

Darlington Borough Council

*SAS 610 Report – ‘Communication of relevant
audit matters to those charged with governance’*

September 2005

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Statement of Responsibilities of Auditors and Audited Bodies

In April 2000, the Audit Commission issued a revised version of the Statement of Responsibilities of Auditors and Audited Bodies. It is available from the Chief Executive of each audited body.

The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end, and what is to be expected of the audited body in certain areas.

Our reports to management and management letters are prepared in the context of this statement.

Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any director or officer in their individual capacity, or to any third party.

1 Introduction

Statement of Auditing Standard (SAS) 610: 'Communication of audit matters to those charged with governance' requires us to communicate relevant matters relating to the audit of the financial statements to those charged with governance. As we set out in the Audit Service Plan in April 2005, we have assumed that 'those charged with governance' at Darlington Borough Council ("the Council") is the Cabinet.

SAS 610 specifically requires us to communicate the following matters to those charged with governance:

- expected modifications to the auditors' report;
- unadjusted misstatements;
- material weaknesses in the accounting and internal control systems identified during the audit;
- views on the qualitative aspects of the Council's accounting practices and financial reporting;
- matters specifically required by other auditing standards to be communicated to those charged with governance; and
- any other relevant matters relating to the audit.

With regard to the individual points noted above, Cabinet should give consideration to the issues contained in this report prior to the sign-off of the accounts by the Director of Corporate Services.

More detail on the major issues outlined here will be included in an Audit and Inspection letter that will be issued in due course.

2 Status of the audit

The audit fieldwork for the financial statements is complete.

3 Expected moderations to the audit report

We anticipate giving an unqualified audit report on the 2004/05 accounts before the end of September 2005.

4 Unadjusted misstatements

The appendix to this report sets out the unadjusted misstatements that we have identified in the course of our audit work. The net impact of these errors is that the asset position on the balance sheet is understated by £159,322 and the costs recorded in the CRA are overstated by £159,322. The unadjusted items are not material in the context of the Statement of Accounts as a whole and will not prevent us providing an unqualified opinion.

Members of the Cabinet are requested to formally consider the unadjusted errors listed in the appendix to determine whether they would wish the accounts to be amended.

5 Weaknesses in the accounting and internal control systems identified as part of the audit

We did not identify any significant control weaknesses during the course of our audit.

6 Our views on the qualitative aspects of the Authority's accounting practices and financial reporting

The working papers produced by the Council were prepared to a good standard and appropriate explanations were given in response to our queries. We would like to take this opportunity of thanking the Director of Corporate Services and his team for the co-operation we received during the course of our audit work.

We would like to commend finance staff for the steps they took to secure early closing and preparation of the accounts for 2004/05.

7 Matters required to be communicated by other auditing standards and any other matters relating to the audit

There are no issues that we wish to draw to Cabinet's attention under this heading.

Appendix: Summary of unadjusted misstatements

Item	Description	Balance Sheet Impact (£)		CRA Impact (£)
		Assets	Liabilities	
1	Dr Provisions Cr CRA Reversal of provision for legal and other costs associated with the single status issue. The provision is general in nature and is not allowable under FRS 12.		116,000	(116,000)
2	Dr Creditors Cr CRA Write-out of historic creditors raised in error or which will not be settled.		18,735	(18,735)
3	Dr HRA Cr CRA Representing an error in the calculation of interest on notional cash mbalances in the HRA.			7,834 (7,834)
4	Dr Creditors Cr CRA Representing an overaccrual for early retirement costs.		13,395	(13,395)
5	Dr Creditors Cr CRA Representing an overaccrual for contributions for Travellers' education and Education for ethnic minorities.		18,379	(18,379)
	TOTALS		166,509	(166,509)

The net errors arising are an understatement in net assets of £166,509 and an overstatement of costs amounting to £166,509. These misstatements are not material in isolation or in aggregate.