

Annual Audit Letter 2013/14

Gateshead Council

October 2014



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24 October 2014

Dear Members

Annual Audit Letter 2014

We are delighted to present to you the Council's Annual Audit Letter setting out the results of our 2013/14 audit.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2011 and the National Audit Office.

I would like to express my thanks for the assistance of the Council's finance team, as well as senior officers, the Audit and Standards Committee and the Accounts Committee, during the audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me at gareth.davies@mazars.o.uk or on 07979 164467.

Yours faithfully



Gareth Davies
Partner
Mazars LLP

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Our reports are prepared in the context of the Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Overall messages

Purpose of this letter

Our Annual Audit Letter provides a summary of our work and findings for the 2013/14 audit for Members and other interested parties.

In addition to this letter, we presented our Audit Completion Report to the Council's Accounts Committee on 29 September 2014 which provides more detail of the work we have undertaken as the Council's external auditor in 2013/14.

Our audit of the statement of accounts

We issued an audit report including an unqualified opinion on the Council's statement of accounts on 30 September 2014.

The Council's statements were available for audit by the deadline and were of a good quality, as were the supporting working papers. 2013/14 was the first year the accounts were produced from the Council's upgraded ledger. This improved the audit trails and made the audit process more straightforward.

Several amendments were made to the draft statements, mainly correcting misclassifications, grossing up and errors in accounting for aspects of property, plant and equipment. None of the amendments resulted in any change in the Council's available resources.

We did not encounter any significant difficulties during our audit, and received the full support and cooperation of the finance team in meeting the statutory deadline.

Our Value for Money conclusion

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies and the Commission's guidance on the Value for Money conclusion for 2013/14. Our audit report included a conclusion that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our work in this area focused on the two criteria specified by the Audit Commission and included local risk-based work on:

- the Council's monitoring and delivery of its savings plans. The Council successfully achieved its budget, with an underspend of £4.5m. Although some of the underspend arose from one-off events so cannot be relied on in future, the underlying position was an underspend on services which resulted in general reserves (excluding schools) increasing from £35.5m to £42.2m. This puts the Council in a stronger position going forward, as additional reserves are available to give transformation change time to deliver recurrent savings;
- integration of public health staff and spending. The Council is reviewing public health, with a view to securing efficiencies now that the service is fully integrated with existing Council services; and
- financial planning supporting the development of the District Energy Scheme. The Council has taken advice and understands the financial implications of its proposals. It is still early days, and the eventual scheme may differ from that initially considered.

Whole of Government Accounts (WGA)

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of the Council's WGA consolidation pack with the audited statement of accounts. We reported that the Council's consolidation pack was consistent with the audited statement of accounts on 30 September 2014.

Our other responsibilities

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Audit Commission Act 1998. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any questions or objections in relation to the Council's 2013/14 accounts from local electors, nor did we exercise our wider reporting powers.

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Fees

As outlined in our Audit Strategy Memorandum presented to the Audit Committee on 28 April 2014, the Audit Commission sets a scale fee for our audit and certification work. The fees applicable to our work in 2013/14 are summarised below.

Element of work	2012/13 Final Fee	2013/14 As previously reported	2013/14 Final Fee
Code audit work	£172,260	£172,260	£173,000
Certification work	£25,226	£17,900	£14,928
Non-audit work where applicable	£1,200	£5,500	£13,500
Total	£198,686	£195,660	£201,428

There has been a very small increase in fees for Code audit work since we reported to you in April. This increase has arisen because the Audit Commission no longer makes certification arrangements for the National Non-Domestic Rates (NNDR 3) return, which previously provided auditors with assurance over the relevant entries in the Council's accounts. As a result for 2013/14 we have undertaken additional audit testing to obtain sufficient assurance over the relevant entries in the Council's accounts. The associated additional audit fee is in line with guidelines provided by the Audit Commission to all local authority auditors. Approval from the Audit Commission for this increase has been sought.

The fee outlined above in relation to certification work is an estimate as we are yet to complete our work on certifying the Council's Housing Benefit claim. We will confirm the final fee charged for certification work when we issue our Certification Report.

The non-audit work agreed was:

- certification of an ERDF return;
- certification of seventeen s256 Health Act annual vouchers; and
- review of Internal Audit against public sector standards.

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Future challenges/other commentary

In common with most other local authorities, the Council continues to face a significant financial challenge as central government funding reduces. Significant budget reductions have already been made and services reviewed to improve efficiency. This has often involved fundamental changes in the way services are delivered, such as increased roles for the voluntary sector in libraries and community centres.

The need for further and deeper transformation is recognised. The Council's latest medium term financial strategy, covering the period to 2018, identifies a potential funding gap of £60m, with £46m of that to be delivered in the period 2015 to 2017. Detailed work is in progress to identify appropriate measures to close that gap, whilst ensuring the Council meets its statutory responsibilities and achieves its strategic goals. These plans are well developed for 2015/16, in good time to implement the necessary changes. The Council also recognises the importance of its partnerships with other local authorities (including in the new combined authority), other public agencies and the private and voluntary sector in achieving the transformation required.

Our planning for the 2014/15 audit will take account of the risks the Council faces in meeting this challenge.

Should you require any further information on this letter or on any other aspects of our work, please contact:

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