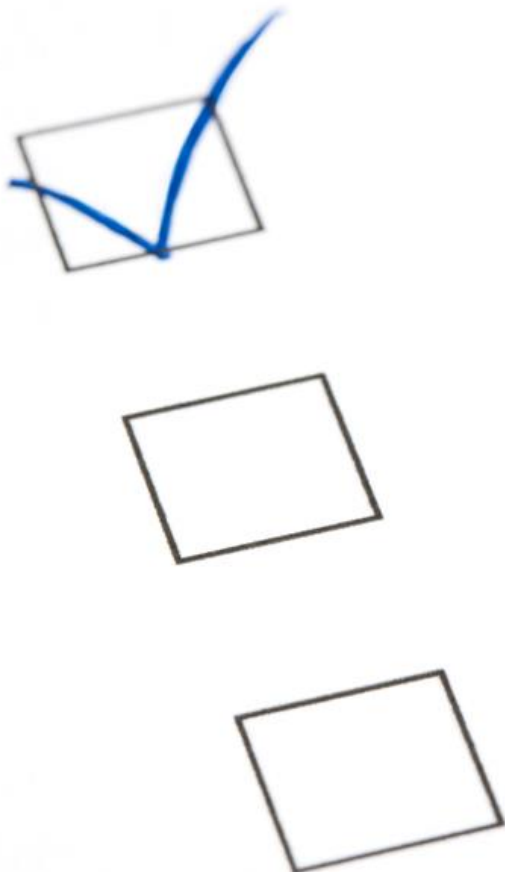


Stockton-on-Tees Borough Council



Audit Progress Report

December 2014



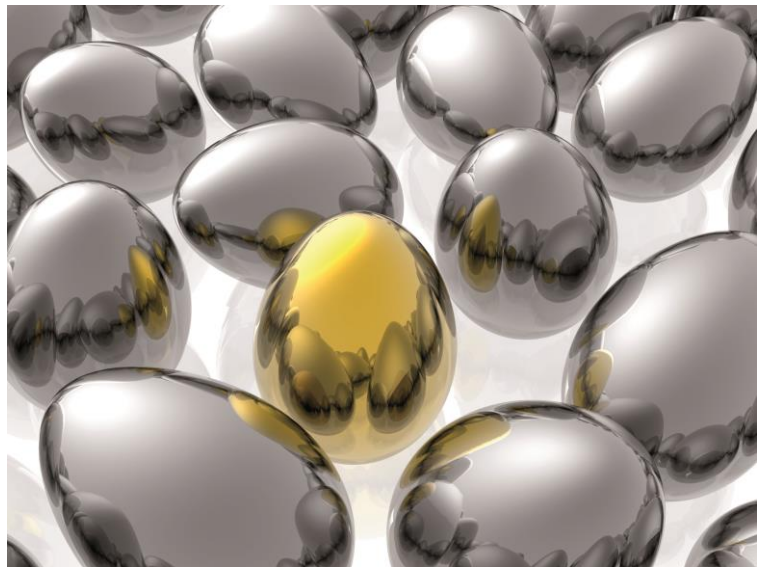
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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use 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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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) 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.

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Summary of audit progress



Audit of the 2013/14 financial statements

Following the Committee meeting on 29th September 2014 and the Council meeting the following day, we issued an audit report including an unqualified opinion on the Council's financial statements on 30 September 2014. Our audit report included a conclusion that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

We reported to the National Audit Office (NAO) on 30th September 2014 that the Council's 2013/14 Whole of Government Accounts consolidation pack was consistent with the audited financial statements. This enabled us to certify completion of the 2013/14 audit in our report.

We have now agreed our Annual Audit Letter for 2013/14 with the Council, for presentation to the Committee, and to Cabinet at a future meeting.

Audit of the 2014/15 financial statements

We have begun the early planning stages of the 2014/15 audit, updating our knowledge of the key financial systems that underpin the production of the annual financial statements.

Certification of claims and returns

Work on the 2013/14 Housing Benefits Subsidy Claim is complete, and we expect to certify the claim before the Department of Work and Pensions deadline of 30 November 2014.

The Council is required by funding bodies to arrange independent certification of a range of grant claims and returns that are now outside the Audit Commission regime. We included details of such schemes in our Certification Plan, which was presented to the Committee in June 2014.

In recent weeks we have discussed and agreed engagement terms with the Council, including the procedures to be undertaken and the form of our report, for certification of the following funding claims and returns:

- 2 schemes under s256 Health Act 2006, the fee yet to be determined;
- Initial Teacher Training for the National College of Teaching and Leadership, the fee being £2,000;
- Teachers Pension Return, the fee being £2,750; and
- For Tees Valley Unlimited, returns for two schemes under the Regional Growth Fund, with total fees of £9,200.

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Emerging issues and developments

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

- Transitional arrangements regarding the Local Audit and Accountability Act 2014;
- Protecting the Public Purse 2014, recently published by the Audit Commission;
- NFI information packs; and
- Interpreting the Accounts: A Review of Local Government Financial Ratios 2007/08 to 2012/13, recently published by the Audit Commission.

Emerging issues and developments

Issue / development	Possible action
<p>Transitional arrangements regarding the Local Audit and Accountability Act 2014</p> <p>At a recent meeting of public sector audit suppliers, the following matters were among those discussed:</p> <ul style="list-style-type: none"> • The Council’s 2014/15 audits will be delivered under the Audit commission Act 1998, and the 2015/16 audit will be the first under the LA&A Act 2014; • The existing Code of Audit Practice will continue to apply in 2014/15, moving to the NAO Code (expected April 2015) for 2015/16 onwards; • Under the LA&A Act, auditors must have ‘regard to’ the guidance issued by the NAO. This is not the same as our current contractual requirement; and • NAO will continue to run technical networks for NHS, local government and smaller bodies; 	<p>We will keep the Committee informed on the implementation of the Act in our Progress Reports and Briefings.</p>
<p>Protecting the Public Purse</p> <p>The Audit Commission’s latest report on fraud in local government revealed the highest value of fraud detected by England’s councils since the Audit Commission turned the spotlight on 25 years ago. Fraud valued at £188 million was detected in 2013/14, a ten-fold increase since 1990 and beating all records for the past 25 years.</p>	<p>The Report can be found at http://www.audit-commission.gov.uk/2014/10/highest-value-of-fraud-detected-by-councils-since-audit-commission-turned-the-spotlight-on-25-years-ago/</p>

Emerging issues and developments

Issue / development	Possible action
<p>NFI information packs The Audit Commission recently distributed information packs for information. The pack brings together key facts about the NFI, the Council's NFI outcomes and comparisons to your nearest neighbours.</p>	<p>Further information on the National Fraud Initiative can be found at http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/</p>
<p>Interpreting the Accounts: A Review of Local Government Financial Ratios 2007/08 to 2012/13 The report by the Audit Commission invites local government to help armchair auditors interpret accounts. It describes changes in the ratios for English councils during a period of considerable change for local government finance, and calls on local government to compile its own financial ratios data for comparison after the Commission closes in March 2015.</p>	<p>The Report can be found at http://www.audit-commission.gov.uk/2014/09/audit-commission-invites-local-government-to-help-armchair-auditors-interpret-the-accounts/</p>

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