

# Annual Audit Letter 2013/14

Craven District Council



October 2014

Mazars LLP  
Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Members  
Craven District Council  
1 Belle Vue Square  
Broughton Road  
Skipton  
North Yorkshire  
BD23 1FJ

20 October 2014

Dear Members

**Annual Audit Letter 2014**

We are delighted to present to you Craven District Council's (the Council's) Annual Audit Letter.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2011 and the National Audit Office.

2013/14 has been another challenging year for the authority: the pressure on finances continues and like most other authorities across the country, the Council made some difficult decisions on its spending priorities and plans for the future. However, we were pleased to issue an unqualified opinion on the statement of accounts and the value for money conclusion.

I would like to express my thanks for the assistance of the Council's finance team, as well as Senior Officers and the Audit Committee, during the audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6314 or by e-mail ([cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)).

Yours faithfully

Cameron Waddell  
Director and Engagement Lead  
Mazars LLP

# Contents

01 Overall messages .....	2
02 Fees .....	4
03 Future challenges .....	5

# 01 Overall messages

## Purpose of this letter

Our Annual Audit Letter provides a summary of our work and findings for the 2013/14 audit period for Members and other interested parties.

In addition to this letter, we presented our Audit Completion Report to the Council's Audit and Governance Committee on 29 September which provides more detail of the work we have undertaken as the Council's external auditor in 2013/14.

## Our audit of the statement of accounts

We issued an audit report including an unqualified opinion on the Council's statement of accounts on 30 September.

The quality of the draft accounts submitted for audit had improved in comparison to last year. There does remain scope to improve the process for preparing the accounts and we will work with the Council to achieve this for future years. We believe that this will improve the quality of the accounts leading to fewer errors, and a smoother audit process for Council officers.

A new fixed asset register has been implemented, but there is still work to do to ensure that it is used to its potential. The level of detail is cumbersome for some assets and not enough individuals have been trained in its use.

At the interim stage of our audit, we reported a control weakness in relation to car parking income. We obtained sufficient assurance over the entries in the accounts in respect of car parking income and are now satisfied that there are appropriate controls in place.

## Our Value for Money conclusion

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies and the Commission's guidance on the Value for Money conclusion for 2013/14. Our audit report included a conclusion that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our work in this area focussed on the two criteria specified by the Audit Commission.

- financial resilience – we found that the Council met the criteria and that 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 remain steady at over £1 million and earmarked reserves have increased to almost £4 million at 31 March 2014.
- challenging how you secure economy, efficiency and effectiveness – we found that the Council met the criteria and that savings plans are updated each year following the budget consultation process. Target savings for 2013/14 were exceeded, and much of the savings plan for 2014/15 is on track, while the medium and longer term financial strategies include exploring a number of income generation initiatives which will also address Council priorities and provide additional services for local people.

## Whole of Government Accounts (WGA)

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of the Council's WGA consolidation pack with the audited statement of accounts. As the Council's activity is below the threshold set by the NAO for a full review of WGA, the procedures we were required to carry out were limited to consideration of Property, Plant and Equipment (PPE) and pensions entries. We reported that the Council's consolidation pack was consistent with the audited statement of accounts on 30 September. We reported a minor difference on PPE entries (£25,000).

## **Our other responsibilities**

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Audit Commission Act 1998. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any questions or objections in relation to the Council's 2013/14 accounts from local electors, nor did we exercise our wider reporting powers.

# 02 Fees

As outlined in our Audit Strategy Memorandum presented to the Audit Committee on 24 March 2014, the Audit Commission sets a scale fee for our audit and certification work. The fees applicable to our work in 2013/14 are summarised below.

Element of work	2012/13 Final Fee	2013/14 As previously reported	2013/14 Final Fee
Code audit work	£65,192	£60,192	£60,662
Certification work	£15,750	£10,700	£9,416
Non-audit work: review of internal audit	-	£2,250	£2,250
<b>Total</b>	<b>£80,942</b>	<b>£73,142</b>	<b>£72,328</b>

There has been a very small increase (£470) in fees for Code audit work since we reported to you in March 2014. This increase has arisen because the Audit Commission no longer makes certification arrangements for the National Non-Domestic Rates (NNDR 3) return, which previously provided auditors with assurance over the relevant entries in the Council's accounts. As a result, for 2013/14 we have undertaken additional audit testing to obtain sufficient assurance over the relevant entries in the Council's accounts. The associated additional audit fee is in line with guidelines provided by the Audit Commission to all local authority auditors, but it has not yet been approved by the Audit Commission.

The fee outlined above in relation to certification work is an estimate as we are yet to complete our work on certifying the Council's Housing Benefit claim. We will confirm the final fee charged for certification work when we issue our Certification Report. The certification fee is lower than the fee we reported earlier in the year because the scale fee has been reduced by the Audit Commission.

In addition to the services detailed above which are provided as your appointed auditor under the Audit Commission Act 1998, we also carried out a review of the Council's internal audit provision against the requirements of the Public Sector Internal Audit Standards.

# 03 Future challenges

The Council has made good progress in addressing its biggest challenges in 2013/14 and 2014/15. The Council recognises the importance of robust financial planning, and how this will help to ensure that resources are targeted to the highest priorities in the 2015-19 Council Plan. Monitoring of savings plans enabled the Council to achieve its savings target for 2013/14, and much of the 2014/15 savings target is on track (45 per cent of it is risk rated as green).

The Longer Term Financial Strategy to 2020/21 identifies that the Council needs to find increasing levels of savings every year, rising from £0.125 million in 2015/16 to £1.112 million in 2020/21. The scope of the LTFS means that there are a number of assumptions underpinning the plan which may well change, but it is clear that the financial pressures will continue for several years, and the Council will need to find increasingly innovative solutions.

The Council has achieved its savings targets in previous years, many of which have resulted in reductions to base budget. In addition to reductions in base budget the Council, through prudent financial management, has underspent against budget over the recent past. The latest budgetary control information also predicts a small underspend at 31 March 2015 (£0.18 million).

The Council has been able to maintain its level of reserves, and the General Fund is projected to remain at the same level for a number of years. There are plans for utilisation of earmarked reserves in the short term, bringing them down to a low of £2.8 million in April 2015. However, there are clear plans to build these back up again, to exceed current levels by April 2017.

The difficulties in maintaining good service performance levels should not be underestimated, particularly where efficiency savings reduce capacity. Performance management must continue to be robust and focussed on key areas.

Our planning for the 2014/15 audit will take account of the risks the Council is facing.

Should you require any further information on this letter or on any other aspects of our work, please contact:

**Cameron Waddell**  
**Director and Engagement Lead**

T: 0191 383 6314

E: [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)

M: 07813 752 053

Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS