

Darlington Borough Council

Annual Audit Letter

2014/15

Government and
Public Sector

October 2015

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of 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 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 Member or officer in their individual capacity or to any third party.

An audit is not designed to identify all matters that may be relevant to those charged with governance. Our audit does not ordinarily identify all such matters.

Introduction

The purpose of this letter

This letter summarises the results of our 2014/15 audit work for members of the Council.

We have already reported the detailed findings from our audit work to the Audit Committee in the following reports:

- Audit opinion for the 2014/15 financial statements, incorporating conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- Report to those charged with Governance (ISA (UK&I) 260);
- Annual Certification Report (to those charged with governance); and

The matters reported here are the most significant for the Council.

Scope of Work

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2015 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

Audit Responsibility	Results
<i>Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).</i>	<p>We completed our audit work and we issued an unqualified audit opinion on the Statement of Accounts on 30 September 2015 and we confirmed the Statement of Accounts:</p> <ul style="list-style-type: none">• give a true and fair view of the state of the Council's affairs as at 31 March 2015 and of the Council's income and expenditure and cash flows for the year then ended; and• have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 the CIPFA Service Reporting Code of Practice 2014/15.
<i>Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.</i>	<p>The size of the Council's assets (excluding Property, Plant and Equipment), liabilities (excluding pensions), expenditure and income are below the National Audit Office's threshold for us to report on the accuracy of the consolidation pack. Our reporting to the NAO has therefore been limited to this statement of fact.</p>

Audit Responsibility	Results	Audit Responsibility	Results
<p>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</p>	<p>Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Council has put in place proper arrangements to secure financial resilience and to secure economy, efficiency and effectiveness in the use of resources.</p> <p>Due to the Council receiving an “inadequate” rating as the result of an Ofsted inspection of its Children’s Services in June/July 2015 we issued a modified opinion on the basis that the matters in the report implied that the delivery of the Children’s Services were not efficient or effective. Other than that there were no other matters to report.</p>	<p>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</p>	<p>Based on the results of our audit of the Council, no matters have come to our notice that have required reporting in the public interest.</p>
<p>Consider the completeness of disclosures in the Authority’s annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</p>	<p>We considered the completeness of disclosures within the annual governance statement and consistency with the statement of accounts. We also considered the statement against our understanding of the Council from meetings with management, attendance at the Audit Committees, review of minutes and audit work performed. No issues in relation to this consistency.</p>	<p>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</p>	<p>No matters have come to our notice that requires action to be taken in relation to our responsibilities under the Audit Commission Act.</p>
<p>Consider the completeness of disclosures in the Authority’s annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</p>	<p>We considered the completeness of disclosures within the annual governance statement and consistency with the statement of accounts. We also considered the statement against our understanding of the Council from meetings with management, attendance at the Audit Committees, review of minutes and audit work performed. No issues in relation to this consistency.</p>	<p>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</p>	<p>We issued a certificate on 30 September 2015 to confirm we had completed our audit work in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.</p>

Audit Findings

Accounts

We audited the Council's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 30 September 2015.

We noted significant issues arising from our audit within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented to the Audit Committee in September 2015. There are no matters that we wish to draw to your attention in this letter.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether you had in place, for 2014/15, proper arrangements to secure economy, efficiency and effectiveness in your use of the Council's resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

- that the organisation has proper arrangements in place for securing financial resilience; and
- that the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

To reach our conclusion, we carried out a programme of work that was based on our risk assessment.

The Council was subject to an Ofsted inspection of its Children's Services in June/July 2015, with the final results being published on 1 September 2015. This resulted in the Council being provided with an overall "inadequate" rating. The matters set out in the Ofsted report imply that the delivery of Children's services were not efficient or effective. As a result we modified our opinion on the ability of the Council to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

With the exception of the above matter we are satisfied that in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the National Audit Office. The pack was submitted on 2 October 2015. As the value of the Council's assets (excluding Property, Plant and Equipment), liabilities (excluding pensions), income and expenditure were below the audit threshold of £350m, they were not subject to audit.

Certification of Claims and Returns

We presented our most recent Annual Certification Report for 2013/14 to those charged with governance in February 2015. We certified two claims worth £39.5 million.

Other matters reported to those charged with governance

These are the matters we consider to be **most significant** for the Council and have been raised with those charged with governance. Other, less significant recommendations have been brought to the attention of management.

Deficiency	Recommendation	Management response
<p>Related Party Transactions</p> <p>The members' interest forms require members to disclose all interests in other organisation but not the nature of these interests. This means that significant time and judgement is required by management when pulling together the related parties disclosure for the accounts.</p>	<p>We recommend that the members' interest forms are updated to require members to disclose the nature of their interest to streamline the process for compiling the related parties information for the accounts.</p>	<p>Agreed - The Head of Legal Services to review the design of members' interest's forms.</p>
<p>Council dwellings valuation</p> <p>During work performed on the valuation of Council properties, it was noted that the number of properties used in the valuation were overstated by 127, resulting in an overstatement of the valuation by £2.970m. This was due to a full reconciliation not being performed between the Orchard housing rents system and the number of properties used within the valuation.</p>	<p>A reconciliation should be performed at each valuation between the number of Council properties recorded onto the Orchard system and the number and type of properties used within the year end valuation, to ensure any additions or disposals are taken into account within the valuation.</p>	<p>Agreed - a procedure has been put in place so that the appropriate changes are made to the valuation data to ensure that it agrees with the Orchard system before the Valuation.</p>
<p>Agresso access controls</p> <p>When performing testing on a sample of staff who have left the Council to ensure their access had been removed, we found issues with the timeliness of removal of leavers from the Agresso application. One employee who had logged on after their leave date. This was further investigated, and it was noted that this was due to the employee logging onto the system to post an expenses claims, and we confirmed that they were unable to post accounting transactions to Agresso in their role.</p>	<p>Staff should be removed from Agresso on a timely basis once they have left employment.</p>	<p>Agreed - there are now processes in place to comply with this recommendation.</p>

Final Fees

Final Fees for 2014/15

We reported our fee proposals in our audit plan.

As a result of the need to perform additional work during our review of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources we are currently in the process of agreeing the fee over and above the scale element with Public Sector Audit Appointments Limited (PSAA) and will report the final position in due course.

Our fee for certification of claims and returns is yet to be finalised for 2014/15 and will be reported to those charged with governance within the 2014/15 Annual Certification Report.

Our fees charged to date are:

	2014/15 outturn	2014/15 fee proposal	2013/14 final outturn
Audit work performed under the Code of Audit Practice	£124,352	£124,352	£123,282
- Statement of Accounts			
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
Certification of Claims and Returns	£11,880	£11,880	£13,364
Non Audit Work	-	-	-
TOTAL	£136,232	£136,232	£136,646



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