

# Audit Completion Report

Great Aycliffe Town Council – year ended 31 March 2015

July 2015



*Big enough to matter  
small enough to care*

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8 July 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 on 22 June 2015. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks 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 then please do not hesitate to contact me on 0191 383 6314 or [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk).

Yours faithfully

**Cameron Waddell**  
Mazars LLP

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*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 members or officers are prepared for the sole use of the audited body and we take no responsibility to any member or officer in their individual capacity or to any third party.*

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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 members of Great Aycliffe Town Council (the Council) and forms the basis for discussion at the Council meeting on 15 July 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 2 and a summary of misstatements discovered as part of the audit in section 3.

## 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, there are no significant matters outstanding and 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.

Our proposed audit report is set out in Appendix B.

## Promptness Status and audit opinion

In 2016/17 the deadline for publication of audited local authority accounts changes from 30th September to 31st July 2017. Great Aycliffe Town Council was one of only nine local government bodies that published audited 2013/14 accounts before 31st July 2014, and we expect this will also be achieved for 2014/15 financial statements.

The Council once again deserves credit for the efficiency and of its accounts preparation processes, which saw draft accounts presented for audit on 11 May 2015, well before the 30 June 2015 deadline.

## 02 Significant findings

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

- our audit conclusions regarding the significant risks 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 5 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;
- any significant difficulties we experienced during the audit; and
- any internal control issues.

### Significant risks

#### Management override of controls

##### Description of the risk

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.

##### How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.

##### Audit conclusion

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

#### Revenue recognition

##### Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.

##### How we addressed this risk

We evaluated the design and implementation of controls to mitigate the risk of revenue transactions being recognised in the wrong period, and the accounting policies for revenue adopted by the Council. We undertook cut-off procedures aimed at ensuring revenues are recognised in the correct financial year. In addition, we carried out a range of other audit procedures which provide further assurance:

- performing substantive analytical procedures on service income; and
- performing detailed substantive testing of service income transactions.

##### Audit conclusion

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

## Accounting policies and disclosures

We have reviewed Great Aycliffe Town Council's accounting policies and disclosures and concluded they comply with the Financial Reporting Standard for Smaller Entities (effective January 2015).

Accounting policies are in line with those set out in the Standard, appropriately tailored to the Council's circumstances. In line with expectations, there are no significant changes to the accounting policies for 2014/15.

We have reviewed the overall neutrality, consistency and clarity of the disclosures in the statement of accounts relating to areas where judgements are made in formulating particularly sensitive financial statement disclosures (for example disclosures related to remuneration, going concern, subsequent events, and contingencies).

## Significant matters discussed with management

During the audit, we discussed issues with management that are not included elsewhere in the report:

- reclassification of a reserve in the financial statements was effected using a prior period adjustment, rather than by simple restatement of previous year amounts. We discussed the choice of this treatment with the Finance Manager during the audit and concluded that the amount involved is not material and does not give rise to an error or misstatement; and
- there are notes and disclosures in the accounts that, although they provide greater detail and clarity to readers, are arguably superfluous and relate to non-material items. We discussed this issue with the Finance Manager during the audit, and he has agreed to consider this during preparation of future accounts.

## Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

## 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 are 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 more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported.

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

## 03 Summary of misstatements

We set out below the misstatements and uncertainties, adjusted and unadjusted identified during the course of the audit, above the level of 'triviality' we have set.

### Adjusted misstatements

- The format of the Income and Expenditure Accounts has been revised to show transfers from reserves, in both the current and comparative years, as Balance Sheet appropriations rather than as income.
- The Budget Support Fund has been reclassified as an Earmarked Reserve rather than part of general reserves, and reference to this in the Annual Report, Statement of Movement on Reserves, Balance Sheet and Notes to the Balance Sheet have all been updated for the current and comparative amounts.

### Unadjusted misstatements

There were no misstatements highlighted during the audit that have not been corrected in the final version of the financial statements.

### Disclosure amendments

During our review of the financial statements and other information we identified a small number of disclosures which have been amended or adjusted during the audit. Amendments were minor in nature, covering typographical, minor arithmetical, grammatical and formatting issues which improve clarity of disclosure.

In overall terms we feel there is scope to remove some superfluous information that is not required to be disclosed, and the Finance Manager has agreed to explore this further in future years.

## 04 Value for money

We are required to conclude whether or not there are any matters arising from our value for money work that we need to report. The Audit Commission has specified that our value for money work consists 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.

While we have not identified any significant risks that we need to address through our work at the Council, like other public sector bodies the Council faces a number of challenges. In light of these we reviewed the Council's arrangements against the two reporting criteria specified by the Audit Commission for single-tier, county and district councils as set out in the table below.

Criteria	Focus of each criterion
The Council has proper arrangements in place for securing financial resilience.	The Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness (the 3 Es).	The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

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	Assessment
Arrangements for securing financial resilience	Financial Governance	<p>The Finance Manager has a high profile within the organisation, and provides strong leadership on financial issues. Financial reports are detailed and readily recognise areas of pressure and risk, supporting prompt responses and action.</p> <p>The Council met its financial duties for the year, and has continued to plan its finances in the medium term to maintain services from diminishing public resources.</p>	Yes
	Financial Planning	<p>The Medium Term Financial Plan is updated annually and covers a five-year period. It is consistent with the Parish Performance Plan and includes a realistic analysis of key financial influences and challenges. Underlying assumptions are clearly stated, and there is an explicit risk assessment.</p> <p>The majority of the Council's income arises from precept and Council Tax Support Grant. Factors affecting these are well understood. For other income, fees and charges are set following review and recommendation from the Charges Working Group, most recently completed in December 2014.</p>	Yes



Criterion	Aspect	Commentary	Assessment
Arrangements for securing financial resilience	Financial Control	<p>The Council has strong budget monitoring and reporting arrangements, supported by robust policies and practices around cashflow forecasting and treasury management.</p> <p>Reserves have been maintained at target levels and the Council does not have high levels of debtors or issues with their collection.</p>	Yes

### Securing economy, efficiency and effectiveness

Criterion	Aspect	Commentary	Assessment
Arrangements for challenging economy, efficiency and effectiveness	Prioritising resources	<p>The Parish Performance Plan and Medium Term Financial Plan provide the Council with a clear view of its strategic aims and activities, and of the potential funding challenges it faces.</p> <p>No major cost reduction programmes are planned, but the Service Review Working Group continues to explore scope to reduce cost and generate savings in all aspects of the Council's activities.</p> <p>There is effective cost and performance management across all three of policy and resources, recreation and environment activities and it is indeed the case that there are clear and robust links between the PPP strategic aims and in-year service decisions.</p>	Yes
	Improving efficiency and productivity	<p>Detailed historical financial information including prior year spending, income and usage levels is compiled and retained, allowing the Council to compare trends over time, and evaluate options for future efficiency savings.</p> <p>The Council continues to focus on challenging value for money on its own expenditure lines, and is undertaking a programme of service reviews during which existing approaches are challenged and alternative ways of delivering services considered.</p>	Yes

## Overall assessment

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
Annual Governance Statement	We review the Annual Governance Statement (AGS) to identify if there are any issues disclosed by the Council that would lead us to consider it not have proper arrangements for securing economy, efficiency and effectiveness. Our review did not identify any such issues.
Reports by statutory inspectorates or other regulators	There were no reports by any statutory inspectorates of other regulatory bodies during the year which might impact on our conclusion.
Performance against budgets and other financial targets	All financial duties for 2014/15 have been met, in line with in-year projections, and reserves have been maintained at planned levels. A balanced budget has been set for 2015/16 onwards.

## Overall conclusion

Having completed our assessment, and having carried out a 'reality check', we can conclude that our initial risk assessment remains appropriate and we have not identified any weaknesses in the Council's arrangements. As a result we expect to conclude that there are no matters arising from our value for money work that we need to report. Our proposed VfM conclusion is set out in our draft auditor's report at Appendix B.

## Appendix A – Draft management representation letter

*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 Cameron 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 2015**

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 2015 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 January 2015).

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 January 2015).

#### **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.

#### **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 January 2015) 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 January 2015).

## **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 January 2015).

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.

### **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 January 2015) 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

## Appendix B – Draft audit report

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

#### Opinion on the Council financial statements

We have audited the financial statements of Great Aycliffe Town Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement on 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 the Financial Reporting Standard for Smaller Entities (effective January 2015).

This report is made solely to the members of Great Aycliffe Town 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 Finance Manager and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Finance Manager 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 Financial Reporting Standard for Smaller Entities (effective January 2015), 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 and the annual report 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 Great Aycliffe Town 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 Financial Reporting Standard for Smaller Entities (effective January 2015).

#### Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the annual report 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 'Governance and Accountability for Local Councils: A Practitioner's Guide (England) 2010', issued by the Joint Practitioners Advisory Group and jointly published by the National Association of Local Councils and the Society of Local Council Clerks 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.

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

I am required under section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am also required by the Audit Commission's Code of Audit Practice to report any matters that prevent me being satisfied that the audited body has put in place such arrangements.

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, I have considered the results of the following:

- my 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 my responsibilities; and
- my locally determined risk-based work.

As a result, I 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.

[Signature]

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.