

AUDIT AND GOVERNANCE COMMITTEE

11 December 2015

ANNUAL AUDIT LETTER 2014/2015

Report of the Interim Head of Paid Service and Director of Finance

1.0 Purpose of Report

1.1 This report details the external auditors (Mazars) Annual Audit Letter (AAL) covering the year 2014/2015. A copy is attached.

2.0 Description of Decision

2.1 Members are recommended to:

- Note and comment on the contents of this report.

3.0 Introduction

3.1 The Audit Commission's Code of Audit Practice requires auditors to prepare an AAL and issue it to each audited body. The purpose of preparing and issuing an AAL is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from the auditors' work, which auditors consider should be brought to the attention of the audited body.

3.2 The AAL summarises the findings of the 2014/15 audit, which comprises of two key elements:

- An audit of the Council's financial statements
- An assessment of the Council's arrangements to achieve value for money in the use of its resources

4.0 Summary Position

4.1 The AAL is positive overall, providing a strong endorsement of the financial management and governance arrangements in place across the Council.

4.2 The Auditor issued an unqualified audit opinion on the Council's financial statements and in this respect the report confirms that the Council:

- Produced "good quality" accounts for 2014/15, within the statutory timescales and gave a true and fair view of the council's financial position;
- Produced an accurate Annual Governance Statement which was found to be consistent with the views of the auditor;
- Received no questions or objections to the accounts;

- Accurately reported its financial performance to government via the Whole of Government Accounts process.

4.3 The Auditor also issued a qualified audit opinion on the Council's Value For money Conclusion however they noted that, in all significant respects, the council had proper arrangements in place to secure economy, efficiency and effectiveness of its use of resources, "except for" the areas that were assessed as inadequate by Ofsted in their report on children's services published in July 2015. This issue is fully set out on page 6 of the Auditors correspondence.

4.4 For information the opinion noted that the Council:

- Was financially resilient and had 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;
- Was prioritising its resources within tighter budgets by achieving significant cost reductions and by improving efficiency and productivity;
- Continued to manage its financial position very well as both budget setting and close budget monitoring were considered robust which had culminated in a small underspend of £0.6m despite having to successfully deliver continued significant financial savings of over £36m in respect of cuts in government funding and other cost pressures in the financial year;
- Had already delivered £171m of savings for the period 2010/2011 up to the end of 2014/2015 and had made significant changes to secure its future viability as a community leadership council, through implementing alternative models of service delivery (e.g. Sunderland Care and Support Ltd), working with partners (most notably establishing the Better Care Fund with Sunderland Clinical Commissioning Group) and finalising the local asset backed vehicle (LABV) via Siglion to accelerate economic regeneration in the city;
- Invested in infrastructure (through its ambitious capital programme) which includes the City Deal and the creation of a new International Advanced Manufacturing Park; the Sunderland Strategic Transport Corridor including the new Wear bridge; and development of the Vaux site and St Mary's Boulevard aimed at reinvigorating the city centre;
- Has also made other significant transformational changes to deliver challenging savings targets whilst improving service delivery;
- Is aware of the continued and significant further grant reductions it is likely to face (estimated at £149m over the next 4 years) and is therefore continuing to identify ways of improving service efficiencies and ways of working to further improve service delivery and outcomes within this very challenging environment with fewer resources.

5. Alternative Options

5.1 Not applicable as the report is for information only.

6. List of Appendices

6.1 Appendix A - Sunderland City Council Annual Audit Letter 2014/2015.