

Uttlesford District Council

Audit Committee Summary

For the year ended 31 March 2013

Audit results report – ISA 260

16 September 2013



Building a better
working world

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Executive Summary

Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to 'those charged with governance' on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2012/13 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- ▶ As of 16 September 2013, we expect to issue an unqualified opinion. Our audit demonstrates that the Council has on the whole, prepared its financial statements well. There were no material errors that would have impacted on the key statements and very few unadjusted errors. There were however, a number of disclosure errors within the supporting statements which required adjustment these are itemised in Appendix 2.

Value for money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of government accounts

- ▶ We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts (WGA) submission – the work is substantially complete.

Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit have been discharged for the relevant audit year. The audit certificate will be delayed until we have completed both our consideration of matters brought to our attention by local authority electors and our work on WGA.

Extent and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- ▶ Express an opinion on the 2012/13 financial statements.
- ▶ Report on any exception on the governance statement or other information included in the foreword.
- ▶ As a component auditor, follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule.
- ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).

This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and material internal control findings.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than this specified parties.

Addressing audit risks

Opinion and value for money risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit opinion risks		
The prior year audit found that the Council had incorrectly accounted for some components of certain assets. This resulted in a material overstatement of property, plant and equipment in the balance sheet	Our approach focussed on: <ul style="list-style-type: none"> ➤ Agreeing property, plant and equipment on the balance sheet and supporting notes to the fixed asset register. ➤ Reviewing the fixed asset register to ensure that it is complete. ➤ Review the valuations in the fixed asset register to ensure that they are supported by evidence. 	Our audit work confirmed that the accounting treatment adopted by the Council in respect of PPE was appropriate.
Risk of misstatement due to fraud and error.	<ul style="list-style-type: none"> ➤ Our inquiries of management and those charged with governance identified strong governance arrangements and a controls environment that both deters and prevents fraud. ➤ Internal Audit's head of internal Audit Opinion has provided significant assurance that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. ➤ We have carried out detailed testing on all significant figures in the Council's Statements of Accounts. 	We did not identify any material instances of fraud or error.
Value for money conclusion risks		
Pressures from economic downturn.	Our approach focussed on: <ul style="list-style-type: none"> ➤ The adequacy of the Council's budget setting process. ➤ The robustness of any assumptions. ➤ The effective use of scenario planning to assist the budget setting process. ➤ The effectiveness of in year monitoring against the budget. ➤ The Council's approach to prioritising resources. 	<ul style="list-style-type: none"> ➤ The organisation operates a balanced budget and is planning for savings required in light of the CSR. ➤ For 2012/13 the Council reported a small under spend compared to budget . A balanced budget has been set for 2013-14. ➤ The Council has very good levels of reserves and the level of GF working balance of £1.2m is in line with the level recommended by the RFO.
Localisation of business rates and local council tax support	We reviewed the Council's arrangements to plan for and manage the changes to local council tax support and business rates.	The Council has clearly identified the risks relating to the two changes and has built appropriate assumptions regarding the impact on the Council's finances into the budget and MTFF.

Financial statements audit

Issues and errors arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed as at 16 September. We will provide an update of progress at the Governance Committee meeting:
 - ▶ Receipt of a Letter of Representation and signed accounts
 - ▶ Final Director review of the financial statements
 - ▶ WGA
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Audit findings

- ▶ We have identified no misstatements, either corrected or uncorrected, that are individually or in aggregate material to the presentation and disclosures of the Councils financial statements for the year ended 31 Month 2013. .

Uncorrected errors

- ▶ Our audit identified a small number of errors which management have chosen not to adjust. Further details are provided in Appendix 1

Corrected errors

Management have corrected a number of disclosure errors within the notes to the accounts. None of these adjustments have impacted on the Councils reported financial performance. Further details of these amendments are provided in Appendix 2.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- ▶ Qualitative aspects of your accounting practices;
- ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- ▶ Other audit matters of governance interest

We have no matters we wish to report.

Other findings and issues

Internal control, written representations & whole of government accounts

Internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- ▶ it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- ▶ it is consistent with other information that we are aware of from our audit of the financial statements.

We have not identified any significant weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, for which we do not currently have sufficient audit evidence.

Whole of government accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of my report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Governance Committee.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Uttlesford District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 - Arrangements for securing financial resilience

- ▶ *“Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future”*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We have no issues to report in relation to this criteria

Criteria 2 - Arrangements for securing economy, efficiency and effectiveness

- ▶ *“Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.”*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We have no issues to report in relation to this criteria

Independence & audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 31 January 2013.
- ▶ We complied with the Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance and in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Performance and Audit Committee on 26 September 2013.

- ▶ We confirm that we have met the reporting requirements to the Performance and Audit Committee, as 'those charged with governance' under International Standards on Auditing (ISA) 260. Our communication plan to meet these requirements were set out in our Audit Plan of 31 January 2013.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2012/13	Scale fee 2012/13	Variation comments
	£	£	
Total Audit Fee – Code work	69,654	69,654	No change proposed.
Certification of claims and returns	19,950	19,950	No change proposed, however claims work is still in progress.
Non-Audit work	0	0	No non-audit work has taken place in 2012/13.

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Appendix 1 - Unadjusted audit errors

The following adjustments, which are greater than £48,278 have been identified during the course of our audit.

These adjustments have not been made by management within the revised financial statements

Item of Account	Nature of Error	Error Type	Impact on Financial Statements
PPE/ CIES	The depreciation charge on IT assets has been excluded from the accounts	Factual	Expenditure in the CIES is understated and PPE is overstated. There is no impact on the overall financial position of the Council, as these entries are reversed out in the MIRS and therefore do not impact on the level of reserves and balances.
CAA/ MRR	Reconciliation of the capital financing requirement to the balance sheet has identified a £122k difference between the CAA and the Major Repairs Reserve	Factual	This is an unexplained difference between the two unuseable reserves. It is not possible to establish the accounting entries to correct this difference. There is no impact on the total comprehensive income and expenditure or total net assets as reported in the balance sheet.
Collection fund/creditors	An unreconciled difference of £321k between the NNDR creditor on the NNDR system and the creditor on the general ledger. This issues was also reported in 2011/12	Factual	This is an unresolved difference between the Northgate system and the general ledger. There is no impact on the statement of accounts.
Cash/debtors	Timing differences in posting cash between the Northgate system and the general ledger	Factual	Cash received is posted to the ledger on receipt. The Northgate system updates overnight. Consequently there is a timing difference between the two systems. The difference at year end was £82k. The impact on the statements is de minimus.
Cumulative effect of misstatements			<i>nil</i>

Appendix 2 - Adjusted disclosure errors

The following disclosure errors have been made by management within the revised financial statements.

Item of Account	Amendment
Cash flow statement	A number of amendments were made to the cashflow statement to bring it in line with the CIES and balance sheet movements
Note 6.2 Segmental accounting	Amendments were made to the presentation of support service charges which had been double counted.
Note 20 Capital financing	This note was expanded to show the capital financing requirement as required by the Code of Practice
Note 21 Capital commitments	The reference to the Mead Court development of £3.8m was removed as the contract has not yet been let.
Note 2 Movement on reserves	The figure for revenue contributions has been amended to bring it in line with Note 20. This has resulted in an unresolved adjustment of £197k.
Note 4.1 Revaluation reserve & note 4.3 capital adjustment account	A number of adjustments have been made to the to both the Revaluation reserve and the CAA to bring them in line with other statements. The net result is a movement of £178k
Presentation	A small number of presentational amendments were made to ensure compliance with the Code of Practice on Local Authority Accounting

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

