

Members of the Audit Committee
 Durham County Council
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30 September 2013

Dear Members

Conclusion of pending matters – Durham County Council Audit Completion Report

As required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that are marked as outstanding on page 2 of our Audit Completion Report which we will be presenting to the Audit Committee on 30 September 2013.

The outstanding matters and the conclusions reached are detailed in the table below.

Outstanding matter	Conclusion reached
Testing of council house revaluations	Testing has been completed and identified that the estimated valuation of dwellings is overestimated by some £8.3million (previously reported in the Audit Completion Report included on the agenda today as £5million). The estimation method (which is consistently applied from year to year) has not given rise to a risk of material misstatement and is unlikely to do so for as long as expenditure on the decent homes programme continues. However, I have already noted in the Audit Completion Report that the Council does not fully comply with the Code or RICS in the revaluation of council dwellings. I recommend that the Council reconsider the approach to estimating annual impairment and carry out a more formal in year review of impairment.
Trading accounts review	Testing has been completed with no matters to report to members.

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Outstanding matter	Conclusion reached
Financial instruments review	<p>Testing has been completed and highlighted the need for several amendments to Note 16 which have been made to the Statements presented to Audit committee members today. Note 16 has been amended as follows:</p> <p>Categories of financial instruments: Council tax and NNDR, prepayments/receipts in advance now excluded. Debtors amended from £79million to £55.3million, Creditors from £101.8million to £98million, PFI from £48.3million to £47.8million long term and from £2.8million to £3.2million short term.</p> <p>Income and expense, gains and losses: Interest expense amended from £20million to £24.4million (to reflect PFI and debt restructuring charges). Interest income of £3.29million amended to £3.28million.</p> <p>Fair value of assets and liabilities: amended to reflect above - carrying amount for financial liabilities -total £540.6 million to £542.8million and FV of liabilities from £647.3million to £645.2million.</p> <p>Loans and receivables: amended to reflect above - total £129.9million to £112.2million and the FV of loans and receivables from £130.3million to £112.3million.</p> <p>The comparative figures have also been changed to reflect the amendments above.</p>
Contingent liabilities review	Testing has been completed. We noted that there are a number of contingent liabilities where there is insufficient information to be able to reflect an estimate. These should be reviewed again in 2013/14 to see if a reliable estimate can be made of the amount of the liability.
Capital grant receipts	Testing has been completed and there are no matters to report to members.
Checking the revised statement of accounts	The revised statements have been checked and agreed. No matters to report to members.
Whole of Government Accounts (WGA)	Work on going, but no matter to report to members to date.

In addition, we report here further adjustments which have been made to the statements and unadjusted amounts, which were not included in our Audit Completion Report.

Adjusted misstatements	
1	Amendment to Note 7 cash flow operating activities: - Interest received amended from £1.1million to £2.7 million
2	Amendment to Note 2 HRA: valuations of housing assets as at 31 March 2013 incorrectly shown as the 2011/12 amount of £472.7 million, amended to £447.7million
3	Amendment to note 28: Cash flow: Purchase of short-term and long-term investments amended from £195.8 million to £142 million and Proceeds from short-term and long-term investments amended from £245 million to £191 million to tie in with the movement in Long Term/Short Term Investments.
4	Amendment to note 34: senior officers remuneration removed from bandings table as shown separately and minor amendments to the exit packages bandings table.
5	Amendment to CIES: Financing and Investment income and expenditure grossed up by an additional £28,201 million current year and £35,113 million previous year.
6	Pension disclosures: statements amended to disclose the cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure.

Unadjusted misstatements	
1	PPE Assets under construction - one item tested - Kelloe Village Partnership - should not have been recorded as an asset as it relates more to a scheme. The value of this scheme £79,077 and the extrapolated value of this error is £3.2 million , which is not material. The Council should review its asset register in 2013/14 to ensure that similar items are not included in future years.

We intend to issue the certificate on your statement of accounts on the 4 October 2013 on completion of the WGA work. If you wish to discuss these or any other points discussed at the meeting then please do not hesitate to contact me or Catherine Banks.

(Catherine.Banks@mazars.co.uk).

Yours sincerely

Cameron Waddell
Director

cc Mr Don McLure, Corporate Director Resources