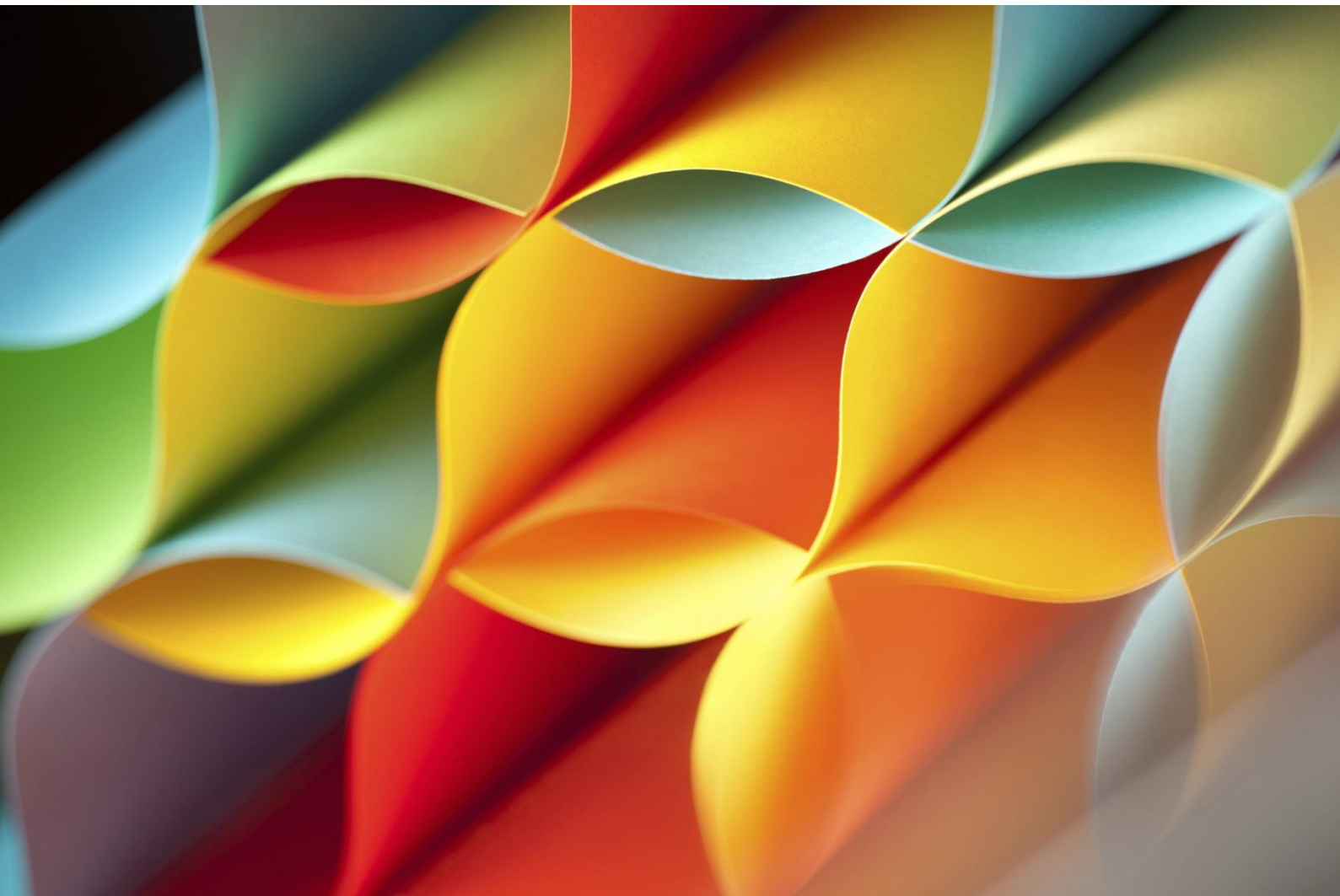


# Great Aycliffe Town Council

**Audit Completion Report**  
**Year ended 31 March 2014**

July 2014



# Contents

- 01 Purpose of this report
- 02 Overall conclusions and opinion
- 03 Significant risks and key judgements
- 04 Audit findings
- 05 Value for money conclusion

## Appendices

- 1 Management representations
- 2 Draft independent auditor's report
- 3 Required communication

*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.*

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# 01

## Purpose of this report

This document communicates the outcome of our audit of your 2013/14 financial statements, our assessment of your arrangements to secure value for money and matters that we are required to, or wish to bring to your attention

# Purpose of this report and our audit approach

## Purpose of this document

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2014 and forms the basis for discussion at the meeting of Great Aycliffe Town Council (the Council) on 17 July 2014.

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;
- ensure as part of the two-way communication process we, as external auditors, gain an understanding of the attitude and views of those charged with governance of the Council to the internal and external operational, financial, compliance and other risks 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.

## 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.

## 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 dated March 2014.

## 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. 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.

# 02

## Overall conclusions and opinion

We give an opinion on your statement of accounts and conclude on whether there are matters to report to you in relation to our value for money work.

# Overall conclusions and opinion

## **Overall conclusion and opinion**

At the time of issuing this report we anticipate:

- issuing an unqualified opinion on your statement of accounts; and
- concluding that there are no matters arising from our value for money work that we need to report.

## **Status and audit opinion**

We have substantially completed our audit of the statement of accounts for the year ended 31 March 2014. The only outstanding matter relates to confirmation requested from the Homes and Communities Agency of the terms of a covenant in the Agency's favour which applies to a specific non-operational asset.

We will update the Council on the outstanding matter at the meeting on 17 July 2014, and plan to issue an audit report including an unqualified opinion on both the financial statements and value for money conclusion soon after. Appendix 2 contains a copy of our draft audit report.

We have not received any objections to Great Aycliffe Town Council's 2013/14 Statement of Accounts from electors, and have no outstanding matters or correspondence with electors.

We expect to be able to certify closure of the 2013/14 audit at the time the audit report is issued.

# 03

## Significant risks and key judgement areas

We report to you the risks of material misstatement we identified in your statement of accounts and the key areas of management judgement that impact on your statement of accounts.

# 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 risk	How did we address this risk	Conclusions
<p><b>Management override of controls</b>            In all entities, 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.</p>	<p>We addressed this risk through our audit work on:</p> <ul style="list-style-type: none"> <li>• accounting estimates impacting amounts included in the financial statements (asset valuation and depreciation, accrued income and expenditure);</li> <li>• consideration of identified significant transactions outside the normal course of business (valuation of non-operational assets); and</li> <li>• journal entries and other adjustments made in preparation of the financial statements.</li> </ul>	<p>Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.</p>
<p><b>Revenue and expenditure recognition</b>            There is a risk of fraud in the financial statements relating to revenue recognition, due to the potential to inappropriately record income and/or expenditure in the wrong period. We consider the risk of fraud in revenue recognition to be a significant risk on all audits.</p>	<p>We tested:</p> <ul style="list-style-type: none"> <li>• accounting estimates impacting amounts included in the financial statements;</li> <li>• 'cut off' of income and expenditure to assess whether included in the appropriate year (1 month either side of year end); and</li> <li>• analytical review procedures.</li> </ul>	<p>Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.</p>



# 04

## Audit findings

We report to you the significant findings from our audit of your statement of accounts

# Audit findings

## Significant qualitative aspects of accounting practices

ISA 260 requires us to communicate with those charged with governance our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. This includes such matters as:

- the appropriateness of the accounting policies to the particular circumstances of the entity. Where acceptable alternative accounting policies exist, this communication may include identification of the financial statement items that are affected by the choice of significant accounting policies;
- any changes in significant accounting policies, including the application of new accounting pronouncements;
- management's identification of accounting estimates, management's process for making accounting estimates, risks of material misstatement, indicators of possible management bias and disclosure of estimation uncertainty in the financial statements; and
- the overall neutrality, consistency and clarity of the disclosures in the financial statements.

Our work has not identified any issues in relation to the above which we need to bring to your attention. The draft accounts submitted for audit, and the supporting schedules and working papers, were of a high standard as in previous years.

Our work also identified that disclosures were in line with our expectations with some minor amendments made to notes. These are summarised on page 11.

## Internal control

The purpose of our audit of the accounts was to express an opinion on the financial statements. As part of our audit we have 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.

Any matters reported would be limited to those deficiencies and other control recommendations that we have identified during our audit and that we consider of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified deficiencies to be reported.

There are no specific weaknesses in internal control to bring to your attention.

## **Errors and uncertainties in the financial statements**

We are required to bring to your attention all misstatements, errors and uncertainties found during the course of the audit, unless they are clearly trivial. We are pleased to report that no material errors were identified during the course of the audit.

However, we did identify a small number of misstatements and presentational/disclosure issues. We discussed these potential amendments with management during the audit, and the final version of the accounts includes all of the agreed amendments.

## **Unadjusted misstatements**

There are no unadjusted misstatements in the accounts which need to be brought to your attention.

## **Adjusted misstatements**

There are no adjusted misstatements in the accounts which need to be brought to your attention.

## **Disclosure amendments**

The main disclosure issues were :

- amendments in the Annual Report to ensure clarity and consistency with the financial statements for revenue, fixed assets and reserves;
- some accounting policies and notes which are not relevant to the financial statements have been deleted;
- notes to the accounts have been re-ordered to ensure they are consecutive, as far as possible, on the face of the prime statements; and
- clarification of the information in Balance Sheet Notes 1(h) and 10, which cover the clawback arrangements that apply to certain non-operational assets under a covenant.

# 05

## Value for money conclusion

We have not identified any matters arising from our value for money work that we need to report

# Value for money

In our Audit Strategy Memorandum we outlined that for 2013/14, the Audit Commission specified that our value for money work would consist of :

- a review of your annual governance statement;
- reviewing the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on my responsibilities; and
- any risk-based work we determine appropriate.

We have not identified any weaknesses in your arrangements from reviewing the above. As a result we expect to conclude that there are no matters arising from our value for money work that we need to report.

# Appendices

- 1 Management representations
- 2 Draft independent auditor's report
- 3 Required communication

# Management representations

*To be provided by Great Aycliffe Town Council to us on client headed note paper. It should be signed and dated as close to (but not after) the date of the audit report as possible.*

Mr C Waddell  
Director  
Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS  
[Date]

Dear Mr Waddell

## **Great Aycliffe Town Council - audit for year ended 31 March 2014**

This representation letter is provided in connection with your audit of the financial statements of Great Aycliffe Town Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008).

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 Financial Reporting Standard for Smaller Entities (Effective April 2008).

### **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 you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Finance Manager 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.

# Management representations

## **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 Management 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 Financial Reporting Standard for Smaller Entities (Effective April 2008) 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.

## **Contingencies**

There are no contingent liabilities recorded and disclosed in the financial statements other than as disclosed in note 10.

In particular:

- there is no significant pending or threatened litigation;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

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 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 Financial Reporting Standard for Smaller Entities (Effective April 2008).



# Management representations

## **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 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 Financial Reporting Standard for Smaller Entities (Effective April 2008).

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.

# Management representations

## **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Financial Reporting Standard for Smaller Entities (Effective April 2008) requires 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.

Yours faithfully

D Austin  
Finance Manager

# Draft independent auditor's report

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREAT AYCLIFFE TOWN COUNCIL**

### **Opinion on the financial statements**

We have audited the financial statements of Great Aycliffe Town Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on Reserves, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard for Smaller Entities (Effective April 2008).

This report is made solely to the members of Great Aycliffe Town Council in accordance with Part II of the Audit Commission Act 1998, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

### **Respective responsibilities of the Finance Manager and auditor**

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Accounting 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 relevant legal and regulatory requirements and the Financial Reporting Standard for Smaller Entities (Effective April 2008), 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 Finance Manager; 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 my report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Great Aycliffe Town Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the relevant aspects of the Financial Reporting Standard for Smaller Entities (Effective April 2008).

# Draft auditor's report

## 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 'Governance and Accountability for Local Councils: A Practitioners' Guide (England) 2010' issued by the Joint Practitioners Advisory Group (JPAG) and jointly published by the National Association of Local Councils (NALC) and the Society of Local Council Clerks (SLCC) in 2010;
- 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.

## Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that Great Aycliffe Town Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities;
- our locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

## Certificate

We certify that we have completed the audit of the accounts of Great Aycliffe Town Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Cameron Waddell CPFA  
For and on behalf of Mazars LLP  
Rivergreen Centre,  
Aykley Heads,  
Durham DH1 5TS  
[Date]

# 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.

Required	Audit conclusion
<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 our Audit Strategy Memorandum.</p>
<p>Communication of the planned scope and timing of the audit.</p> <p>Matters communicated include:</p> <ul style="list-style-type: none"> <li>• significant audit risks and how we will address them;</li> <li>• our approach to internal control relevant to the audit;</li> <li>• the application of the concept of materiality in the context of an audit;</li> <li>• our use of the work of internal audit;</li> <li>• your approach to internal control and how you oversee the effectiveness of internal control procedures;</li> <li>• the attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and</li> <li>• your response to new accounting standards, corporate governance practices and related matters.</li> </ul>	<p>This information was included in our Audit Strategy Memorandum.</p>
<p>Our views on significant qualitative aspect of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</p> <p>When applicable, why we consider a significant accounting practice not to be appropriate to the entity.</p>	<p>This information was included in section 4 of this report.</p>

Required	Audit conclusion
<p>Significant difficulties, if any, encountered during the audit.</p> <p>Significant difficulties encountered during the audit may include such matters as:</p> <ul style="list-style-type: none"> <li>• significant delays in management providing required information;</li> <li>• an unnecessarily brief time within which to complete the audit;</li> <li>• extensive unexpected effort required to obtain sufficient appropriate audit evidence;</li> <li>• the unavailability of expected information;</li> <li>• restrictions imposed on the auditor by management; and</li> <li>• management’s unwillingness to make or extend its assessment of the entity’s ability to continue as a going concern.</li> </ul>	<p>No significant difficulties were encountered.</p>
<p>Details of significant matters discussed with, or subject to correspondence with management.</p>	<p>The only significant matter discussed with management during the audit was the reclassification and valuation, pending potential sale, of a non-operational asset.</p>
<p>Details of written representations we require for our audit.</p>	<p>This information is included in appendix 1 of this report.</p>
<p>Any other matters which we consider to be significant to the oversight of the financial reporting process.</p>	<p>The information is included in section 4 of this report.</p>
<p>Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence.</p> <p>Written disclosure of relationships which have a bearing on our independence and safeguards we have put in place, details of non audit services provided and written confirmation of our independence.</p>	<p>This information was included in our Audit Strategy Memorandum.</p>
<p>Form, timing and general content of communications.</p>	<p>We issue our Audit Completion Report. If you require us to communicate in a different way please let us know.</p>
<p>Any significant deficiencies and other control recommendations in respect of internal control that we have identified during the audit.</p>	<p>This information is included in section 4 of this report.</p>

Required	Audit conclusion
<p>Our evaluation of the adequacy of the communication process between ourselves and those charged with governance.</p> <p>This may include:</p> <ul style="list-style-type: none"> <li>• observations on appropriateness and timing of action taken by you in response to matters we have raised;</li> <li>• the openness of your communication with us;</li> <li>• your willingness and capacity to meet with us without management being present;</li> <li>• your opportunity to fully comprehend matters we have raised;</li> <li>• the extent to which you probe issues raised and our recommendations;</li> <li>• any communication we have had in establishing with you the form;</li> <li>• timing and general content of communications;</li> <li>• your awareness of how our discussions impact on your governance and management responsibilities; and</li> <li>• whether your communication with us meets legal and regulatory requirements.</li> </ul>	<p>We are satisfied that adequate two way communication has taken place between ourselves and those charged with governance.</p>

Should you require any further information, please do not hesitate to contact:

Cameron Waddell

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