

Craven District Council

Audit Completion Report
Year ended 31 March 2013

October 2013

Contents

1.	Purpose of this document	1
2.	Independence	1
3.	Our audit approach	1
4.	Overall conclusion and opinion	1
5.	Limitations	2
6.	Audit status	2
7.	Significant risks and key judgement areas	3
8.	Audit findings	7
9.	Adjusted and unadjusted misstatements	9
10.	Value for money	12
	Appendix 1 - Letter of Representation	15
	Appendix 2 – Draft audit report	18
	Appendix 3 – Required communication	22

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Non-Executive Directors, Members or officers are prepared for the sole use of the audited body and we take no responsibility to any Non-Executive Director, Member or Officer in their individual capacity or to any third party.

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

1. Purpose of this document

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2013 and forms the basis for discussion at the Audit and Governance Committee meeting on 29 October 2013.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance of to fulfil their respective responsibilities;
- provide constructive observations arising from the audit process to those charged with governance of;
- ensure that as part of the two-way communication process we, as external auditors, gain an understanding of the attitude and views of Craven District Council with regard to operational, financial, compliance and other risks (both internal and external) which might affect the statement of accounts, including the likelihood of those risks materialising and how they are managed; and
- receive feedback from those charged with governance as to the performance of the engagement team.

2. Independence

As part of our on-going 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.

No further threats to our independence have been identified since we issued our Audit Strategy Memorandum.

3. Our audit approach

Our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board.

There have been no changes to our audit approach as communicated to you in the Audit Strategy Memorandum issued in February 2013, and no additional audit risks were identified. Where appropriate we have sought specific assurances from management, and a draft of their letter to us is set out in Appendix 1.

4. Overall conclusion and opinion

At the time of issuing this report we anticipate that by 31 October we will be in a position to:

- issue an unqualified opinion on your statement of accounts;
- conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in the use of resources; and,
- certify completion of the 2012/13 audit.

Our audit work identified the need to correct a number of errors in the draft statements. We did not receive an amended set of accounts by 30 September and delayed our opinion to allow management to make the necessary adjustments. These are set out in section 10 of our report. We

have now received revised statements and the principal adjustments related to:

- restatement of prior years' balances following the introduction of a new fixed asset register during 2012;
- accounting entries in relation to revaluations, reclassifications and disposals of non current assets; and
- presentational adjustments to bring the financial statements in line with Code requirements.

Our draft audit opinion and certificate is set out in Appendix 2.

5. Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the statement of accounts, have included the examination of the transactions and the controls thereon of. The International Standards on Auditing (UK and Ireland) do not require us to design audit procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Our audit included consideration of internal controls relevant to the preparation of the statement of accounts in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our

comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

6. Audit status

We have now substantially completed our audit of the statement of accounts for the year ended 31 March 2013. As no significant matters remain outstanding, we expect to be able to certify the closure of the 2012/13 audit by 31 October 2013.

We have not received any objections to the Council's 2012/13 statement of accounts from electors and have no outstanding matters or correspondence with electors.

Alongside our audit of your statement of accounts we are required to review your Whole of Government Accounts submission and report to the National Audit Office in line with their group instructions and guidance produced by the Audit Commission. We anticipate completing this work by 31 October 2013.

7. Significant risks and key judgement areas

Set out below are the significant risks and key areas of management judgement in the Audit Strategy Memorandum to which we paid particular attention in order to reduce the risk of material misstatement in the statement of accounts. We have detailed below the work performed to address each risk and judgement and our conclusions.

Significant audit risks	How we addressed this risk	Audit conclusion
<p>Management override of controls</p> <p>The International Standards on auditing (ISAs) presume that 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, it is a risk of material misstatement due to fraud and thus a mandatory significant risk on all audits.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the framework of internal controls in key financial systems, • assessed the Council’s overall control environment; • completed a fraud risk assessment. • obtained assurances from the Audit and Governance Committee and management on the arrangements in place to prevent, identify, respond to and report fraud. • sample tested general ledger journal postings; • reviewed material accounting estimates and accounting policies. 	<p>We found no evidence of management override of controls.</p>
<p>Revenue (and expenditure) recognition</p> <p>There is a presumption under the ISAs of significant risk in relation to the timing of revenue recognition</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the arrangements put in place by management to ensure revenue and 	<p>We found no evidence of fraud in revenue recognition in 2012/13.</p>

Significant audit risks	How we addressed this risk	Audit conclusion
<p>and in relation to judgements made by management as to whether income not yet received has been earned, and for ring fenced grant funding, whether any clawback provisions apply. For public sector organisation to same risk applies to the recognition of expenditure and contractual obligations.</p> <p>Therefore, income may be artificially inflated, or expenditure suppressed, to improve the reported financial position at the year end.</p>	<p>expenditure is recognised in the correct period;</p> <ul style="list-style-type: none"> • undertaken cut off testing on transactions around the year end; • sample tested income and expenditure transactions, and year end balances; • reperformed year end bank and feeder system reconciliations; and • confirmed government funding levels; and • reviewed any ring-fencing or clawback arrangements. 	
<p>Property, plant and equipment (PPE) entries and disclosures</p> <p>Last year's annual governance report highlighted that fixed asset accounting records needed improvement. To achieve this, the Council has implemented two new financial systems during the year, a fixed asset register and a new accounts payable module within the general ledger. Both of these new systems underpin material transactions and balances within the accounts.</p> <p>The financial statements contain material entries and disclosures in respect of PPE. The calculation of these figures, can be subject to significant volatility, including estimates of valuation and asset life, which</p>	<p>We have:</p> <ul style="list-style-type: none"> • documented, reviewed and sample tested fixed asset and accounts payable systems, to confirm the integrity of opening balances and in-year transactions; • evaluated the competency of the Council's valuers, and the management controls put in place to assess the reasonableness of information provided by them; • considered the reasonableness of the valuers' judgements, referring to an expert's report on trends which is commissioned annually from Gerald Eve by the Audit 	<p>Implementing the new fixed asset register identified errors in brought forward balances, which have now been corrected.</p> <p>Audit testing also identified:</p> <ul style="list-style-type: none"> • errors in respect of both 2011/12 and 2012/13 entries on the register, and capital accounting entries in the statement of accounts • the need to make improvements to disclosures in respect of Skipton Developments.

Significant audit risks	How we addressed this risk	Audit conclusion
<p>results in an increased risk of material misstatement.</p> <p>The Council is actively pursuing a number of significant property transactions in connection with “Skipton Developments” and Skipton Town Hall. These transactions are inherently complex in terms of both their legal and accounting requirement, and likely to be material to the accounts both individually and in aggregate.</p>	<p>Commission;</p> <ul style="list-style-type: none"> • ensured that all significant property transactions have been properly approved by members, and that decisions are supported by current valuations on the correct basis as set out in relevant guidance; • compared PPE accounting treatments and disclosures to Code requirements; and • considered whether any further post balance sheet events or contingent liabilities need to be disclosed in the financial statements. 	<p>Amendments have now been made as agreed.</p>

Areas of management judgement	How we addressed this judgement	Audit conclusion
<p>Retirement benefits entries and disclosures (IAS19)</p> <p>The financial statements contain material entries and disclosures in respect of retirement benefits. The calculation of these figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions.</p> <p>This results in an increased risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • agreed IAS19 accounting entries to actuarial reports; • confirmed that the accounting treatment adopted meets Code requirements; • obtained assurances from NYLGPF's external auditors, in accordance with established protocols; • evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary (Mercers); and • considered the reasonableness of Mercers' output, referring to an expert's report on all actuaries nationally which is commissioned annually by the Audit Commission. 	<p>No issues identified. Letters of assurance received from Deloitte in September 2013 confirm a difference of only £79,000 between actuarial estimates of pension fund assets and the equivalent value in NYLGPF's audited accounts (less than 1% of the total value at 31 March 2013).</p>

8. Audit findings

We are required to bring to your attention issues identified during our audit in relation to financial reporting, together with any recommendation for improvement. These are set out below:

Issue identified	Recommendation
The template used to produce 2012/13 accounts did not fully meet Code requirements	The Council should overhaul and update the template which currently forms the basis for producing its year end financial statements.
The Council has responded to recommendations made in last year's annual audit letter, by implementing a new asset register system. This should provide more up to date and reliable information in the future, but how the system operates, and interfaces with Code accounting requirements is not yet fully understood.	Work already in progress to understand the operation, and develop the use of the new asset register should continue.
Lease arrangements were reviewed in preparation for IFRS implementation some years ago, but have not been subsequently revisited. We expect new accounting requirements for leases to be introduced in 2013/14.	The Council should ensure that it has adequate arrangements for identifying, classifying and recording all lease arrangements, and for keeping these records up to date.
Calculations for holiday pay accruals are based on sample data collected in previous years.	This accrual is not material in the context of the Council's accounts overall, but should be based on up to date information.
The accounts do not include any accounting policies or disclosure notes in relation to inventories.	These balances are not material in the context of the Council's accounts overall, but some explanation of what these balances represent, and how they have been accounted for, should be included for the benefit of readers.

ISA 260 also requires that the following matters are communicated to those charged with governance:

ISA 260 requirements	Audit comment or conclusion
Significant difficulties encountered during the audit	The number and complexity of adjustments required to the draft accounts meant that the Audit Commission deadline of 30 September 2013 was not achieved.
Significant matters discussed with management	<p>Matters discussed during the course of the audit include:</p> <ul style="list-style-type: none"> • accounting policies and key accounting estimates • potential claims for equal pay and single status; • contingent liabilities and commitments; • asset valuations and leasing arrangements; • Skipton developments. <p>Where necessary we have sought specific assurances from management, appendix 1 refers.</p>
Significant deficiencies in internal control	No issues to report
Other significant matters arising from the audit	No issues to report

9. Adjusted and unadjusted misstatements

Implementation of a new fixed asset register during the year led management to identify a number of errors brought forward from last year which did not significantly affect the carrying value of property, plant and equipment overall but did affect classification of assets and entries in the revaluation reserve and capital adjustment account. A prior period adjustment has been made in the amended accounts to correct this.

Our audit work also identified the need to correct a number of errors in the draft statements, and we delayed our opinion to allow management to make the necessary adjustments, as set out below :

- a prior period adjustment in respect of Settle Town Hall where, although both the land and building were disposed of in 2011/12, the land value had not been written out of the accounts;
- inconsistencies in capital accounting entries between note 18 , note 38 and other entries in the accounts, and to create a clearer audit trail between capital accounting entries in the financial statements and the underlying fixed asset records;
- £1.25m borrowing incorrectly classified as long term rather than short term loans;
- the calculation of gains and losses on asset disposals; and
- accounting entries for Waltonwray Cemetary, and Skipton Town Hall car park

Disclosure amendments have also been made to:

- include prior year comparatives missing from some disclosure notes;
- ensure that financial instrument disclosures meet Code requirements;
- move information relating to Skipton Developments from contingent assets to a more appropriate disclosure note;
- include additional post-balance sheet disclosures in relation to localisation of business rates; and
- correct pension contributions disclosures for senior staff in note 15, and the value of audit fees for grant claims work in note 13.

We delayed our opinion to allow management to make the necessary adjustments. These are set out in section 10 of our report

We are also required to bring to your attention the misstatements found during the course of audit that have not been corrected, unless they are clearly trivial. Only one such item was identified, namely that income and expenditure in relation to investment property had not been separately disclosed in line with Code requirements. Management's reasons for deciding not to adjust are set out in their letter of representation in appendix 1. We are satisfied that this issue does not have a significant impact on the 2012/13 accounts.

10. Value for money

We assess your arrangements against the two criteria specified by the Audit Commission, namely securing financial resilience; and ensuring economy, efficiency and effectiveness in the use of resources.

For 2012/13 the Audit Commission identified and published a number of sector specific factors likely to be relevant to all local authorities in the current economic climate. Our work has been directed towards these issues. In addition we have considered the value for money aspect of individually significant transactions undertaken by the Council during the year. A summary of our findings and conclusions is set out below.

Criteria	Summary of findings	Audit conclusion
Financial Resilience	<p>The Council's Performance Management Framework sets out the required processes, timescales and reporting arrangements for budget setting, medium term financial management and budgetary control. Structured quarterly monitoring reports bring together financial and performance data. VFM clinics, select committees and working groups all play their role in challenging reported information, and in supporting improvement.</p> <p>Financial strategies are aligned to priorities set out in the Council's 4 year plan. Realistic assumptions underpin financial planning and established processes communicate budget priorities to staff and stakeholders. Risk registers are comprehensive and subject to detailed scrutiny by members – they adequately reflect the current financial position, expected future challenges, and the strategies in place to secure financial resilience.</p> <p>The Council does not rely on capital receipts or revenue reserves to balance the budget, and has managed to deliver spending within available resources over recent years. General Fund balances now stand at over £1m and earmarked reserves at over £1.7m at 31 March 2013, and the Council is looking to increase these balances rather than reduce them over the next 4 years. Fees and charges are reviewed on an annual basis and the Council is proactive in trying to access additional grant funding. It successfully secured £0.3m new homes bonus in 2012/13. Cash flow is proactively managed and the Council seeks external advice on investments, loan repayments and interest rates. CIPFA codes on treasury management are being complied with.</p>	Criteria met

Criteria	Summary of findings	Audit conclusion
<p>Securing economy, efficiency and effectiveness</p>	<p>High level benchmarking of costs per head of population is undertaken annually using CIPFA data, this helps to identify outliers for the purposes of developing savings plans and service review timetables. In terms of both overall net spend per head of population, and council tax levels however, the Council compares well with both neighbouring and similar sized authorities. More detailed benchmarking activity is incorporated into service reviews, mostly at unit cost level – examples in 2012/13 include democratic services and planning.</p> <p>Savings plans are developed each year following the budget consultation process, slippage against this plan is monitored and reported. The Council has delivered a wide range of savings to date through a mixture of:</p> <ul style="list-style-type: none"> • strategic reorganisation; • competitive tendering and procurement; • operational cost reductions and efficiencies; and • keeping fees and charges under regular review. <p>The Council demonstrates a positive, but well balanced approach in relation to working with others. A number of shared service and outsourcing arrangements are already in place for back office services, and options for outsourcing car parking enforcement is being considered. At the same time other services, such as homelessness, have been brought back in house to improve efficiency. Plans for the transfer of Skipton Town Hall have been put on hold as the initial business case was not robust, and disposal plans for Council land and buildings contain minimum sale value safeguards.</p> <p>The Council is deploying technology to create efficiencies and savings with regard to purchasing and procurement, and is exploring a number of income generation initiatives which will also address Council priorities and provide additional services for local people, such as an anaerobic digester and sports hall.</p>	<p>Criteria met</p>

Appendices

Appendix 1 – Management representations

To: Mazars LLP

[Client address]

[Date]

Dear Mr Waddell,

Craven District Council - audit for year ended 31 March 2013

This representation letter is provided in connection with your audit of the statement of accounts for Craven District Council for the year ended 31 March 2013 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. 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 ourselves 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are 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 us for the purpose of the audit; and
- unrestricted access to individuals within the Council that you determined necessary to contact in order to obtain audit evidence.

I confirm as s151 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 that have a material effect on the financial statements 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable, including the following:

- I am satisfied that land and buildings included in the Council's statement of accounts, including investment properties and non current assets held for sale, have been classified and valued in accordance with Code requirements
- I am satisfied that adequate liabilities have been included for holiday pay and related employee entitlements.

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.

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 additional contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. So far as I am aware there are no outstanding or unsettled claims against the Council in relation to equal pay and single status, or any other employment matters.

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. We have 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 s151 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 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 statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. I have disclosed to you the identity of the Council'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.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities. There are no future obligations under leasing arrangements, so far as I am aware, other than those disclosed in the accounts.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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.

Unadjusted misstatements

I confirm that there are no unadjusted misstatements in the 2012/13 accounts so far as I am aware, other than:

- Income and expenditure in relation to investment properties, which has been included in the accounts but not disclosed in line with Code requirements. I am satisfied that this does not have a significant impact on the presentation of the financial statements overall.

Yours faithfully

Section 151 Officer.

Appendix 2 – Draft audit report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CRAVEN DISTRICT COUNCIL

Opinion on the Council’s financial statements

We have audited the financial statements of Craven District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2012/13.

This report is made solely to the members of Craven District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the section 151 officer and auditor

As explained more fully in the Statement of Responsibilities, the Council’s section 151 officer 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves 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 fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the section 151 officer, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword

to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 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 issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 1 November 2012, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice 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 2013.

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.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 1 November 2012, we are satisfied that, in all significant respects, Craven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

I certify that I have completed the audit of Craven District Council for the year ended 31 March 2013 in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mr Cameron Waddell, For and on behalf of Mazars LLP

The Rivergreen Centre,

Aykley Heads,

Durham, DH1 5TS

October 2013

Appendix 3 – Required communication

ISA 260 ‘Communication With Those Charged With Governance’ and ISA 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ require the auditor to communicate a number of matters with those charged with governance. These matters are set out below along with our proposed approach. You are required to ensure that all points listed below are communicated to those charged with governance.

Required communication	When and how we will communicate
<p>Respective responsibilities of auditor and those charged with governance.</p> <p>Our responsibility for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the statement of accounts.</p> <p>The audit of the statement of accounts does not relieve management or those charged with governance of their responsibilities.</p>	<p>This information was included in the Audit Strategy Memorandum.</p>
<p>Communication of the planned scope and timing of the audit. Matters communicated include:</p> <ul style="list-style-type: none"> ▪ Significant audit risks and how we will address them; ▪ Our approach to internal control relevant to the audit; ▪ The application of the concept of materiality in the context of an audit; ▪ Our use of the work of internal audit; ▪ Your approach to internal control and how you oversee the effectiveness of internal control procedures; ▪ The attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and ▪ Your response to new accounting standards, corporate governance practices and related matters. 	<p>This information was included in the Audit Strategy Memorandum.</p>

Required communication	When and how we will communicate
Our views on significant qualitative aspect of accounting practices including accounting policies, accounting estimates and financial statement disclosures. When applicable, why we consider a significant accounting practice not to be appropriate to the entity.	Included in this report.
Significant difficulties, if any, encountered during the audit. This may include such matters as: <ul style="list-style-type: none"> ▪ Significant delays in management providing required information; ▪ An unnecessarily brief time within which to complete the audit; ▪ Extensive unexpected effort required to obtain sufficient appropriate audit evidence; ▪ The unavailability of expected information; ▪ Restrictions imposed on the auditor by management; and ▪ Management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern. 	Included in this report.
Details of significant matters discussed with, or subject to correspondence with management.	Included in this report.
Details of written representations we require for our audit.	Appendix 1 to this report.
Any other matters which we consider to be significant to the oversight of the financial reporting process.	Where applicable, included in this report.
Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence. Written disclosure of relationships which have a bearing on our independence	The Audit Strategy Memorandum, and this report, confirms that there have been no such discloseable relationships.

Required communication	When and how we will communicate
and safeguards we have put in place, details of non audit services provided and written confirmation of our independence.	
Form, timing and general content of communications.	We issue our Audit Completion Report. Should you require us to communicate in a different way please let us know.
Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include observations on appropriateness and timing of action taken by you in response to matters we have raised, the openness of your communication with us, your willingness and capacity to meet with us without management being present, your opportunity to fully comprehend matters we have raised, the extent to which you probe issues raised and our recommendations, any communication we have had in establishing with you the form, timing and general content of communications, your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.	We attend all meetings of the Council's Audit and Governance Committee and in addition to our Audit Strategy Memorandum, the annual fee letter and our Audit Completion report members receive regular update reports on audit progress and other topical issues. At these meetings we welcome your comments, questions and observations. On at least an annual basis, the Engagement Lead and Chair of the Audit Committee meet without management being present. On this basis we are satisfied that our communication arrangements meet legal and regulatory requirements.
Any significant deficiencies and other control recommendations in respect of internal control that we have identified during the audit.	Included in this report.