

# Audit Completion Report

Craven District Council – year ended 31 March 2015

September 2015



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Audit and Governance Committee  
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18 September 2015

Dear Members

**Audit Completion Report – Year ended 31 March 2015**

We are delighted to present our Audit Completion Report for the year ended 31 March 2015. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented in March 2015. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Cameron Waddell  
Mazars LLP

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# 01 Executive summary

## Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2015 to the Audit Committee of Craven District Council (the Council) and forms the basis for discussion at the Audit Committee meeting on 29 September 2015.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Council; and
- receive feedback from yourselves as to the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 2 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 3 and a summary of misstatements discovered as part of the audit in section 4.

## Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2015. At the time of preparing this report, we are awaiting:

- evidence from management to support a number of entries in the financial statements in relation to the NNDR claim;
- receipt of the information we require from the local government pension fund administering Council's auditor (Deloitte LLP); and
- due to a very late and sizeable reduction in reported expenditure since the draft statements of accounts were prepared as a result of incorrect treatment of recharges, and which became apparent on 16 September, we are required to revisit our materiality levels. Any change in our materiality levels impacts on our sample sizes as materiality is a feature in determining the number of items we are required to test in our audit. This very late and significant change is likely to lead to an increase in our sample sizes in a number of areas of the accounts audit, and as such further testing will be required. We are working through this urgently to determine the extent of the additional work required. We are disappointed to note that this issue has arisen again this year, having raised this matter last year as part of our audit, and were assured the matter would not reoccur.

The following matters remain outstanding, and are usually done just prior to signing the audit opinion:

- review of the amended financial statements;
- review of post balance sheet events; and
- review on receipt of management representation letter.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 2 October 2015.

Our proposed audit report is set out in Appendix B.

## 02 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 6 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

#### Management override of controls

##### Description of the risk

Auditing standards state 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we approach the audit with due professional scepticism.

##### How we addressed this risk

We have updated our understanding and evaluation of internal controls procedures as part of our audit planning, including completion of a fraud risk assessment. As part of this, we have sought written assurances from the Audit Committee and management on their controls and processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to, and report fraud.

Our testing strategy for this significant risk due to fraud included:

- journals recorded in the general ledger and other adjustments made in preparation of the financial statements;
- consideration and review of material accounting estimates impacting on amounts included in the financial statements;
- consideration and review of any unusual or significant transactions outside the normal course of business; and
- consideration of any other local factors.

##### Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

## Revenue recognition

### Description of the risk

Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of income recognition and in relation to judgements made by management as to when income has been earned. Mazars' policy is that the scope to apply such a rebuttal is limited. As there is an inherent risk of fraud in revenue recognition we consider it to be a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.

### How we addressed this risk

We have evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we have undertaken a range of substantive procedures including:

- testing income and receipts in March, April and May 2015 to ensure they have been recognised in the right year;
- testing adjustment journals; and
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.

### Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

## Pension entries (IAS 19)

### Description of the risk

The financial statements contain material pension entries in respect of retirement benefits. 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.

### How we addressed this risk

We have discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we have:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuary; and
- considered the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the Audit Commission.

### Audit conclusion

As noted, in section 1, we are awaiting assurance from the pension fund auditor at North Yorkshire County Council. Subject to satisfactory receipt of the assurance, our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

## Property, Plant and Equipment (PPE) – depreciation, revaluations and impairments

### Description of the risk

Accounting standards and CIPFA's Code of Practice on Local Authority Accounting require that all property, plant and equipment are depreciated, unless there is a specific exception. There are also requirements to regularly revalue assets carried at fair value on the Council's balance sheet and to carry out impairment reviews. These involve management judgements over the useful lives and valuations of assets.

### How we addressed this risk

We have evaluated the design and implementation of controls in respect of depreciation, revaluations and impairments as part of our walkthrough of the property, plant and equipment system.

In addition, we have undertaken a range of substantive procedures including:

- substantive sample testing of depreciation, revaluations and impairments per the disclosure note to the financial statements;
- reviewing and evaluating of the work of the in-house valuer, including the valuer's report;
- consideration of regional valuation trends; and
- specific follow up of the areas subject to material error in previous years.

### Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

## Accounting policies and disclosures

We have reviewed Craven District Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting.

## Significant matters discussed with management

We have not had discussed any significant matters with management, other than our usual discussions to obtain evidence during the course of our audit.

## Significant difficulties during the audit

Our audit has proceeded smoothly, and we can see year on year improvement on the processes management has in place to prepare the financial statements and the quality of the draft financial statements overall. During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

## Modifications required to our audit report

Subject to successful completion of outstanding matters, we propose an unmodified audit report as set out in Appendix B.

## 03 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (High)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (Medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (Low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

### Significant deficiencies in internal control – (Level 2)

#### Description of deficiency

The Council's accounts closedown processes and management review of the draft financial statements failed to identify material overstatement of expenditure due to incorrect treatment of recharges.

#### Potential effects

Expenditure is overstated by a material amount in the draft financial statements.

#### Recommendation

Implement within closedown and management review processes a formally documented check to ensure the treatment of recharges is appropriate.

#### Management response

The reports generated from the Financial Management System to create the information for the CIES will be rewritten to ensure that the expenditure and income in relation to internal recharges are netted down within services, thus removing the need for manual intervention and reducing the risk of error.

### Follow up of previous internal control points

In our 2013/14 Audit Strategy Memorandum we reported internal control weaknesses in respect of controls over cash from car parking. We followed this up as part of our 2014/15 interim audit and found that management now undertake a reconciliation on a regular basis to provide assurance over cash collection from car parking. Our 2014/15 year end visit has not highlighted any further concerns in this area.



## 04 Summary of misstatements

We set out below the misstatements identified during the course of the audit, above the trivial level, for adjustment. Management have agreed to amend all errors identified, which are shown below.

### Primary statements

£159k was misclassified as Debtors rather than Cash at bank and in hand. Management have agreed to amend the statements accordingly.

### Disclosure amendments

Our audit identified the following matters that management has agreed to amend in the disclosures in the financial statements:

- Note 18; Short Term Debtors:
  - 'Other Local Authorities' overstated by £20k, with other categories understated by the same value; and
  - 'Central Government Bodies' understated by £1.266 million, with 'Other Local Authorities' overstated by the same value.
- Note 11; Taxation and Non-Specific Grant Income: Non ring-fenced Government Grants (also appears in Note 31) is understated by £85k as the grants were not accounted for on an accruals basis.
- Note 12; Property Plant and Equipment: the 2014/15 'Investment Property' opening balance required amendment to £582k (from £672k), making the value at 31 March 2015 £605k (rather than £695k). The 2014/15 'Land and Buildings' opening balance required amendment to £27,657k (from £27,584k), making the value at 31 March 2015 £27,918k (rather than £27,844k).
- Note 12; Property Plant and Equipment: the 2013/14 transfer for 'Investment Property' required amendment to £837k (from £747k) making the value at 31 March 2014 £582k. The transfer for 'Land and Buildings' required amendment to £797k (from £707k), making the value at 31 March 2014 £27,657k.
- Note 12; Property Plant and Equipment: the 'Revaluation increases/(decreases) recognised in the Revaluation Reserve' required amendment to show a decrease of £115k for 'Land and Buildings' (not an increase of £19k), and an increase of £67k for 'Community and Heritage Assets' (not a decrease of £67k).
- Note 12; Property Plant and Equipment: £192k has been reclassified from 'Impairment losses/(reversals) recognised in the Revaluation Reserve' to 'Depreciation written out to the (Surplus)/Deficit on the Provision of Services'.
- Note 16; Financial Instruments:
  - 'Debtors – Loans and receivables' required amendment from £1.131 million to £830k;
  - 'Creditors - Financial liabilities carried at amortised cost' required amendment from £1.836 million to £3.309 million; and
  - 'Fixed term Loans and receivables' required amendment from £2 million (carrying amount) and £2.005 million (fair value) to £4,500 (carrying amount) and £4,508 (fair value).
- Note 31; Grants credited to taxation and non specific grant income: 'Miscellaneous Grants & Donations' is overstated by £159k.
- Note 31; Grant Income: 'New Homes Bonus' comparative for 2013/14 was omitted and so required updating.
- Note 32; Related Party Transactions: The note required amendment to ensure disclosure regarding:
  - Cllr Lis was also a member of the Yorkshire Energy Trust which received £3k in payments;
  - Cllr Heseltine is a director and Kerwin-Davey a Trustee of Skipton & Craven Action for Disability, £16k of receipts;
  - Cllr Mason and Heseltine had an interest in Craven Citizens Advice Bureau until Feb 15, and also a former Councillor until January 2015; and
  - A former Councillor had an interest in Settle Victoria Hall in the prior year.
- Notes 37 and 40; in respect of local land charges were not consistent and so have been updated.

Our audit also identified a small number of more minor presentational matters which management has agreed to amend.

At a late stage management have also identified a small number of amendments they wish to make to the Comprehensive Income and Expenditure Statement. We are reviewing these as part of our review of the amended statements to ensure they are appropriate.

## 05 Value for money (VfM)

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do this by considering the Council's arrangements against two criteria specified by the Audit Commission.

In the Audit Strategy Memorandum we identified a significant risk relevant to the VfM conclusion. We detail below how we have addressed these risks and our conclusions.

### Significant VfM risks

#### VfM risk

##### Description of the risk

The Council is facing continuing decreases in resources due to the current economic climate and funding reductions. As a result, the Council forecast savings required of £0.3 million in 2015/16 and a further £1.1 million over the next two years in order to deliver a balanced budget.

The Council has a good track record of achieving savings against the backdrop of the recent period of austerity, via various initiatives. It has identified savings for 2015/16 that are on target to be delivered and has already agreed plans for delivering savings for the years after that, although there remains a gap. The Council has reflected this risk in its strategic risk register and further work is ongoing.

Therefore, we highlighted a significant risk to the financial resilience criterion in light of the savings the Council needs to achieve over the period of its Medium Term Financial Strategy in order to deliver a balanced budget.

##### How we addressed this risk

We have reviewed budget monitoring and reporting, focusing on areas where action plans are in place to make savings and how plans seek to minimise any adverse impact on services. We have reviewed the plans that are developed to deliver future savings and also plans to deliver improvements for the community.

##### Conclusion

Based on the results of our work, the Council has adequate arrangements in place to address the risk we identified to the financial resilience criterion. The budget monitoring process appears relatively robust, with sufficient scrutiny built in throughout the process. The Council has consistently reported that it would underspend against its budget, but there was a significant increase in the underspend identified in the final quarter. The reasons for the increase have been fully explained, but the Council should consider whether this level of underspend could or should have been identified earlier in the year.

The tables that follow show commentary alongside each aspect of the two criteria along with our assessment. This is followed by an overall assessment which also provides a 'reality check' on our findings.

## Financial resilience

Criterion	Aspect	Commentary	Arrangements in place?
Arrangements for securing financial resilience	Financial Governance	<p>Like other public sector bodies, the Council faces a number of challenges in this area, including the need to:</p> <ul style="list-style-type: none"> <li>• improve service quality and respond to rising demand within reduced budgets;</li> <li>• deliver required efficiency savings; and</li> <li>• manage the impact of increases on demand linked to demographic changes.</li> </ul> <p>A structured quarterly cycle on monitoring is in place which includes VFM Clinics, reports to Corporate Leadership Team (CLT), Policy Committee and Audit Committee as required on both performance and detailed budget information. The MTFS is aligned to the priorities set out in the Council Plan, and the Council's Performance Management Framework sets out the corporate approach and timetable to financial and service planning - incorporating the development of the MTFS, Council Plan and Service Plans. The Council has under spent against budget for a number of years, and they have set a balanced budget for 2015/16.</p>	Yes
	Financial Planning	<p>As noted above, the Council has under spent against budget for a number of years, and has set a balanced budget for 2015/16. The Council understands it is reliant on the funding from central Government. The Council's Fees and Charges Policy is reviewed annually and taken to Policy Committee for approval in November.</p> <p>Financial and corporate planning processes are closely aligned, this has been particularly evident in the current difficult economic environment. Risk management arrangements are in place. The Council's Risk Management Group meets to scrutinise significant risks identified on the risk register prior to reporting to CLT for sign off. Reports are taken to Audit Committee to scrutinise and approve changes to the risk register</p> <p>The Council clearly takes a longer term view in its financial planning. It has a robust MTFS that is helping it to manage the difficult economic climate and the cuts in Government funding. As the future financial settlements are uncertain, financial modelling is a key element of the MTFS, and the Council uses sensitivity analysis where appropriate.</p>	Yes

Criterion	Aspect	Commentary	Arrangements in place?
	Financial Control	The Council has managed its financial position well. Budget setting is robust and close monitoring ensured delivery of spending within budget, based on draft 14/15 accounts. Monthly and Quarterly Monitoring processes are in place as set out in the Performance Management Framework. There have been no significant unexpected under or overspends	Yes

### Securing economy, efficiency and effectiveness

Criterion	Aspect	Commentary	Arrangements in place?
Arrangements for challenging economy, efficiency and effectiveness	Prioritising resources	<p>CLT has a good grasp of the issues the Council faces and is taking the action needed to secure its financial position. The Council has delivered planned savings in the previous years and in 2014/15. The Council has delivered a surplus since 2012/13, including 2014/15.</p> <p>Savings Plans are developed as part of the budget setting process in consultation with staff and members. The Council undertakes an annual Budget Consultation Process. This is promoted on the website, at Council sites, press releases, emails to stakeholders and emails to Residents Panel etc.</p> <p>The Council takes a structured approach to cost reductions and prioritising resources, looking at options and delivering change on a business case approach.</p> <p>The Council is proactively looking at savings across the organisation. A wide range of savings have been delivered to date these are a mixture and strategic e.g.. shared services, shared office accommodation, savings from service reviews across a wide range of services including finance; democratic services, customer services and revenues and benefits and administration support, vacancy management across all services, and general procurement.</p>	Yes

Criterion	Aspect	Commentary	Arrangements in place?
	Improving efficiency and productivity	<p>The Council focusses on overall costs and cost per head of population rather than specific process unit costs, and there has been no real change to approach. However, a review of service and central administration recharges commenced during 14/15 to ensure costs are correctly allocated to services in future budgets.</p> <p>Benchmarking activity is largely incorporate into service reviews – as necessary. This includes benchmarking with others and with service budgets/performance/ structures.</p> <p>Arrangements are continually challenged as part of service reviews and savings plan development. Community Right to Challenge process now agreed and being promoted.</p> <p>The Council sets itself challenging savings targets and has delivered these so far. Savings are monitored on a quarterly basis. Budgets have been met, with surpluses in 2013/14 and again in 2014/15 based on draft financial statements.</p>	Yes

### Overall assessment and ‘reality check’

Having gathered evidence of the Council’s arrangements for each criterion we conducted a ‘reality check’, building upon our existing knowledge of the Council and considering the robustness of our assessment by referring to:

- reports by statutory inspectorates or other regulators;
- achievement of performance and other targets; and
- performance against budgets and other financial targets.

Evidence	Auditor assessment
Reports by statutory inspectorates or other regulators	We reviewed the VfM profiles (based on data previously maintained by the Audit Commission, but now available on the Public Sector Audit Appointments website). Based on this review, there were no indicators which would suggest weaknesses in the Council’s arrangements, or any information contrary to our knowledge of the Council.
Achievement of performance and other targets	We did not identify any matters that impacted on our VfM conclusion.
Performance against budgets and other financial targets	The Council has a history of achieving budget targets and did so in 2014/15 as described in the sections above.

### Value for money conclusion

Having completed our assessment, and having carried out a ‘reality check’, we can conclude that our initial risk assessment remains appropriate and we can be confident in our conclusion that the Council has adequate arrangements in place for each criterion.

Our proposed unqualified VfM conclusion is set out in our draft auditor’s report at Appendix B.

## Appendix A – Draft management representation letter

**To:**

Mr Cameron Waddell  
Director

Mazars LLP

The Rivergreen Centre

Aykley Heads

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DH1 5TS

### **Craven District Council – audit for year ended 31 March 2015**

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 2015 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 affect 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; and
- 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; and
- 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 the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

Chief Finance Officer



## Appendix B – Draft audit report

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRAVEN DISTRICT COUNCIL

#### Opinion on the Authority financial statements

We have audited the financial statements of Craven District Council (the Council) for the year ended 31 March 2015 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 2014/15.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance 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 Chief Finance 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 2015 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 2014/15.

#### 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 Council 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 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, 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 2015.

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, 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 2015.

Cameron Waddell CPFA

For and on behalf of Mazars LLP

The Rivergreen Centre

Aykley Heads

Durham

DH1 5TS

[Date]

## Appendix C – Independence

As part of our ongoing 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.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.