

Annual Audit Letter to:
Sunderland City Council

Appendix A



Audit 2012/13

October 2013



Contents

- 03 Key messages
- 05 Financial statements
- 06 Securing economy, efficiency and effectiveness
- 08 Fees and closing remarks

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 Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Key messages

The 2012/13 audit for Sunderland City Council was completed by the statutory deadline of 30 September 2013.

The Accounts for 2012/13 gave a true and fair view of Sunderland City Council's financial position.

The Council accurately reported its financial performance to Government through the whole of government accounting process.

Sunderland City Council had proper arrangements in place to secure value for money.

There were no objections to the Council's accounts and we have certified closure of the 2012/13 Audit.

This letter represents the completion of our first year as your appointed auditor. We are grateful for the cooperation and assistance provided by officers and Members in completing our work.

Looking to the future

In our view Sunderland City Council will have to respond to some key challenges over the next few years:

- Continuing to deliver good quality services but with fewer resources, and delivering some services in new ways and using alternative models of service delivery
- Making a success of major projects such as the local asset backed vehicle (LABV), City Deal and new Wear crossing
- Working with its partners to deliver the proposals for a Combined Authority and for the North East Local Enterprise Partnership (NELEP).

Our 2013/14 audit will focus on the risks that these challenges present to the Council's financial statements and its ability to maintain proper arrangements for securing value for money.

We will also share relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

Financial statements

The financial statements are an important tool for Sunderland City Council to communicate how it has used public money. We issued an audit report including an unqualified opinion on the financial statements on 30 September 2013.

The draft financial statements were of a very good quality overall, as were the supporting working papers. The Council's accountancy team was very helpful and cooperative, enabling us to complete our audit work efficiently and effectively.

Audit findings

Our detailed findings were reported in our Audit Completion Report to the Audit and Governance Committee on 27 September 2013.

We did not identify any significant deficiencies in the accounting and internal controls systems during the course of the audit.

Our audit identified a small number of minor misstatements, presentational and disclosure issues and management amended the Accounts for nearly all issues. There was one unadjusted presentational error of £607k which was not material and officers and Members felt it unnecessary to make a correction.

Securing economy, efficiency and effectiveness

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issued an unqualified conclusion on 30 September 2013 stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

We assessed your arrangements against the two criteria specified by the Audit Commission and set out below our conclusion against each of them.

Financial resilience

The Council managed its financial position very well. Budget setting was robust, and its close monitoring ensured delivery of spending within budget. The outturn report for 2012/13 shows that the Council underspent against its annual revenue budget by £6 million, whilst at the same time delivering the services it had specified. This saving will contribute towards helping the Council manage the further significant reductions in Government funding it faces in future years.

The latest VFM profiles, produced by the Audit Commission, show the General Fund Balance was close to the average for similar authorities, and that the Council is prudent in setting aside earmarked reserves. Earmarked reserves are in place for specific plans and projects and will help the Council manage the financial challenges it faces over the next few years. During 2012/13 the Council's usable reserves reduced by £15m overall and assisted in change management.

The Council is financially resilient. The Medium Term Financial Strategy sets out how the Council proposes to deal with the difficult economic prospects and the cuts in central government grant funding. The Council has also considered the impact of the retention of business rates and localisation of council tax support, which also has a potentially adverse financial impact, and is monitoring these areas closely.

Securing economy, efficiency and effectiveness

In recent years, the Council has made significant changes to secure its future viability as a community leadership council. In the financial years 2010/11, 2011/12 and 2012/13 the Council has delivered savings of almost £100m to meet grant reductions and cost pressures, and in the next 3 year period it is expecting to have to deliver a further similar amount.

The Council has delivered ambitious plans and has recognised that there is more to do:

- By redesigning key activity areas so they are financially sustainable, including exploring alternative models of service delivery, such as local authority trading companies, joint ventures and mutuals, and working more closely with local communities, partners and the community and voluntary sector
- Addressing the financial pressures in social care, created by the demand for services from an ageing population, in a time of financial constraints
- Promoting economic regeneration through a local asset backed vehicle (LABV) with a private sector partner
- Delivering its City Deal with Government, including developing a new advanced manufacturing site near Nissan, and developing the Vaux site and the city centre
- Delivering the new Wear crossing, and trying to maintain a strong capital programme to improve infrastructure and provide stimulus to the local economy
- Working with its local authority partners to develop a Combined Authority to deal with economic growth, skills and transportation and making a success of the North East Local Enterprise Partnership (NELEP), where the Council has a lead role as accountable body.

Fees and closing remarks

Our audit fees for the year are in line with those communicated in our Audit Strategy Memorandum dated 19 February 2013, being £179,562 (plus VAT). In addition we carried out the audit of three grant claims and returns at an estimated cost of £16,050 (plus VAT).

We have also undertaken one non-audit service for the Council relating to 2012/13; the Executive Director of Commercial and Corporate Services commissioned a Review of Internal Audit for a fee of £3,500 (plus VAT).

We have discussed and agreed this letter with the Executive Director of Commercial and Corporate Services and copies will be provided to all Members. Further detailed findings and conclusions in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
2012/13 Audit Fee Letter	November 2012
Audit Strategy Memorandum	February 2013
Audit Completion Report	September 2013
Audit Opinion on the Financial Statements	September 2013
Audit Certificate	September 2013

Steve Nicklin
Director
Mazars LLP
October 2013

Should you require any further information,
please do not hesitate to contact:

Steve Nicklin

Director

T: 0191 383 6300

E: steve.nicklin@mazars.co.uk

The Rivergreen Centre

Aykley Heads

Durham DH1 5TS

Mazars LLP is the UK firm of Mazars, the international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England with registered number OC308299.

© Mazars LLP 2013

