

Members of the Audit and Governance Committee
 Sunderland City Council
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20 November 2020

Dear Members of the Audit and Governance Committee

Update to our 2019/20 Audit Completion Report

I am writing to update Members on the matters arising since we presented the Audit Completion Report to the Audit and Governance Committee on 16 October 2020.

The following table describes how the outstanding matters included in our Audit Completion Report have been addressed.

Audit area	Description of outstanding matters
Pensions – key audit matter	<p>We have received and considered the Pension Fund auditor letter.</p> <p>The Council has included in its revised financial statements, a disclosure in respect of material uncertainty due to CV19 for the pension fund property investments. We have therefore updated our auditor’s report wording to draw attention to this, under the pensions Key Audit Matter.</p> <p>We note there is a non-material estimated difference of £3.5 million between the Pension Fund assets and the Council’s share; this has been included in the summary of misstatements included as an appendix to this letter.</p> <p>There are no further matters arising which we are required to report to you and we have obtained sufficient and appropriate evidence in respect of this key audit matter.</p>
Property, Plant and Equipment and Investment Properties – key audit matter	<p>Our work has now been completed, including consideration of the Council’s rolling programme and the Valuer’s overall report.</p> <p>We have concluded our review of the valuation of the Council’s shared waste PFI facility, with a resulting reported overstatement of £7.259m, as shown in the appendix to this letter. The appendix to this letter shows that cumulative errors, including in respect of Property, Plant and Equipment, are not material.</p> <p>There are no further matters arising which we are required to report to you and we have obtained sufficient and appropriate evidence in respect of this key audit matter.</p>
Other areas	<p>Our work is now completed; there are no other significant matters arising we are required to report to you.</p>

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Audit area	Description of outstanding matters
Closing procedures	We have now completed our review and closure processes, including consideration of post balance sheet events and checking the revised financial statements. There are no additional matters that we are required to report to you.

Internal control recommendations

There are no significant changes to the internal control recommendations reported in our Audit Completion Report.

Materiality

We reported our materiality in our Audit Completion Report and our final assessment is this remains unchanged.

Summary of misstatements

For completeness, I attach a final summary of misstatements at **Appendix A** to this letter. All changes between the Audit Completion Report and the final position are highlighted in *blue italics*.

Auditor's report

For completeness, I attach our final auditor's report at **Appendix B** to this letter, with changes highlighted in *blue italics*.

Yours sincerely



Cameron Waddell
Partner
For and on behalf of Mazars LLP

Appendix A – Summary of misstatements

Changes since our Audit Completion Report are highlighted in blue italics.

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £406k (Group trivial threshold of £417k). 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. There are no misstatements that have been adjusted by management during the course of the audit that we are required to report to you.

Unadjusted misstatements 2019/20 and brought forward unadjusted errors

		Assets	Liabilities	Reserves	Income Statement (CIES)
		£000s	£000s	£000s	£000s
1	Dr: Property, Plant and Equipment Cr: Assets Held for Sale (current) Dr: Revaluation Reserve / CIES* Cr: Property, Plant and Equipment <i>Dr: Revaluation Reserve</i> <i>Cr: Property, Plant and Equipment</i>	394 -394 -171 <i>-7,259</i>		171 <i>7,259</i>	
	Being the net impact of various Property, Plant and Equipment errors. Including: <ul style="list-style-type: none"> understatement due to misclassification of assets as Assets Held for Sale - £0.394m; understatement of the valuation of the Bridges shopping centre, due to an error in the calculation - £1.694m; understatement due to various errors with an extrapolated value of £0.858m; overstatement due to minor errors - £0.329m; overstatement due to various errors, with an extrapolated value of £2.394m; and <i>overstatement of the shared waste PFI facility - £7.259m.</i> **The £0.171m adjustment represents the net impact of both under- and overvaluations, some of which impact on the Revaluation Reserve and others that impact on the CIES. For simplification, we have shown the net adjustment against the Revaluation Reserve. In practice the adjustments would be split with the CIES and gross figures may be higher.				
2	Dr: Revaluation Reserve Cr: Capital Adjustment Account			2,458 -2,458	
	Being an error in the accounting treatment of revalued assets; this is due to spend on an existing asset, upon revaluation, not being offset as required against a previous revaluation loss. Error for prior years quantified as being £0.528m.				
3	<i>Dr: Property, Plant and Equipment</i> <i>Cr: Revaluation Reserve</i>	<i>1,230</i>		<i>-1,230</i>	
	<i>Being the brought forward unadjusted errors from the prior year: net understatement of Property, Plant and Equipment.</i>				
4	<i>Dr: CIES (remeasurement of the net defined benefit liability)</i> <i>Cr: Pensions reserve</i>			<i>-3,521</i>	<i>3,521</i>
	<i>Being the non-material error in respect of the Council's share of Pension Fund assets, based on the differences identified by the PF auditor's letter of assurance.</i>				
	Total unadjusted misstatements	-6,200	0	2,679	3,521

Unadjusted disclosures

- **Note 31 Dedicated Schools Grant:** the disclosure note highlights the deficit of £0.249 million for 2019/20, stating it will be funded from the available DSG resources for 2020/21, in line with the School Finance (England) Regulations 2020 that apply from 1 April 2020.

In our view the disclosure is not appropriate as a Council cannot set aside amounts that are not available. This means a negative earmarked reserve is not appropriate unless derived from a statutory authority. Whilst the School Finance (England) Regulations 2020 (applicable from 1 April 2020) set out that DSG deficits are to be funded from DSG resources and not the general fund, we do not consider this to statutory override to be available for accounting purposes in 2019/20. Therefore, although the current position may reflect the funding position, i.e. the deficit position will be funded from another source, this is different to the financial reporting position.

Management's view is the disclosure reflects the reality of the Council's position and given the immaterial value they are not proposing to amend.

- *Note 43: nature and extent of risks of financial instruments: the Council has included an analysis of debtors that are impaired or past due, but it has not been split into local taxation debtors, as required by the Code.*

Adjusted disclosures

Single entity Council adjusted disclosures

- **Note 4 assumptions:** various amendments to clarify assumptions, including addition of narrative in respect of the material uncertainty due to COVID-19 in respect of the Pension Fund's property investments.
- **Note 6 events after the balance sheet date:** amendment of narrative to clarify that there are no post balance sheet events (as required, the Council will keep this disclosure under review right up until when the opinion is signed, updating the disclosure note as appropriate).
- **Note 12 Property, Plant and Equipment:** minor amendment to the disclosure note.
- **Note 15 financial instruments:** minor amendments to clarify disclosures.
- **Note 30 external audit costs:** amendment to include the additional fee charged for 2018/19.
- **Note 43 nature and extent of risks of financial instruments:** minor amendments to clarify disclosures.

Group adjusted disclosures

- **Group notes: capital commitments** – disclosure added for Group capital commitments, in relation to Siglion and IAMP.

Appendix B: Independent auditor's report to the Members of Sunderland City Council

Report on the financial statements

Opinion

We have audited the financial statements of Sunderland City Council ('the Council') and its subsidiaries and joint ventures ('the Group') for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the Council and Group 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31 March 2020 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 2019/20.

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 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 Executive Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council'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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

These key matters were relevant to our audit of the Group financial statements, insofar as the Group consolidates the Council's statements:

Key audit matter	Our response and key observations
<p>Property, plant and equipment and investment property valuations (Group and Council) – carrying value of £1,076 million</p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council’s holding of property, plant and equipment and investment properties (including the Council’s PFI shared waste facility).</p> <p>The Council employs a valuation expert to provide information on valuations, however there remains a high degree of estimation uncertainty associated with the (re)valuations of property, plant and equipment and investment properties due to the significant judgements and number of variables involved.</p> <p><i>We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council’s assets (Land and Buildings /Investment Property) as at 31 March 2020. As disclosed in note 4, the Council’s valuers have been faced with an unprecedented set of circumstances and consider that less weight can be attached to market evidence which would usually be relied upon to inform valuations. The asset valuations have therefore been provided on the basis of ‘material valuation uncertainty’ and the Council’s valuers have stated that valuations should be considered with less certainty and a higher degree of caution than usual.</i></p>	<p>Our response</p> <p>How we addressed this key audit matter:</p> <ul style="list-style-type: none"> • we critically assessed the Council’s arrangements for ensuring that property, plant and equipment and investment property valuations are reasonable; • we critically assessed the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuer(s), including the PFI shared waste facility; • we commissioned our own expert’s review of the Council’s valuation of the PFI shared waste facility and critically reviewed the Council’s expert’s valuation; • we considered the competence, skills and experience of the valuer(s) and the instructions issued to the valuer(s); • we substantively tested capital expenditure additions and disposals during the year; • we substantively tested the Council’s property, plant and equipment and investment property balances to obtain sufficient and appropriate evidence that they exist and are owned by the Council; • we substantively tested revaluations, including critically reviewing the Council’s own consideration of assets not revalued in the year and why they are not materially misstated; • we carried out procedures to obtain sufficient and appropriate evidence over the consolidation adjustments for group accounts which impact on property, plant and equipment and associated financial statement areas; • we critically considered the material uncertainties expressed by the valuer(s) used by the Council and considered the implications on our audit work; and • where necessary, we performed further audit procedures on individual assets to ensure the basis of valuations is appropriate. <p>Key observations</p> <p><i>As set out in the description of the key audit matter, we draw your attention to the material uncertainty disclosed by the Council in relation to land and buildings and investment properties, as disclosed in the financial statements. Our opinion is not modified in respect of this matter.</i></p> <p>We have not identified any material misstatement of the Group and Council’s Property, Plant & Equipment and Investment Properties.</p>
<p>Defined benefit liability valuation (Group and Council) – carrying value of £575 million</p> <p>The financial statements contain material pension entries in respect of the retirement benefits.</p>	<p>Our response</p> <p>How we addressed this key audit matter:</p> <ul style="list-style-type: none"> • we critically evaluated the Council’s arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and

Key audit matter	Our response and key observations
<p>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.</p> <p>The risk has increased as a result of the economic downturn arising from COVID-19.</p> <p><i>We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's share of Tyne and Wear Pension Fund's direct property and pooled residential property investments valuations as at 31 March 2020. As disclosed in Note 4 of the financial statements, the outbreak of Covid-19 has had a significant impact on the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their 31 March 2020 valuation reports, due to the possible impact of Covid-19. Therefore, there is less certainty and a higher degree of caution should be attached to valuations of unquoted property assets than would normally be the case. Our opinion is not modified in respect of this matter.</i></p>	<ul style="list-style-type: none"> • we challenged the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office; • we critically assessed the competency, objectivity and independence of the Actuary; • we liaised with the auditors of the Pension Fund to obtain sufficient and appropriate evidence that the controls in place at the Pension Fund are operating effectively; • we compared assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; • we carried out work to obtain sufficient and appropriate evidence over the Council's share of the pension assets, including consideration of the work of the Pension Fund auditor and how they obtained sufficient and appropriate evidence over the valuation of pension assets at the Fund level; • <i>we obtained confirmation from the auditor of the Tyne and Wear Pension Fund that the controls in place at the Pension Fund are operating effectively. This included the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability was complete and accurate;</i> • <i>we reviewed a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluated whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets. The Pension Fund auditor work included comparison of the asset values used for the actuarial valuation to those subjected to audit by the Pension Fund auditor;</i> • <i>we reviewed the actuarial allocation of Pension Fund assets to the Council by the Actuary, including comparison of the Council's share of the assets to other corroborative information; and</i> • we agreed data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements. <p>Key observations</p> <p><i>As set out in the description of the key audit matter, we draw your attention to the material uncertainty disclosed by the Council in relation to pension fund property investment valuations, as disclosed in the financial statements. Our opinion is not modified in respect of this matter.</i></p> <p>We have not identified any material misstatement of the Group and Council's pensions liability.</p>

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements of the Council and the Group as a whole as follows:

	Group	Council
Overall materiality	£13.898m	£13.538m
Basis for determining materiality	Materiality has been determined as 2% of gross expenditure at the surplus/deficit on provision of Services level.	
Rationale for benchmark applied	Gross expenditure at the surplus/deficit on provision of Services level was chosen as the appropriate benchmark as this is a key measure of financial performance for the Council and for users of the financial statements.	
Performance materiality (<i>Note 1</i>)	£10.840m	£10.560m
Reporting threshold (triviality – <i>Note 2</i>)	£0.417m	£0.406m
Specific materiality: officers' remuneration (25% of total)	n/a	£0.195m
Specific materiality: officers' remuneration (bandings table)	Correct banding (£5,000 banding)	Correct banding (£5,000 banding)
Specific materiality: Exit Packages (25% of total)	£0.412m	£0.302m
Specific materiality: Members' allowances (25% of total)	n/a	£0.284m

Note 1: performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

Note 2: the triviality threshold is the level under which individual errors (unless cumulatively material) are not communicated to the Audit and Governance Committee and is based on 3% of overall materiality.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the Executive Director of Corporate Services made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the Council and the sector in which it operates. We considered the risk of acts by the Council which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Council's accounting processes and controls and its environment, and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to:

- obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error;
- review of minutes of Council meetings in the year; and
- enquiries of management.

As a result of our procedures, we did not identify any key audit matters relating to irregularities, including fraud.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both Those Charged with Governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The Group consists of the Council and six other entities, four of which are 100% Council-owned subsidiaries as at 31st March 2020, along with two joint ventures, Sunderland Lifestyle Partnership Limited and International Advanced Manufacturing Park LLP. Our approach to auditing the Group was based on our understanding of the Group structure and an assessment of the significance of individual components to the Group financial statements and is summarised in the following table.

Component	% of Group total assets	% of Group total liabilities	% of Group income	% of Group expenditure
The Council	94.8%	89.9%	78.0%	78.5%
Together for Children Limited	1.0%	4.2%	14.2%	13.7%
Sunderland Care and Support Limited	0.7%	2.6%	5.3%	5.0%
Siglion	3.3%	2.2%	1.0%	1.2%
Sunderland Homes Limited	0.0%	0.0%	0.0%	0.0%
International Advanced Manufacturing Park LLP (IAMP)	0.0%	0.9%	1.4%	1.4%
Sunderland Lifestyle Partnership Limited	0.2%	0.2%	0.1%	0.2%
Total	100%	100%	100%	100%

- **The Council:** full scope audit procedures were carried out on the Council.
- **Together for Children Limited (TfC):** *we issued group audit instructions to the auditor of TfC in respect of their full scope audit of the financial statements for the year ended 31 March 2020. We reviewed the group audit instructions completed by the component auditor as well*

as their working papers. Component materiality used is that as set by the component auditor which is below our maximum threshold.

- **Sunderland Lifestyle Partnership Limited (SLP):** the Council's interest in this joint venture was assessed as a material but not significant component. This is due to the consolidation adjustments for the leisure assets carried out by the Council in producing the Group financial statements being material in terms of Group materiality. We carried out specific procedures on the consolidation adjustments made by the Council in preparing the Group statements as well as group analytical procedures.
- **Other Council interests:** analytical procedures were performed for the other Council interests consolidated in the Group financial statements and assessed as non-significant components, namely:
 - Sunderland Care and Support Limited;
 - Sunderland Homes Limited;
 - Siglion Limited; and
 - International Advanced Manufacturing Park LLP.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement arising from the aggregated financial information.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under 'Key Audit Matters' within this report.

Other information

The Executive Director of Corporate Services is responsible for the other information. The other information comprises the 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 Executive Director of Corporate Services for the financial statements

As explained more fully in the Executive Director of Corporate Services' Responsibilities, the Executive Director of Corporate 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 2019/20, and for being satisfied that they give a true and fair view. The Executive Director of Corporate Services is also responsible for such internal control as the Executive Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 Executive Director of Corporate

Services is responsible for assessing each year whether or not it is appropriate for the Council 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 Sunderland City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Qualified conclusion – except for

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, with the exception of the matter reported in the basis for qualified conclusion below, we are satisfied that, in all significant respects, Sunderland City Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for qualified 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 April 2020, 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 2020.

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.

In seeking to satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In July 2018, Ofsted reported its second inspection of Services for children in need of help and protection, looked after children, care leavers and adoption performance. Ofsted concluded that the categories of ‘children who need help and protection’ and ‘leadership, management and governance’ remained inadequate. Therefore our conclusion is qualified in respect of those categories assessed as inadequate by Ofsted.

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.

Other matters which we are required to address

We were appointed as the Council’s auditor by Public Sector Audit Appointments Ltd, in its role as appointing person under the Local Audit (Appointing Person) Regulations 2015, on 14 December 2017. The period of total uninterrupted engagement, including previous renewals and reappointments of the firm, is eight years covering the audit of the financial year ending 31 March 2013 to 31 March 2020.

The non-audit Services prohibited by the FRC’s Ethical Standard were not provided to the Council or its Group and we remain independent of the Council and its Group in conducting our audit.

Our audit opinion is consistent with the Audit Completion Report presented to the Audit and Governance Committee.

Use of the audit report

This report is made solely to the members of Sunderland City 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council’s Whole of Government Accounts consolidation pack. We are satisfied that these matters would not have a material effect on the financial statements or on our conclusion on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

Cameron Waddell
Key Audit Partner
For and on behalf of Mazars LLP

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