

# Great Aycliffe Town Council

## Audit Completion Report Year ended 31 March 2013

9 July 2013

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

## 1. Purpose of this document

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2013 and forms the basis for discussion at the Council meeting on 17 July 2013.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance of to fulfil their respective responsibilities;
- provide constructive observations arising from the audit process to those charged with governance;
- 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 Great Aycliffe Town Council to the internal and external operational, financial, compliance and other risks which might affect the financial statements, including the likelihood of those risks materialising and how they are managed; and
- receive feedback from those charged with governance as to the performance of the engagement team.

## 2. Independence

As part of our on-going risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

No further threats to our independence have been identified since our communication at planning.

## 3. Our audit approach

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

There have been no changes to our audit approach as communicated to you in the Audit Strategy Memorandum dated April 2013.

## 4. Overall conclusion and opinion

At the time of issuing this report we:

- anticipate issuing an unqualified opinion on your financial statements; and
- have not identified any matters from our value for money work that we need to report.

## 5. Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included the examination of the transactions and the controls thereon of Great Aycliffe Town Council. 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## 6. Audit status

We have substantially completed our audit in respect of the financial statements of Great Aycliffe Town Council for the year ended 31 March 2013.

As at the time of preparing this report, there are no significant matters outstanding.

## 7. Significant risks and key judgement areas identified during planning

We presented our Audit Strategy Memorandum in April 2013 and this included the significant risks to which we pay particular attention during the audit in order to reduce the risk of material misstatement. We are required to remain alert to emerging risks throughout the audit and report any new significant risks to you together with the planned response. We have now identified one additional significant risk which we need to report to you. This reflects the Firm's approach to compliance with International Auditing Standards, rather than an indication of weaknesses in your framework of internal control.

We have detailed below the work performed to address each risk and our conclusions.

Significant audit risks	How we addressed this risk	Audit conclusion
<p>In any organisation, management may be in a position to override the financial controls that it has in place. In the current economic climate, the Council may face pressure to deliver financial performance levels it has previously forecast.</p> <p>A breach of the controls over journal entries, accounting estimates and other accounts preparation processes may result in a material misstatement. We therefore consider management override of controls as a significant risk and adapt our audit procedures accordingly.</p>	<p>We have updated our understanding and evaluation of internal control processes and procedures as part of our audit planning, including completion of a fraud risk assessment. As part of this process we will be obtaining information from the Council and management on processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.</p> <p>Our response to this risk is addressed by existing planned testing covering:</p> <ul style="list-style-type: none"> <li>• general ledger journal adjustments;</li> <li>• consideration and review of material accounting estimates;</li> <li>• consideration and review of any unusual or significant business transactions; and</li> <li>• consideration of any other local factors.</li> </ul>	<p>Our work did not identify examples of material misstatement caused by management override of the controls over journal entries, accounting estimates and other accounts preparation processes.</p>

<b>Significant audit risks</b>	<b>How we addressed this risk</b>	<b>Audit conclusion</b>
<p>There is a presumption under auditing standards that there is a significant risk of fraud in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when the full risk and reward of the ownership of an asset has passed.</p>	<p>We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, as originally intended, we:</p> <ul style="list-style-type: none"><li>• tested receipts in March and April 2013 to ensure they have been recognised in the correct financial year;</li><li>• tested adjustment journals; and</li><li>• obtained direct confirmation of year-end bank balances and tested the reconciliations to the ledger.</li></ul>	<p>Our work did not identify examples of material misstatement caused by the recognition of income in the wrong financial year.</p>

## 8. Audit findings

It is a requirement of ISA 260 that significant findings from the audit are communicated to those charged with governance.

### Significant qualitative aspects of accounting practices

We have not identified any issues with the Council's accounting policies, accounting estimates or financial statement disclosures which we need to bring to your attention.

#### Accounting policies

Accounting policies are appropriately tailored to suit the Council's circumstances. In line with expectations, there are no significant changes to accounting policies in 2012/13.

#### Accounting estimates

For significant items of account that are estimated by management, for example the depreciation of property, plant and equipment, the processes adopted do not result in a bias or level of uncertainty which constitutes a risk of material misstatement in the financial statements.

#### Financial statement disclosures

Disclosures are consistent with the requirements of the Financial Reporting Standard for Smaller Entities (FRSSE). There are no matters arising related to judgements made in formulating sensitive disclosures such as remuneration, going concern and subsequent events.

### Significant difficulties encountered during the audit

There were no significant difficulties encountered during the audit, and we anticipate being able to fulfil our reporting responsibilities within the applicable timetable.

#### Significant matters discussed with management

There were no matters discussed with management which were not routine and in the process of us gathering our audit evidence.

#### Other matters significant to the oversight of the financial reporting process

No other matters have been identified which we need to communicate to you.

## 9. Internal control

The purpose of our audit 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.

We did not identify any significant deficiencies in the accounting and internal controls systems during the course of the audit.

## 10. Unadjusted misstatements

We are required to bring to your attention the misstatements found during the course of audit that have not been corrected, unless they are clearly trivial. Our audit identified a small number of potential adjustments to the draft financial statements and the accompanying notes. Of the amendments suggested, none related to the carrying values of assets and liabilities, income or expenditure and all have been corrected in the final version of accounts to improve and clarify disclosures. The only significant amendments related to:

- reclassification within current assets of a £753,000 short term investment, initially included in cash and cash equivalents; and
- revised disclosure of movements in reserves, to improve clarity.

## 12. Value for money

The Audit Commission specified the work which would underpin our value for money conclusion:

- 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 our responsibilities; and
- any risk-based work we determine appropriate.

We expect to conclude that there are no matters arising from our value for money work that we need to report.

## Appendices

## Appendix 1 – Draft audit 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 2013 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 2013 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).

### 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:

- ‘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 the Executive 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, Appointed Auditor

Rivergreen Centre,  
Aykley Heads,  
Durham,  
DH1 5TS

[Date]

## Appendix 2 – 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 2013**

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 2013 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 financial statements 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 financial statements 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 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 Board 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 Manual for Accounts 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.

#### **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 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).

#### **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 financial statements 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 financial statements 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.

#### **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) 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.

#### **Going concern**

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

#### **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,

[Signed]

Finance Manager

## Appendix 3 – Required communication

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

Required communication	When and how we will communicate
<p>Respective responsibilities of auditor and those charged with governance.</p> <p>Our responsibility for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>	<p>This information was included in the Audit Strategy Memorandum.</p>
<p>Communication of the planned scope and timing of the audit.</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 the Audit Strategy Memorandum.</p>

Required communication	When and how we will communicate
<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>Section 8 of this report.</p>
<p>Significant difficulties, if any, encountered during the audit. 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>Section 8 of this report.</p>
<p>Details of significant matters discussed with, or subject to correspondence with management.</p>	<p>Section 8 of this report.</p>
<p>Details of written representations we require for our audit.</p>	<p>Appendix 2 to this report.</p>
<p>Any other matters which we consider to be significant to the oversight of the financial reporting process.</p>	<p>Section 8 of this report.</p>
<p>Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence.</p>	<p>The Audit Strategy Memorandum, Section 2 and Appendix 1 of this report.</p>

Required communication	When and how we will communicate
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.	
Form, timing and general content of communications.	We issue our Audit Completion Report. Should you require us to communicate in a different way please let us know.
Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include observations on appropriateness and timing of action taken by you in response to matters we have raised, the openness of your communication with us, your willingness and capacity to meet with us without management being present, your opportunity to fully comprehend matters we have raised, the extent to which you probe issues raised and our recommendations, any communication we have had in establishing with you the form, timing and general content of communications, your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.	Explain our evaluation of the adequacy of the communication process between ourselves and those charged with governance.
Any significant deficiencies and other control recommendations in respect of internal control that we have identified during the audit.	Section 9 of this report.