

Darlington Borough Council

Annual Audit Letter

2013/14

Government and
Public Sector

October 2014

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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. Accordingly, the audit does not ordinarily identify all such matters.

Introduction

The purpose of this letter

This letter summarises the results of our 2013/14 audit work for members of the Authority. We have already reported the detailed findings from our audit work to the Audit Committee in the following reports

- Audit opinion for the 2013/14 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); and
- Annual Certification Report (to those charged with governance);

The matters reported here are the most significant for the Authority

Scope of Work

The Authority 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 2013/14 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2014 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 2014 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 Authority's affairs as at 31 March 2014 and of the Authority'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 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

Audit Responsibility	Results	Audit Responsibility	Results
<i>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</i>	<p>▶ Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure financial resilience and to secure economy, efficiency and effectiveness in the use of resources.</p> <p>We completed this work and issued an unqualified value for money conclusion.</p>	<i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i>	▶ 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.
<i>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.</i>	▶ 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.	<i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i>	▶ No matters have come to our notice that requires action to be taken in relation to our responsibilities under the Audit Commission Act.
		<i>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.</i>	▶ We issued a certificate on 30 September 2014 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.

Audit Findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 30 September 2014.

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 on 26 September 2014. 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 2013/14, proper arrangements to secure economy, efficiency and effectiveness in your use of the Authority's resources.

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

- the organisation has proper arrangements in place for securing financial resilience; and

- 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.

We issued an unqualified conclusion on the ability of the organisation to secure 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.



Certification of Claims and Returns

We presented our most recent Annual Certification Report for 2012/13 to those charged with governance in March 2014. We certified four claims worth £82.7 million. These details were also set out in our Annual Certification Report for 2012/13.

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Other matters reported to those charged with governance

These are the matters which were raised as part of the audit work.

As part of our audit work in 2014/15, we will follow up the recommendations we have made and report the status of these in future reports.

Recommendation

Management Response

Related party disclosures

During the testing performed on the disclosures of related party transactions, it was noted that the register of members interests used to produce the related party disclosures in the notes to the financial statements were not updated on a timely basis.

It is recommended that the processes is improved to ensure the register of members interests remain current and are reviewed on a regular basis.

There is significant compliance with the register of interests by Members. All Members have completed register of interest forms and these are published on the Council's website. Members are reminded to check and update their register of interests annually. All members will be further advised about the obligations in respect of interests and any individual issues followed up with the Members concerned.

Errors noted in calculations of valuations of property

It was noted during testing performed on valuations, that there was an error in the calculation of the Depreciated Replacement Cost (DRC) due to an incorrect remaining asset life being recorded. The valuations are documented in spreadsheets which increases the risk of human error.

It is recommended that all working papers are reviewed by the finance team to ensure they are accurate.

It is agreed that all working papers will be reviewed by the finance team to enhance accuracy.

Recommendation

Incorrect postings of invoices

It was noted during testing performed that a purchase made from a supplier had been entered onto the Agresso system as a sale, therefore a debtor balance was recorded. The error was discussed with management and it was noted that the error is as a result of human error with the invoice being mistaken for a supplier invoice. The value of the error was insignificant.

It was also noted that the invoice dates for two debtor invoices were entered incorrectly on the system resulting in the ageing of the invoices being recorded incorrectly.



Management Response

The incorrect posting of invoices is noted and although there are already processes in place to mitigate this, further checks will be put in place to minimise the risk of it reoccurring.

Final Fees

Final Fees for 2013/14

We reported our fee proposals in our audit plan.

Our actual fees for the audit work were in line with our proposals at £123,282.

	2013/14 outturn	2013/14 fee proposal	2012/13 final outturn
Audit work performed under the Code of Audit Practice	123,282	123,282	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			
TOTAL	123,282	123,282	123,282

Our fee for certification of claims and returns is yet to be finalised for 2013/14 and will be reported to those charged with governance within the 2013/14 Annual Certification Report.



In the event that, pursuant to a request which Darlington Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Darlington Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Darlington Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Darlington Borough Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Darlington Borough Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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