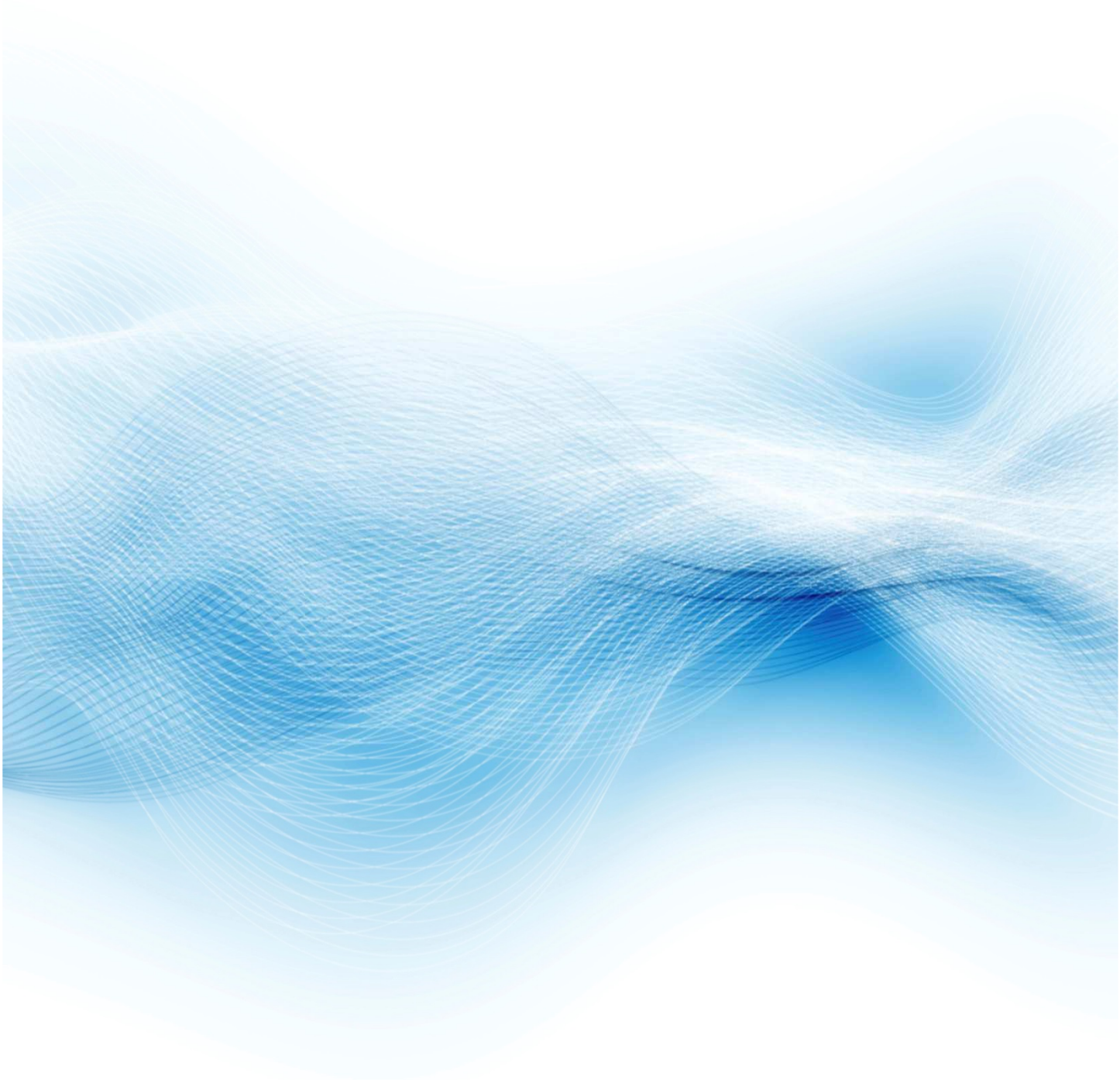




Audit Completion Report

Stockton-on-Tees Borough Council
Year ended 31 March 2019





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Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council 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.

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Stockton-on-Tees Borough Council
Municipal Buildings
Church Road
Stockton-on-Tees
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15 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated 8 February 2019 and which we presented to the Audit and Governance Committee on 25 February 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Gavin Barker

Gavin Barker
Mazars LLP

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VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Stockton-on-Tees Borough Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2019, and forms the basis for discussion at the Audit and Governance Committee meeting on 29 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control (Council and Group)
- Property, plant and equipment valuation (Council)
- Defined benefit liability valuation (Council)

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, which has a deadline of 13 September 2019. The Council is below the threshold requiring a detailed review of your WGA submission, and we expect to be able to provide the information required by NAO at the conclusion of our audit work, well ahead of the formal deadline.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. At the time of writing our report, we have not received any questions or objections.

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1. EXECUTIVE SUMMARY (CONTINUED)

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status impact	Description of outstanding matters
Pension-related entries		We are awaiting assurance from the pension fund auditor. The Council has received an updated report from the actuary reflecting the material adjustment to pension liabilities arising from the McCloud case, as described on page 8. We will need to review the amendments made arising from this as part of our checking the amended financial statements.
Property, plant and equipment valuations		We have a small number on queries outstanding with the valuer, which we need a reply to, and then to consider before we can complete our work.
Group consolidation		Our work on the consolidation of the statements of the Council and its subsidiaries to form the Group Statements is on track but is ongoing. We have deliberately left this work until towards the end of our programme as that is when the majority of our other work is complete and as such our review is better informed.
Events after the Balance Sheet date		Our review is ongoing up until the date of signing the auditor's report (the Opinion).
Financial Statements (post-audit)		Review and closure processes, including checking the amended version of the financial statements.

Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £9.659m for the Council and £9.663m for the Group, using a benchmark of 2% of Gross Operating Expenditure at the surplus or deficit on provision of services level. Our final assessment of materiality, based on the final financial statements and qualitative factors is £9.417m for the Council and £9.426m for the Group, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee) at £282k for the Council and the Group, based on 3% of overall materiality. Performance Materiality was set at £7.534m for the Council and £6.598m for the Group.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Governance in a follow-up letter.



2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 8 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's and the Group's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls (Council and Group)	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk
	We addressed this risk through performing audit work over: <ul style="list-style-type: none">• Accounting estimates impacting on amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion
	Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Property, Plant and Equipment Valuation (Council)

Description of the risk

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE. Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk.

How we addressed this risk

We considered the Council's arrangements for ensuring that PPE values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's valuer. We also assessed the competence, skills and experience of the valuer.

We also performed further audit procedures on individual assets to ensure that the basis and level of revaluation is appropriate.

Audit conclusion

Subject to satisfactory completion of our outstanding work, our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.

Significant risk

Defined benefit liability valuation (Council)

Description of the risk

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.

Audit conclusion

Subject to satisfactory completion of our outstanding work, our work has provided the assurance we sought. Further context to the issues relating to pensions accounting that have arisen this year are described on page 8. The material issue relating to the impact of the McCloud legal case on pension liabilities is a national issue and the Council has agreed to adjust the accounts. Our work to review the amendment and its impact is ongoing, and as such will report the detail of the amendment required in our follow up letter.

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2. SIGNIFICANT FINDINGS (CONTINUED)

Key area of management judgement

Depreciation of Property, Plant and Equipment

Description of the management judgement

Property, Plant and Equipment is depreciated over its useful life in the financial statements.

How we addressed this management judgement

We undertook testing of the underlying calculation of depreciation to ensure it is reasonable.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

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2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's and Group's accounting practices

We have reviewed the Council's and Group's accounting policies and disclosures and, subject to amendments in section 4, concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's and Group's circumstances

Draft accounts were received from the Council on 31 May 2019 and were of a good quality overall.

Significant matters discussed with management

There have been significant issues this year relating to accounting for pensions. These issues are not specific to the Council, but are national issues impacting on all local government and related bodies, including police and fire. There have been three issues, but the most significant issue has been the impact of what is known as the McCloud judgement.

The nature and impact of the McCloud judgement was not referenced in the Council's draft financial statements. It relates to claims of discrimination in respect of protections offered to some, but not all, pension scheme members as part of reforms to public sector pensions. In December 2018, the Court of Appeal ruled in a test case that this did amount to unlawful discrimination. At the time the Council was producing its draft financial statements, the Government intended to appeal to the Supreme Court and the outcome was uncertain.

During the audit period, the Government has not been granted leave to appeal, meaning that some form of restitution across all public sector pension schemes seems more certain, requiring the estimated impact of this to be reflected in the pension disclosures in the financial statements, subject to materiality considerations.

The other two issues have been:

- Guaranteed Minimum Pension (GMP) indexation and equalisation, which relate to the move to a single-tier new State Pension and equalisation of the GMP benefits between males and females, which has been accounted for to varying degrees by each actuary; and
- Asset values, which relates to whether the estimation of assets by the actuary using asset values at the end of December 2018/end of January 2019 was accurate, given higher than expected returns in the final quarter of 2018/19.

For each of these issues, our approach has been to suggest that the Council engages with the actuary of each scheme, to assess the potential impact of these issues, to see whether the impact is material, and if so, to make amendments to the financial statements.

None of these issues impact on the Council in terms of a bottom-line impact on the General Fund balance, although in practice, both McCloud and GMP will place upward pressure on employers pension contributions reflecting an increased pension liability to recover over the life of the scheme.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

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2. SIGNIFICANT FINDINGS (CONTINUED)

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

At the time of writing our report, we have not received any questions or objections.

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3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	None
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	None
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	None

Our work has not identified any significant deficiencies in our 2018/19 audit to report, and there are none from 2017/18 to follow up.



4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £282K.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement and MIRS		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Long term liabilities Cr: Short term borrowing		786	786
	Relating to finance lease and PFI borrowings classified as long term that are due within 1 year.			
2	Dr: Property, Plant and Equipment Cr: Revaluation reserve		336	336
	Relating to an unadjusted error on valuations brought forward from 2017/18, that has not been adjusted in the 2018/19 statements, and as such remains an error for 2018/19.			
Total unadjusted misstatements			1,122	1,122

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement and MIRS		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1			42,655	
Dr: Pension liability				
Cr: Pension Reserve				42,655
Dr: MIRS	42,655			
Cr: CIES Re-measurement defined benefit liability		42,655		
Relating to an error in the Council's working papers that led to an omission of the return on plan assets.				
2			3,009	
Dr: Long term debtors				
Cr: Current debtors				3,009
Relating to a payment in advance which was long term in nature. Also impacts on Note 15.				
3			295	
Dr: PPE; Surplus asset				
Cr: Revaluation reserve				295
Relating to an error in the revaluation of an asset.				

Disclosure amendments

Our audit has identified the following disclosure matters that management has agreed to amend:

- Note 11 Property, plant and equipment; required amendment to remove brought forward impairments and depreciation written out in prior years;
- Note 11 Property, plant and equipment; required amendment to adjust for a correction made in 2017/18, but also included in 2018/19 in error;
- Note 11 Property, plant and equipment; disclosure relating to capital commitments adjusted to reflect contracts less costs to date. Note to be amended from £11.9m to £8.9m for Ingleby Barwick leisure centre and from £6.4m to £2.6m for the Crematorium;
- Note 15 Debtors; adjustment required of £2.347m between 'Debtors NHS' and 'Debtors other' as payment of a debtor had been netted off the incorrect category;
- Note 22 Related Party Transactions; note amended to include disclosure relating to Council's subsidiaries;
- Note 29 Financial instruments; required adjustment to long term debtors (£1.105m) and long term investments (£0.377m) to reflect as long term, rather than short term;
- Note 29 Financial instruments; note amended to disclose transition to IFRS9, and to report the valuation techniques used for level 2 & 3 fair value instruments;
- Note 31 Defined Benefit Pension Scheme; further disclosure added to the note to enhance clarity of reporting;
- Accounting policies; amendments made to policies relating to Council tax and Non-Domestic rates, Financial instruments, Government Grants, and Investment; and
- A number of other more minor disclosure, grammatical or consistency amendments, or to clarify where notes were relating to the Council, Group or Both.

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5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<ul style="list-style-type: none"> • Constitution in place which is available on the Council's website. • Council plan in place for the period 2018 to 2021, and on the Council's website. • Leader's retrospective annual review undertaken. • Management team revised in 2016 to adapt to the Council's future plans, and to revised again in 2019 on departure of previous Chief Executive. • No data quality issues in respect of performance information we are aware of. • Regular reporting to 'Those charged with governance' of performance and financial information, including variances. • Medium Term Financial Plan (MTFP) updated at least annually as part of budget setting. Medium term planning undertaken and plans in place; i.e. Council Plan 2018/2021 and MTFP, and which are updated at least annually. Mid-year report to Cabinet also sets out position on MTFP and impact for future years. • Regular and timely reporting to members. • Risk register and risk management arrangements in place. Risks reported to Audit Committee and regular reporting by Internal Audit. • Annual governance statement prepared, reviewed and approved by Members. 	Yes

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<ul style="list-style-type: none"> Financial and performance reports record achievement in meeting financial targets. Need to transform services to reduce costs recognised. MTFP updated at least annually as part of budget setting and progress monitoring undertaken including achieving savings targets. Asset register in place and Capital Strategy in place. Smarter Working Programme incorporates use of assets/estate. HR policies and procedures in place. Sickness information and reports are provided to Corporate Management Team, Human Resources Service Group and Assistant Directors. 	Yes
Working with partners and other third parties	<ul style="list-style-type: none"> Examples of partnership working in place to reduce costs and improve service delivery. Better Care Fund in place with Health and Wellbeing Board having oversight and receiving quarterly updates. Council plan in place for the period 2018 to 2021, and on the Council's website. Council has written procedures for procuring products and services, which are within its Constitution (part 3). 	Yes

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5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to the significant risk is outlined below.

Risk	Work undertaken	Conclusion
Sustainable resource deployment		
<p>Our audit work in previous years has concluded that the Council has robust arrangements in place for Medium Term Financial Planning. The Council continues to face financial pressure in the coming years and the Council is currently updating its medium term financial plan (MTFP). We need to ensure our knowledge of the Council's MTFP arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.</p>	<p>Building on our work in previous years, we:</p> <ul style="list-style-type: none"> reviewed the Council's updated 2019/2020 MTFP to ensure it reflects the latest funding position from central government; and reviewed and updated our knowledge of the arrangements the Council has in place to monitor progress against its savings plans that underpin the MTFP. <p>We found that the latest MTFP, issued in February 2019, reports the significant changes that could lead from national reviews of future funding arrangements that are not yet finalised, and as such the funding position in the medium term remains uncertain.</p> <p>The overall position for the Council based on known factors and current plans is a budget gap of circa £3.7m from 2020/21. Officers are looking at plans to address this gap for members consideration. The Council recognises that delivering savings is becoming ever more challenging.</p> <p>The Council has adequate reserves in the medium term, including £73m in useable revenue reserves at the end of March 2019. In the context of this level of reserves, this budget gap is manageable. Although there is no room for complacency, our experience is that the Council has a history of delivering its savings plans, and reserves are used only when necessary and when planned as part of the agreed MTFP.</p>	<p>We updated our knowledge of the arrangements the Council has in place, and our work has mitigated the risk we identified at the planning stage. The MTFP reflects the latest Government announcements, and arrangements to monitor savings plan delivery are adequate.</p> <p>We note that action is needed to address the budget gap over the medium term, and this needs to be an important priority for the Council.</p>

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Other matters coming to our attention

After issuing our Audit Strategy Memorandum in February 2019, Ofsted has issued two inspection reports relating to the Council.

- In April 2019, Ofsted published the results of an inspection to judge the effectiveness of the area in implementing the special educational needs and disability (SEND) reforms as set out in the Children and Families Act 2014. Areas of strengths were reported, however, weaknesses were identified in the arrangements in place in the local area and the Council and local Clinical Commissioning Group were jointly required to submit a statement of action. It is clear that the Council needs to take action in line with the areas for improvement identified.
- In July 2019, Ofsted published the results of a children's social care services inspection. The findings were that "since the last inspection in 2016, there has been a decline in the overall effectiveness of children's social care services in Stockton. While some services are strong, there has been insufficient management oversight and grip across the full range of services, and this is leading to unnecessary delay for some children in their assessed needs being met". In each of the 4 judgements made the conclusion was 'Requires improvement to be good'. The Ofsted publication reports that immediate action was taken during the inspection by senior managers to begin to rectify the issues. Again, it is clear that the Council needs to take action in line with the areas for improvement identified.

The Council has experienced difficulties in its regeneration of the former Globe theatre site, with significant increases in budget over the life of the scheme, and leading to a request for further funds from Council in June 2019 in order to complete the project. Although we understand that there were particular technical difficulties in the delivery of this project, it is important that the Council considers whether any lessons can be learned from this experience to strengthen project management in future. The Council is conducting an internal review to learn any lessons from this project to reduce the risk of any reoccurrence of this nature in the future.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.

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DRAFT MANAGEMENT REPRESENTATION LETTER

To:
Mr Gavin Barker
Director
Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

[Date]

Stockton-on-Tees Borough Council (and Group) - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Stockton-on-Tees Borough Council (and Group) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from me for the purpose of the audit; and
- unrestricted access to individuals within the Council/Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Financial Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council/Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council/Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Financial Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council/Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's/Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Council's/Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's/Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Going concern

To the best of my knowledge there is nothing to indicate that the Council/Group will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Chief Financial Officer/Director of Finance and Business Services

Date.....

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DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Stockton-on-Tees Borough Council

Report on the financial statements

Opinion

We have audited the financial statements of Stockton-on-Tees Borough Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2019, which comprise the Council Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and Collection Fund, and the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, and Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2019 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Business Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Business Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's and Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance and Business Services is responsible for the other information. The other information comprises the Annual Governance Statement, information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance and Business Services for the financial statements

As explained more fully in the Statement of the Director of Finance and Business Services' Responsibilities, the Director of Finance and Business Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Finance and Business Services is also responsible for such internal control as the Director of Finance and Business Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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DRAFT AUDITOR'S REPORT (CONTINUED)

The Director of Finance and Business Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance and Business Services is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Stockton-on-Tees Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Stockton-on-Tees Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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DRAFT AUDITOR'S REPORT (CONTINUED)

Use of the audit report

This report is made solely to the members of Stockton-on-Tees Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Stockton-on-Tees Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Gavin Barker
Director

For and on behalf of Mazars LLP
Salvus House
Aykely Heads
Durham
DH1 5TS

XX July 2019

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APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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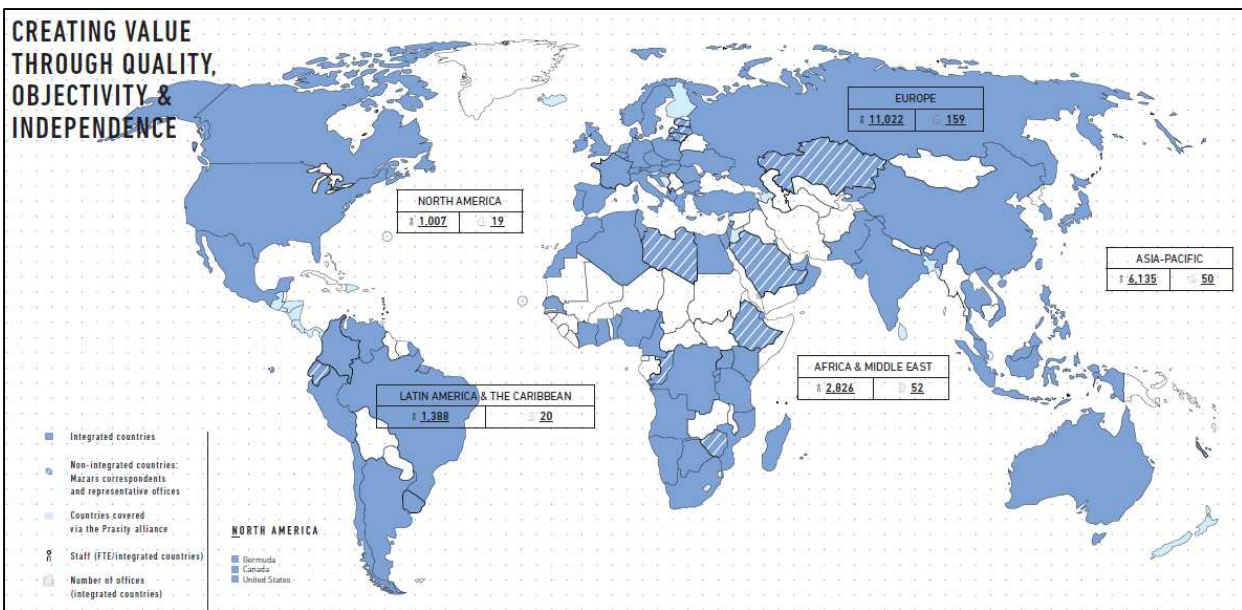
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MAZARS AT A GLANCE

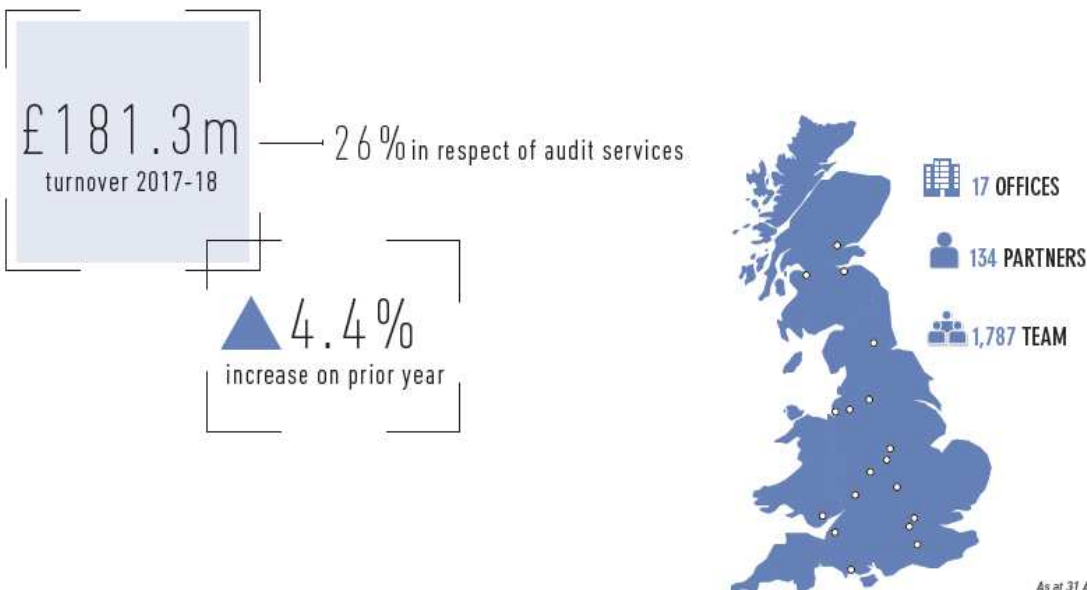
Mazars LLP

- Fee income €1.6 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally



Mazars in the UK



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