

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
30 January 2013

From: Director of Resources

Subject: **STATUTORY AUDITOR – ANNUAL AUDIT LETTER 2011/12**

All Wards

1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of this report is to present to Members the external auditor's annual Audit Letter on the 2011/12 Audit which is attached at Annex A.

1.2 The Annual Audit Letter on the 2011/12 Audit summarises the conclusions and significant issues arising from the external auditor's audit and inspection work for the financial year 2011/12. A member from Deloitte's will be in attendance to present the letter and answer questions.

2.0 DECISIONS SOUGHT:

2.1 Members are asked to consider the External Auditor's report and comment on it as appropriate.

3.0 RISK ANALYSIS:

3.1 There are no risks associated with consideration of this report. However, if this report was not considered the Committee would not be fulfilling its terms of reference and would not have the opportunity of commenting on the External Auditor's work in respect of 2011/12.

4.0 RECOMMENDATION:

4.1 It is recommended that Members receive the External Auditor's Annual Audit Letter on the 2011/12 Audit.

JUSTIN IVES

Background papers: Annual Audit Letter on the 2011/12 Audit

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Hambleton District Council

Annual Audit Letter

on the 2011/12 Audit

October 2012

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1. Key messages

The Statement of Accounts was prepared, audited and concluded in accordance with the agreed timetable. The Authority maintained a good standard of financial reporting. Two non-material adjustments were made to the reported financial position and a number of presentation and disclosure amendments were made to improve compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on IFRS.

We issued an unqualified audit opinion on the Statement of Accounts and the value for money conclusion on 28 September 2012. The audit certificate of completion of the audit was issued on 12 October 2012.

We did not identify any material weaknesses in the financial reporting systems. No control observations were reported to the Audit Committee on 26 September 2012, although some minor observations were reported separately to management. Furthermore, two observations raised at the planning stage of our audit were satisfactorily resolved during the course of our audit.

The Whole of Government Accounts return was presented for audit by the deadline set by HM Treasury. For 2011/12 the National Audit Office set a de minimus of £100 million income, expenditure, asset or liabilities as the threshold for issuing an opinion on the Whole of Government Accounts return. We confirmed to the National Audit Office by 5 October 2012 that on this basis a return was not required for the Authority.

2. Purpose, responsibilities and scope

The purpose of this letter

The purpose of this Annual Audit Letter is to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2012.

Although this letter is addressed to the members of Hambleton District Council, it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at www.audit-commission.gov.uk and also on the Authority's website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

Responsibilities of the Auditor and the Authority

The Authority is responsible for maintaining the control environment and accounting records and for preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on IFRS and other relevant legislation.

We are appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including District Councils.

As the Authority's appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice ("the Code"). Under the Code, we have responsibilities in two main areas:

- the Authority's accounts; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Authority, Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on IFRS and other relevant legislation. We conducted our work on the value for money conclusion in line with guidance received from the Audit Commission in respect of district councils for the financial year ended 31 March 2012.

3. The audit of the accounts

Key issues arising from the audit of the accounts

We issued an unqualified opinion on the Authority's 2011/12 accounts on 28 September 2012, in accordance with the deadline set for local authorities. Our opinion confirms that the accounts present a true and fair view of the financial position of the Authority and its income and expenditure for the year.

Before we give our opinion on the accounts, we are required to report to those charged with governance any significant matters arising from the audit. A detailed report covering our audit findings was discussed with the Audit Committee on 26 September 2012 and the only adjustments required were in relation to a redundancy provision for an agreement made in advance of the balance sheet date and an increase to the depreciation charge due to incorrect calculation, neither of which adjustments were material.

We did not identify any material weaknesses in the financial reporting systems. No control observations were reported to the Audit Committee on 26 September 2012, although some minor observations were reported separately to management. Furthermore, two observations raised at the planning stage of our audit were satisfactorily resolved during the course of our audit.

We received a mostly complete set of draft accounts for the Authority in advance of the agreed deadline, with only a small number of the notes incomplete, which were supported by working papers. The finance staff were helpful throughout the process and responded swiftly to all queries. Amendments were made to some of the disclosures to improve compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on IFRS.

We have considered the contents of the Annual Governance Statement and confirmed that the Statement adequately and appropriately disclosed all relevant governance matters arising in the year.

We have also considered the financial standing of the Authority as at 31 March 2012. We have assessed this based on current/ongoing expenditure demands, expected income levels and the current cash position of the Authority. Public sector funding cuts have caused a reduction in grant income receivable in the four year period from 2011/12 to 2014/15. The Authority has drawn up plans on how to deal with the reduction in funding in 2012/13 and onwards.

Audit certificate

When our audit is complete we are required to certify the closure of the audit. The audit certificate was issued on 12 October 2012.

4. Value for money

Background

From 2010/11 the Audit Commission has introduced new requirements for local value for money ("VFM") audit work at councils. This year, auditors were required to give their statutory VFM conclusion based on the following two criteria:

- proper arrangements for securing financial resilience: work to focus on whether the Authority has robust systems and processes to manage risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- proper arrangements for challenging how economy, efficiency and effectiveness are secured: work to focus on whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We have determined our local programme of work based on our risk assessment, which is informed by a series of risk factors determined by the Audit Commission.

It should be noted that the work carried out was light touch, in line with Audit Commission guidance, focusing on updating our understanding of arrangements and controls in place. As arrangements have previously been assessed as adequate and we are not aware of any changes, we did not carry out detailed testing of the implementation of those arrangements in the current year. We have considered the impact of changes to shared services arrangements and are satisfied that no changes have occurred in the year that impacted our value for money conclusion.

Value for money conclusion

Having performed our work in line with guidance received from the Audit Commission we issued an unqualified value for money conclusion for the 2011/12 financial year. This means that we are satisfied that, in the areas reviewed, the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during the year.

5. Other matters

Audit Commission

On 13 August 2010, the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission. The Commission undertook a market tender exercise to outsource the audits undertaken by its in-house practice and new appointments were confirmed on 31 July 2012 for five years up to and including 2016/17. Our appointment to Hambleton District Council has been confirmed for this period.

Reports issued

Report	Date issued
Fee letter	April 2011
Audit plan	June 2012
Report to those charged with governance on the 2011/12 audit	September 2012
Annual audit letter	October 2012

Analysis of audit fees

	2012 £'000	2011 £'000
Fees for the annual audit set by the Audit Commission	89	94
Fees payable in respect of the certification of grant claims and returns of the Authority (estimate)	25	27
Total	114	121

We have not undertaken any non-audit work for the Authority during 2011/12.

Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

Grants

We have undertaken work during the year on various claims and returns made by the Authority. Our work on the 2011/12 certification of claims and returns is still ongoing and a separate report will be prepared in respect of the findings from this work.

6. Closing remarks

This letter has been discussed and agreed with the Director of Resources (S151 Officer). A copy of the letter will be presented at the next available Audit & Governance Committee meeting.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution and which supports the Authority's own agenda. We recognise the value of your co-operation and support.



Deloitte LLP

Chartered Accountants

Leeds, England

12 October 2012

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the Audit Commission.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties since this report has not been prepared, and is not intended, for any other purpose.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.



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