

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
29 January 2014

From: Director of Resources

Subject: **STATUTORY AUDITOR – ANNUAL AUDIT LETTER 2012/13**

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 2012/13 Audit which is attached at Annex A.

1.2 The Annual Audit Letter on the 2012/13 Audit summarises the conclusions and significant issues arising from the external auditor's audit and inspection work for the financial year 2012/13. 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 2012/13.

4.0 RECOMMENDATION:

4.1 It is recommended that Members receive the External Auditor's Annual Audit Letter on the 2012/13 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 2012/13
Audit

October 2013

Members of Hambleton District Council
Civic Centre
Stone Cross
Northallerton
North Yorkshire
DL6 2UU

31 October 2013

Dear Sirs

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2013.

Although this letter is addressed to the members of Hambleton District Council (“the Authority”), 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.

This letter has been discussed and agreed with the Director of Resources. A copy of the letter will be provided to all Members.

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 which supports the Authority’s own agenda. We recognise the value of your co-operation and support.



Engagement Lead

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1. Key messages

Statement of Accounts

Unqualified opinion issued on 18 September 2013

In 2012/13 the Authority was required to prepare its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 which resulted in a number of minor changes to accounting policies and disclosures.

The Statement of Accounts was prepared, audited and closed in accordance with the agreed timetable. The Authority achieved a good standard of financial reporting.

We issued an unqualified audit opinion on the Statement of Accounts on 18th September 2013.

Value for money conclusion

Unqualified opinion issued on 18 September 2013

We issued an unqualified value for money conclusion on 18 September 2013.

Annual Governance Statement

All relevant governance matters were adequately and appropriately disclosed

We considered the contents of the Annual Governance Statement (“AGS”) and confirmed that the Statement adequately and appropriately disclosed all relevant governance matters arising in the year which we were aware of.

Whole of Government accounts and audit certificate

Assurance Statement issued on 4 October 2013

The Whole of Government Accounts return was presented for audit by the deadline set by HM Treasury. We issued an assurance statement on the Whole of Government Accounts return on 4 October 2013.

The certificate of completion of the audit was issued on 4 October 2013.

Financial reporting systems

No significant weaknesses noted

We did not identify any significant weaknesses in the financial reporting systems and the control observations noted in our report were considered to be minor. Control observations were reported to the Audit, Governance and Standards Committee on 18 September 2013 as part of our report on significant matters arising from our audit.

The Authority needs to implement the actions noted in our reports to those charged with governance:

- maintain the ability to continue to meet the financial reporting timetable; and
- implement the actions noted in the management response to the control observations raised in our reports to those charged with governance.

2. Responsibilities and scope

Responsibilities of the Authority and Auditor

The Authority is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on IFRS and other relevant legislation.

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

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. Under the Code of Audit Practice, 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, being the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 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 for the financial year ended 31 March 2013.

3. The audit of the accounts

Key issues arising from the audit of the accounts

Statement of Accounts

Unqualified opinion issued on 18 September 2013

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 was discussed with the members of the Audit, Governance and Standards Committee on 18 September 2013 and there were no significant issues to report.

We issued an unqualified opinion on the Authority's 2012/13 accounts on 18 September 2013, in accordance with the deadline set for local government bodies. 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.

Findings from work performed on the Statement of Accounts

One uncorrected misstatement was noted that would reduce net assets and increase the deficit on the provision of services by £35k. This was in relation to the bad debt provision, an area of judgement for management.

We received a set of draft accounts in advance of the agreed deadline, which were supported by working papers. The finance staff were helpful throughout the process and responded swiftly to all queries. This performance reflects well on the professionalism of the finance staff and their commitment to maintaining high-level controls over financial systems. One uncorrected misstatement was noted that would reduce net assets and increase the deficit on the provision of services by £35k. This was in relation to the bad debt provision, an area of judgement for management.

Annual Governance Statement

The Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements

As appointed auditor, we review the AGS and comment on any inconsistencies noted between the AGS and our audit work, other work relating to the Code of Audit Practice, and our understanding of the Authority's Governance arrangements. We have concluded that the Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements and internal controls derived from our audit work.

Whole of Government Accounts return

Positive Assurance Statement issued on 4 October 2013

The Whole of Government Accounts return was presented for audit by the deadline set by HM Treasury. Our work was limited to ensuring the pension and property, plant and equipment balances were consistent with the financial statements. We issued a positive Assurance Statement on the Whole of Government Accounts return on 4 October 2013.

Audit Certificate

Issued on 4 October 2013

When our audit is complete we are required to certify the closure of the audit. The certificate was issued on 4 October 2013.

4. Value for money

Background and approach

From 2010/11 the Audit Commission introduced new requirements for local value for money (“VFM”) audit work at councils. This year, there have been no changes in the scope of our work and auditors are again 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 Council 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 Council 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.

The VFM conclusion

Having performed our work in line with guidance received from the Audit Commission we issued an unqualified VFM conclusion for the 2012/13 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.

During the course of our work, which focused on the risks identified by our risk assessment, we reviewed the response of the Authority to financial pressures and consider it to be appropriate. We also note that no matters of concern have been identified from the work of internal or external audit arising from reducing capacity as a result of reducing resources.

Financial resilience

We have considered the financial standing of the Authority as at 31 March 2013. We have assessed this based on current/on-going expenditure demands, expected income levels and the current cash position of the Authority. Following the Government’s comprehensive spending review and the extent of reduction in the funding settlement, and major changes in Government policy such as Welfare reform, the Authority continues to face severe financial pressures over the next few years however it should also be noted that the authority has £22m of usable reserves as at 31 March 2013. Following the completion of our audit procedures, we consider the response of the Authority to the financial pressures to be appropriate.

5. Other matters

Reports issued

Reports issued in respect of the 2012/13 audit included:

- Fee letter;
- Audit plans;
- Report to those charged with governance on the 2012/13 audit; and
- Annual audit letter.



Analysis of audit fees

Audit fees charged are as follows:

	2012/13 £'000	2011/12 £'000
Total fees for the audit of the annual accounts and whole of government accounts return (excluding VAT)	53	89
Fees payable for grant certification	16	25

We have not performed any non-audit services in either the current or prior year. In addition there have been no additional VFM projects undertaken in the current or prior year.

Grants

We have undertaken work during the year on grant claims made by the Authority. Our work on 2012/13 certification of claims is still on-going and a separate report will be prepared in respect of the findings from this work.

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.



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