

Tyne & Wear Integrated  
Transport Authority

Annual Audit Letter

on the 2011/12 Audit

October 2012

# Contents

	Page
1. Key messages	2
2. Purpose, responsibilities and scope	3
3. The audit of the accounts	4
4. Value for money	5
5. Other matters	6
6. Closing remarks	7

# 1. Key messages

The Statement of Accounts was prepared, audited and closed in accordance with the agreed timetable. The Authority achieved a good standard of financial reporting. A number of adjustments impacting the reported financial position were processed. The main audit adjustment related to the valuation of the existing vehicle and cycle tunnels.

The existing vehicle and cycle/pedestrian tunnels were valued on a depreciated replacement cost basis as they were being accounted for as Other Land and Buildings. However they were disclosed in the accounts as Infrastructure assets. The 2011/12 Local Authority Accounting Code of Practice requires infrastructure assets to be valued on a historical cost basis and the Authority's accounting policy is consistent with the Code. Amendments were put through to correct this. The impact of the amendment is a reduction in the value of net assets and unusable reserves of £18 million. There was no impact on the general fund.

We issued an unqualified audit opinion on the Statement of Accounts and an unqualified value for money conclusion on 28 September 2012.

The Whole of Government Accounts return was presented for audit by the deadline set by HM Treasury. We issued an unqualified opinion on the Whole of Government Accounts return on 28 September 2012.

The audit certificate of completion of the audit was also issued on 28 September 2012.

We did not identify any significant weaknesses in the financial reporting systems and control observations noted in our report are considered to be minor. Control observations were reported to the Audit Committee on 14 September and the full Authority on 27 September 2012 as part of our report on significant matters arising from our audit.

## **Action needed by the Authority**

The Authority needs to implement the actions noted in the management response for each of the control observations raised in our report to those charged with governance.

## 2. Purpose, responsibilities and scope

### **The purpose of this letter**

The purpose of this Annual Audit Letter is to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2012.

Although this letter is addressed to the members of Tyne & Wear Integrated Transport Authority (“the Authority”), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the Authority’s website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

### **Responsibilities of the Auditor and the Authority**

The Authority is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on IFRS and other relevant legislation.

We are appointed as the Authority’s independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including Integrated Transport Authorities.

As the Authority’s appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (“the Code”). Under the Code, we have responsibilities in two main areas:

- the Authority’s accounts; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

### **The scope of our work**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board (“APB”). The audit opinion on the accounts reflects the financial reporting framework adopted by the Authority, being the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on IFRS and other relevant legislation. We conducted our work on the value for money conclusion in line with guidance received from the Audit Commission in respect of other local government bodies for the financial year ended 31 March 2012.

# 3. The audit of the accounts

## Key issues arising from the audit of the accounts

We issued an unqualified opinion on the Authority's 2011/12 accounts on 28 September 2012, in accordance with the deadline set for local government bodies. Our opinion confirms that the accounts present a true and fair view of the financial position of the Authority and its income and expenditure for the year.

Before we give our opinion on the accounts, we are required to report to those charged with governance any significant matters arising from the audit. A detailed report was discussed with the members of the Audit Committee on 14 September and the full Authority on 27 September 2012 and there were no key issues to report.

We received a set of draft accounts in advance of the agreed deadline, which were supported by working papers. The finance staff were helpful throughout the process and responded swiftly to all queries. This performance reflects well on the professionalism of the finance staff and their commitment to maintaining high-level controls over financial systems. Amendments were made to the reported financial position for the current year. The main audit adjustment relates to the valuation of the existing vehicle and cycle tunnels.

The existing vehicle and cycle/pedestrian tunnels were valued on a depreciated replacement cost basis as they were being accounted for as Other Land and Buildings. However they were disclosed in the accounts as Infrastructure assets. The 2011/12 Local Authority Accounting Code of Practice requires infrastructure assets to be valued on a historical cost basis and the Authority's accounting policy is consistent with the Code. Amendments were put through to correct this. The impact of the amendment is a reduction in the value of net assets and unusable reserves of £18 million. There was no impact on the general fund.

We have considered the financial standing of the Authority as at 31 March 2012. We have assessed this based on current/ongoing expenditure demands, expected income and the current cash position of the Authority. The financial standing of the Authority is considered to be satisfactory.

## Audit certificate

When our audit is complete we are required to certify the closure of the audit. The audit certificate was issued on 28 September 2012.

# 4. Value for money

## Background

Under the Audit Commission Code of Audit practice, as appointed auditors, we are required to draw a positive conclusion regarding the organisation's arrangements to secure economy, efficiency and effectiveness of its use of resources (the value for money (VFM) conclusion).

In 2011/12, as set out in the "Work Programme and Scales of Fees 2011/12 - Local government, housing and community safety" and supporting the New Approach to VFM Audit document issued by the Audit Commission, our VFM audit work consists of the following:

- review of the annual governance statement (AGS);
- review the results of any work of the Audit Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- undertake other local risk-based work as appropriate, or any work mandated by the Audit Commission.

We have not identified any local risk-based work, nor was there any additional work mandated by the Commission.

## Value for money conclusion

Having performed our work in line with guidance received from the Audit Commission we issued an unqualified value for money conclusion for the 2011/12 financial year. This means that we are satisfied that, in the areas reviewed, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during the year.

# 5. Other matters

## Audit Commission

In 2010, the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission. The Audit Commission subsequently announced proposals that the audits undertaken by their in-house practice should be outsourced to the private sector for the year ended 31 March 2013 onwards and five-year contracts have been awarded to that effect. Following a consultation exercise with all audited bodies about the appointment of their auditor for the audit of the 2012/13 and future years' accounts, the Commission has recently written to the Clerk confirming Deloitte as the appointed auditor for the Authority. The Commission will continue to regulate the local public audit market, monitor the performance of the firms providing audit services and determine the scale audit fees until the Government implements a new local public audit regime.

## Reports issued

Reports issued during the course of the 2011/12 audit included:

- fee letter in April 2011;
- report to those charged with governance on the 2011/12 audit in September 2012; and
- annual audit letter in October 2012.

## Analysis of audit fees

Audit fees charged are as follows:

	2012 £'000	2011 £'000
<b>Total fees for work carried out under the Code of Audit Practice</b>	<b>33</b>	<b>37</b>

We have not performed any non-audit services in either the current or prior year. In addition there have been no claims that required certification or additional Value for Money projects undertaken in the current or prior year.

## Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

## 6. Closing remarks

This letter has been discussed and agreed with the Acting Clerk and Treasurer. A copy of the letter will be provided to all Members.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution which supports the Authority's own agenda. We recognise the value of your co-operation and support.

### **Deloitte LLP**

Chartered Accountants

Newcastle upon Tyne, England

25 October 2012

*The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.*

*The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the Audit Commission.*

*This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party since this report has not been prepared, and is not intended, for any other purpose.*

*An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.*



# Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

© 2012 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Member of Deloitte Touche Tohmatsu Limited