

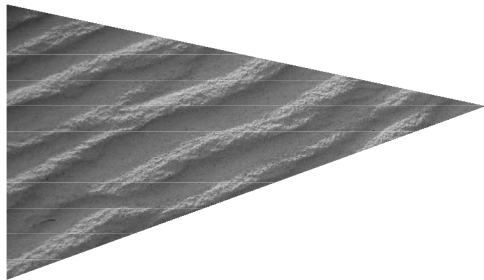
Tendring District Council

Audit Committee Summary

For the year ended 31 March 2013

Audit results report – ISA 260

26 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 prepared its financial statements well and this is reflected in the low number of issues to bring to your attention.

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 submission.

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. We expect to issue the audit certificate at the same time as the Audit Opinion.

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

Significant audit 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 risks		
1. Risk of misstatement due to fraud and error.	<ul style="list-style-type: none"> We assessed the effectiveness of management's controls designed to detect and address fraud and error. We tested the completeness of accruals and provisions, cut-off, existence, and journal adjustments. 	<ul style="list-style-type: none"> We did not identify any material instances of fraud, or error due to fraud.
Other audit risks		
1. Coastal Protection Funding and Coastal Protection project	<ul style="list-style-type: none"> We have had regular discussions with the Chief Executive, Corporate Directors, s151 officer and Head of Legal Services to establish the current status of the project, financial, legal and operational risks facing the Council. 	<ul style="list-style-type: none"> On 10 September, the Council has been awarded £27m from the Environment Agency, which together with the Council's and other partners funding makes this a scheme of £36m. Whilst a significant and complex scheme for the Council, we have sufficient assurances on the Council's approach to the project for the 2012-2013 financial year. We will be reviewing the contract, procurement and risk management arrangements for this project in more detail in our 2013-2014 audit.
2. Valuations	<ul style="list-style-type: none"> We reviewed the information provided to and instructions of the valuer. We reviewed the reasonableness of the assumptions for valuations and whether we can rely on the valuer as management's expert. 	<ul style="list-style-type: none"> We did not identify any material misstatements in the Council's asset valuations or any significant concerns in the Council's approach to valuations.

Addressing audit risks

Significant audit risks

Continued from previous page:

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Other audit risks		
3. Medium term financial planning	<ul style="list-style-type: none"> We reviewed the Council's medium term financial plans and action plans to address the budget gaps in future years as part of our year end value for money conclusion audit. 	<ul style="list-style-type: none"> Our work did not identify any significant issues with the plans in place to meet the medium term savings gaps identified.
4. Changes to arrangements for council tax support and business rates.	<ul style="list-style-type: none"> We reviewed the Council's arrangements to plan for and manage the changes to local council tax support and business rates. 	<ul style="list-style-type: none"> Our work did not identify any issues with the arrangements in place, and the impact these have on the Council's ability to secure financial resilience in the medium term.
5. Ethical governance	<ul style="list-style-type: none"> We have reviewed the Council's response to our recommendations on ethical governance as set out in our Audit Planning Board report. This was reported to the Council's Audit Committee. 	<ul style="list-style-type: none"> The Council are taking the right steps to address our recommendations to improve and further embed a culture of ethical governance. This has been acknowledged with appropriate action planning in the Council's Annual Governance Statement. We have sufficient assurance on the Council's response and propose to take no further action for the 2012-2013 audit.

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. We will provide an update of progress at the Audit Committee meeting:
 - ▶ Receipt of a Letter of Representation
 - ▶ Completion of Income and Expenditure testing
 - ▶ Resolving review queries on reconciliations for payroll and fixed asset systems
 - ▶ Resolving review queries on predictive analytical review procedures for payroll and depreciation.
 - ▶ Whole of Government Accounts
 - ▶ Final Director file review.
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements on 30 September 2013.

Uncorrected Errors

- Management have agreed to adjust for all errors identified from our audit. At this stage, there were no errors within the draft financial statements, which management have chosen not to adjust.

Corrected Errors

My audit so far has identified a limited number of errors which my team have highlighted to management for amendment. All of these have been adjusted during the course of our work. See details at Appendix 1.

We do not consider any of these to be significant and therefore we have not provided further details of these amendments.

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 other matters we wish to report.

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. My 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 me to complete my 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 and value for money conclusion.

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. There were no additional specific representations required other than the standard representations.

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 Audit Committee.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Tendring 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 have no other 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 have no other issues to report in relation to this criteria

Independence & Audit Fees

Independence

- ▶ We confirm there is one change to our assessment of independence since our confirmation in our Audit Plan presented to Audit Committee on 27 June 2013. Wendy Borgartz, who briefly has acted as Audit Manager on this audit is joining the Council as a Senior Finance Manager. When Wendy first notified EY of her intention to apply for the post in early June 13, we ensured that Wendy played no further part in the audit. Neil Harris has sought additional Audit Manager support for file reviews, reporting.
- ▶ 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 other 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 Audit Committee on 26 September 2013.

- ▶ We confirm that we have met the reporting requirements to the 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 27 June 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
	£s	£s	
Total Audit Fee - Code work	TBC	77,377	Subject to the conclusion of the audit, We are considering an extra fee for ethical governance reviews.
Certification of claims and returns	24,500	24,500	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.

- ▶ We will confirm our final audit fee in the Council's Annual Audit Letter. We will revisit our final fee at the conclusion of the audit and discuss with officers if we intend to vary the scale fee for the work we undertook on ethical governance review. Any variation to the scale fee is subject to Audit Commission approval.

Appendix 1 - Adjusted Audit errors

- The following adjustments, which are greater than £1.78m, have been identified during the course of our audit.
- These adjustments have been made by management within the revised financial statements

Item of Account	Nature of Error	Error Type	Statement of Comprehensive Income & Expenditure		Balance Sheet	
			Debit	(Credit)	Debit	(Credit)
	Description	F, P, J				
Infrastructure Assets	Includes asset enhancements for Queensway emergency works (£480k) and Cliff Road sea wall (£1.818m) which are under construction. We have agreed with management that these assets should be reclassified as assets under construction.	J				(2.298)
Assets under construction	Reclassification from infrastructure assets.	J			2.298	
Cashflow statement	A £2.876m reclassification of Council Tax and NNDR creditors which were included under general creditors instead of Financing Activities.	F				
Balance sheet totals					2.298	(2.298)
Cumulative effect of uncorrected misstatement					<i>Nil</i>	<i>Nil</i>

- Key
- ▶ F – Factual error
- ▶ P – Projected error based on audit sample error and population extrapolation
- ▶ J – Judgemental error

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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.

