

**Ryedale District Council
Report to the Overview &
Scrutiny Committee
on the 2007/2008 Audit
25 September 2008**

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Executive summary

Introduction

We have pleasure in setting out in this document our report to the Overview and Scrutiny Committee of Ryedale District Council for discussion at the meeting scheduled for 30 September 2008.

This report summarises the principal matters that have arisen from our audit of Ryedale District Council (the Council) financial statements for the year ended 31 March 2008 and on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

This summary is not intended to be exhaustive but highlights the most significant matters that have come to our attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

We have substantially completed our audit in accordance with our Audit Plan but at the date of preparation of this report the following matters remain outstanding:

- Completion of post balance sheet events review; and
- Receipt of management representation letter.

Subject to the satisfactory completion of points above we anticipate issuing an unqualified audit opinion for the financial statements.

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise from the completion of these matters. Furthermore, we request that you undertake to inform us of any significant matters that arise prior to the date of our opinion.

We will issue a separate opinion on the whole of government accounts by 1 October.

Executive summary (continued)

Key areas of judgement and audit risk

We have identified the following key judgement areas as being critical to the 2007/08 accounts:

INCOME RECOGNITION

International Standards on Auditing (UK and Ireland) require the auditor to presume that there is a risk of fraud in income recognition, and to perform specific procedures to address this risk. The presumed risk has been focussed on the understatement of NNDR and grant income and is discussed in more detail in section 1.

MANAGEMENT OVERRIDE OF CONTROLS

International Standards on Auditing (UK and Ireland) require the auditor to presume that there is a risk of fraud in relation to management override of controls, and to perform specific procedures to address this risk.

PAYROLL - EXISTENCE

As a result of the structure of the District Council one of the most significant costs incurred is in relation to salary costs. Following a review of the systems in operation we determined that one of the key risks on the payroll business cycle was that employees may be added as a result of fraud or error, meaning that non legitimate employees may be included on the payroll.

CHANGES TO ACCOUNTING FRAMEWORK AND STANDARDS

The financial statements of all local authorities must meet the accounting requirements of the Local Government Statement of Recommended Practice (the SORP). The District Council has complied with the SORP in the production of the 2007/08 accounts.

There were a number of changes in the SORP from the prior year the most significant being the introduction of a Revaluation Reserve.

DEBTOR PROVISIONING

The provision for bad debts as at 31 March 2008 of £660,000 represents a significant judgement by the management of the Council. Any changes in this judgement would have a significant impact on the financial statements.

Executive summary (continued)

Audit adjustments	<p>For the 2008 financial audit our materiality was £328,614, this was calculated by reference to the Council's gross expenditure.</p> <p>We report all individual identified misstatements in excess of 2% of materiality (£6,560) and other identified errors in aggregate. We consider identified misstatements in qualitative as well as quantitative terms.</p> <p>Identified unadjusted misstatements increase the reported I&E surplus by £8,673.</p> <p>Management have concluded that the total impact of the unadjusted misstatements, both individually and in aggregate, is not material in the context of the consolidated financial statements taken as a whole. Full details of the uncorrected audit adjustments are included in Appendix 2.</p>
Accounting and internal control systems	<p>The results of our earlier accounts planning and controls work will be included within our Systems Report to be issued shortly and are not reproduced in detail here. That report will provide the detailed results together with recommendations for improvement.</p> <p>As 2007/08 was the first year of appointment for Deloitte & Touche LLP a substantive audit approach was adopted in respect of the audit of the Council's financial statements. We expect to place greater reliance on internal controls in 2008/09 and subsequent years.</p> <p>We were also required by the Audit Commission to undertake an assessment of the Council's activities and arrangements under the 'Use of Resources' methodology.</p> <p>Although a small number of minor areas for improvement have been noted, working papers and supporting documentation were generally of a good standard.</p> <p>The nominated key contacts for the audit team, Trevor Anderson (Financial Services Manager), Mandy Burchell (Group Accountant), Peter Johnson (Group Accountant), Mike Wright (Group Accountant), Paul Cresswell (Corporate Director/S151 Officer) and Clive Key (Revenues Manager) who co-ordinated the process and facilitated the clearance of audit queries and we would like to acknowledge our thanks to them all for their assistance.</p>
Other work, including Best Value Performance Plan and Grants	<p>The Council's Best Value Performance Plan 2007/08 has been examined in accordance with the criteria set out in the relevant guidance issued by the Office for Communities and Local Government. There are no matters to bring to your attention.</p> <p>The scope of our work in the current year includes grant claims.</p> <p>Further details are included in section 6.</p>

Executive summary (continued)

Conclusion on arrangements for securing economy, efficiency and effectiveness in use of resources

Under the Code of Audit Practice 2005 (the Code), auditors are required to include a positive conclusion in their statutory audit report as to whether they are satisfied that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The scope of these arrangements is defined in the Code as comprising corporate performance management arrangements and financial management arrangements. The conclusion criteria link directly to corporate assessment, use of resources assessment and data quality work which are carried out in accordance with the Audit Commission methodologies.

For the purposes of the conclusion required by the Code, auditors are required to apply a yes/no assessment to the applicable Code criteria, i.e. the audited body either has proper arrangements in place or not.

We expect to issue an unqualified opinion on the Value For Money Conclusion.

Further details on the evaluation against the relevant criteria are provided in Section 5.

Independence

In our professional judgement we are independent within the meaning of APB Ethical Standards and the objectivity of the audit engagement partner and audit staff is not impaired. Details of our consideration of independence, including fees for non-audit services, are included in Section 8 and Appendix 5.

1. Key areas of judgement and audit risk

The results of our audit work on key issues and judgements are set out below.

Matters that give rise to the need for specific representation in the Council management representation letter or that result in an audit adjustment are highlighted in the 'Deloitte Response' section for each issue.

Key issue	Background
Income Recognition	<p>International Standards on Auditing (UK and Ireland) require the auditor to presume that there is a risk of fraud in income recognition, and to perform specific procedures to address this risk. Having considered the characteristics of the District Council's income streams we determined that the principal risk concerned the understatement of NNDR and grant income.</p>
	<p style="text-align: center;">Deloitte Response</p> <p>Testing was performed to ensure that all income received was correctly recognised as income in the financial statements in the appropriate period. In addition, testing of NNDR and grant income was performed to ensure that only income relating to the current year was recognised and deferred income balances were correctly stated.</p> <p>Our testing on income recognition was completed satisfactorily.</p>
Key issue	Background
Management Override of Controls	<p>International Standards on Auditing (UK and Ireland) require the auditor to presume that there is a risk of fraud in relation to management override of controls, and to perform specific procedures to address this risk.</p>
	<p style="text-align: center;">Deloitte Response</p> <p>The focus of our audit procedures was to address the risk of financial reporting fraud, by reviewing in more detail areas such as accruals, provisions, accounting estimates and unusual transactions. In response to this risk, focussed substantive testing of accruals, provisions, journals and other areas involving accounting estimates was performed. We did not identify any issues with regard to the specific areas identified.</p>

1. Key areas of judgement and audit focus (continued)

Key issue	Background
Payroll – Existence	<p>As a result of the structure of the District Council one of the most significant costs incurred is in relation to salary costs. Following a review of the systems in operation (outsourcing of payroll function to City of York Council) we determined that one of the key risks on the payroll business cycle was that employees may be added as a result of fraud or error, meaning that non legitimate employees may be included on the payroll.</p>
	<p style="text-align: center;">Deloitte Response</p> <p>As part of our testing we reviewed a sample of employees, selected from the payroll records, and agreed this information back to employment contracts. Our testing in this area was completed satisfactorily.</p>
Key issue	Background
Revaluation Reserve	<p>Due to a change in SORP for the year the District Council now has to include a Revaluation Reserve within the accounts. The risk is that due to the first time adoption this may be done incorrectly and lead to a material misstatement within the accounts.</p>
	<p style="text-align: center;">Deloitte Response</p> <p>Deloitte obtained the full list of revaluations for the period and reconciled to the Fixed Asset Note:</p> <ul style="list-style-type: none"> • The list was reviewed for reasonableness and then a focussed sample of revaluations was agreed to valuation reports. The same process was undertaken for impairments as these can also affect the revaluation reserve. The valuations were evaluated on the basis of the experts undertaking the work. • A sample of disposal entries in the reserve were re-performed and agreed through to our substantive testing of disposals. <p>All testing proved satisfactory.</p>

1. Key areas of judgement and audit focus (continued)

Key issue	Background
Bad debt provisioning	<p>The provision for bad debts as at 31 March 2008 of £660,000 represents a significant judgement by the management of the Council. The main constituent of this balance is in respect of the provision of £390,000 in respect of Council Tax debtors against a gross Council Tax debtor of £752,000. Any changes in this judgement would have a significant impact on the financial statements.</p>
	<p style="text-align: center;">Deloitte Response</p> <p>We obtained the detailed calculation of all elements of the bad debt provisions</p> <ul style="list-style-type: none">• The provision was reviewed and compared to the historical calculation of the bad debt provision;• The provisioning policy was considered in light of the history of bad debt exposure• The calculation was reperformed to ensure the accuracy of the calculation; and• The ageing of the debtor balance was assessed to confirm the accuracy. <p>All testing proved satisfactory.</p>

2. Financial standing

Results compared with budget are reviewed by budget holders on a monthly basis. Quarterly Financial position reports are presented to the Members. This ensures that performance against budgets is monitored and that the financial standing and viability of the Council is reviewed.

Our review of the outturn of 2007/08 against budget showed that the budgets were accurate. The net cost of services in 2007/08 were £8,821,000. This represents an under-spend of £541,000 (5.78%) compared to the budget for the year. The budgeted expenditure was met from Government Grants, the Local Taxpayer and Reserves.

The outturn for four months to July 2008 reported to the Corporate Management Team on 18 August 2008 identified that the Council was currently under spending against revenue budget by £126,000.

Taking in to account our audit of the 2007/08 financial statements we assessed the financial standing of the organisation to be satisfactory.

3. Accounting and internal control systems

In planning and performing our audit of the financial statements we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. We were not engaged to perform an audit of internal control over financial reporting and, therefore, we may not have noted all matters that might have been detected had an audit of internal control over financial reporting been performed.

For controls considered to be 'relevant to the audit' we evaluated the design of the controls and determined whether they had been implemented ("D&I"). The controls that are determined to be relevant to the audit were those;

- where we planned to obtain assurance through operating effectiveness,
- relating to identified risks (including this risk of fraud in revenue recognition), and
- where we considered we would be unable to obtain sufficient audit assurance through substantive procedures alone.

As previously reported we have not placed reliance on the internal controls operating within the District Council as this is our first year as auditors.

Our work largely involved, on a sample basis, detailed testing of all significant balances. We have looked to rely on external information and confirmations where possible, and hence reduce reliance on internally prepared information.

There are no significant findings regarding the Council's system of internal financial control. However some areas for improvement were noted in the following areas:

- journals can be raised by any member of the accounts team. Documentation is kept for each journal raised however no authorisation or review of the journal entries takes place, and hence there is lack of independent review over journal entries prior to posting to the general ledger, increasing the risk of a material misstatement going undetected. We recommend that journals should be authorised by another suitably qualified member of the finance team prior to posting to the general ledger;
- there are weak password parameters and use of generic accounts which are used by multiple users. In response to this risk, a new password policy has been developed as part of a suite of ICT policies and the password change required every 30 days with complexity and domain level issues addressed by end of May 2008. It was also noted that it is management intention that where generic accounts are in use where possible these will be removed and replaced with unique user accounts.
- lack of segregation between data owners and data users and informal granting and revoking access rights. In response management noted that due to the size of the Authority some separation of roles is not viable and some overlap will need to remain. It is now policy that to ensure compliance with the leaver process, when HR notify IT Support and the domain level access is removed, the leaver's details will be emailed to all data administrators and they will be asked to remove the user.

- there is currently no testing performed for patches applied to the Windows and UNIX Servers supporting the Council's main business applications and although a change control methodology has been developed for the business applications (Civica, Power Solve and Academy), the process has not been formalised where test sign-offs are documented and retained. It was noted that these change control would be implemented by end of April 2008.
- existing batch processing arrangements at the Council revealed that procedures are in place to ensure successful transmission of data between the interfaces to and from Power Solve, Civica and Academy, however the process is not formalised where documentary evidence of this review is retained. It was noted by management that batch processes are documented and audited but size of authority constrains further controls.
- the strategy process at the Council revealed the following that there is no formal steering committee in place. It was noted by management that there is a corporate restructure underway and some of the policies and procedures are under review. Formalising the IT steering committee is one of the processes being reviewed.
- there are currently no formal arrangements in place for the recovery of the Council's network in the event of a disaster. We recognise that an arrangement in place where backups will be used to restore data, but this arrangement will not ensure timely and effective recovery of business functions. It was noted by management that the BCP/DRP is currently under review and following investigation by the IT DR providers a new procedure is being implemented. This IT DR will be aligned with the Business Continuity Plan. Service Continuity Plans are being developed within the corporate Business Continuity Plan, following completion of Service Continuity Impact Questionnaires. The IT DR plans will reflect all of these.

Deloitte found the internal control environment to be satisfactory. Our governance report providing more details of our work and conclusions will be issued in due course.

4. Corporate Governance review and our responsibilities

Annual Governance Statement

In June 2007 CIPFA in conjunction with the Society of Local Authority Chief Executives ("SOLACE") published 'Delivering Good Governance in Local Government: Framework'. This framework replaces the previous CIPFA/SOLACE framework 'Corporate Governance in Local Government – A Keystone for Community Governance: Framework' which was published in 2001.

The framework has introduced from 2007/08, an integrated Annual Governance Statement ("AGS"). This subsumes the requirements for the production of a Statement on Internal Control ("SIC").

The AGS covers all significant corporate systems, processes and controls, spanning the whole range of an authority's activities, including in particular those designed to ensure that:

- the authority's policies are implementing in practice;
- high quality services are delivered efficiently and effectively;
- the authority's values and ethical standards are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published performance information are accurate and reliable; and
- human, financial, environmental and other resources are managed efficiently and effectively.

It therefore covers all of the areas previously covered by the SIC. However, it also covers performance issues - good governance is a precondition for delivering good services and poor service performance reflects a failure of governance.

Our review is directed at:

- considering the completeness of the disclosures in the governance statement and whether it complies with proper practice as specified by CIPFA; and
- identifying any inconsistencies between the disclosure and the information that we are aware of from our work on the financial statements and other work relating to the Code of Audit Practice.

We have reviewed the Council's AGS in line with the requirements above. We have concluded that the AGS includes all appropriate disclosures and is consistent with our understanding of the Council's governance arrangements and internal controls derived from our audit work.

5. Use of resources conclusion

5.1 Value for money (VFM) conclusion

Under the Code of Audit Practice 2005 (the Code), auditors are required to include a positive conclusion in their statutory audit report as to whether they are satisfied that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The scope of these arrangements is defined in the Code as comprising corporate performance management arrangements and financial management arrangements.

The use of resources assessment (UOR) is an assessment which focuses on financial management but links to the strategic management of the Authority. It looks at how the financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money. It is carried out annually, as part of each council's external audit.

The auditors' conclusion is informed and limited by reference to relevant criteria, which cover specific aspects of audited bodies' arrangements, on the basis of which auditors will give their conclusion. Five of the nine Code criteria link directly to the key lines of enquiry (KLOE), the remaining four criteria link to the Council's corporate assessment.

For the purposes of the conclusion required by the Code, auditors are required to apply a yes/no assessment to the applicable Code criteria, i.e. the audited body either has proper arrangements in place or not.

For the purposes of UOR, a qualitative aspect was introduced, by scoring the audited body on a range of 1 to 4. A score of 2 indicates 'meets minimum requirements – adequate performance, and a score of 1 indicates 'below minimum requirements – inadequate performance'. Therefore it is expected that an UOR score of 2 or above indicates a 'yes' conclusion for the specific Code criteria, and a score of 1 indicates a 'no' conclusion for that Code criteria.

In the table below we have summarised the results of our assessment:

Code criteria	KLOE	Conclusion
1. The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives	*	Yes
2. The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account	*	Yes
3. The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members	*	Yes

5. Use of resources conclusion (continued)

Code criteria	KLOE	Conclusion
4. The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	*	Yes
5. The body has put in place arrangements to maintain a sound system of internal control.	4.2	Yes
6. The body has put in place arrangements to manage its significant business risks.	4.1	Yes
7. The body has put in place arrangements to manage and improve value for money.	5.2	Yes
8. The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	2.1	Yes
9. The body has put in place arrangements to ensure that its spending matches its available resources.	3.1	Yes
10 The body has put in place arrangements for managing performance against budget	2.2	Yes
11 The body has put in place arrangements for the management of its asset base	2.3	Yes
12 The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business	4.3	Yes

* These criteria do not map to individual KLOE. Assurance was sought from the most recent Corporate Assessment, after taking into consideration other more recent reviews, such as the Direction of Travel report, other inspections and peer reviews.

Our work to conclude upon Use of Resources assessment is ongoing however our work to conclude whether the authority has adequate arrangements in place to deliver value for money has been completed and we anticipate issuing an unqualified opinion.

6. Best Value Performance Plan

6.1 Best Value Performance Plan

The Council's Best Value Performance Plan was examined in accordance with the criteria set out in the relevant guidance issued by the Office of the Deputy Prime Minister. Our work did not identify any matters to be reported and identified no significant recommendations.

7. Other matters for communication

Other requirements of International Standards on Auditing (UK and Ireland)

International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)") require we report on the following additional matters:

ISA (UK & Ireland)	Matter
210	Terms of audit engagements
240	The auditor's responsibility to consider fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
315	Obtaining an understanding of the entity and its environment and assessing the risks of material misstatement
320	Audit materiality
545	Auditing fair value measurements and disclosures
550	Related parties
560	Subsequent events
570	Going concern
580	Management representations
720	Other information in documents containing other audited financial statements

We consider that there are no additional matters in respect of the above to bring to your attention that have not been raised elsewhere in this report or our audit plan.

8. Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

Safeguards and procedures	<p>Every opinion (not just statutory audit opinions) issued by Deloitte is subject to technical review by a member of our independent Professional Standards Review unit.</p> <p>Review and challenge takes place of key decisions by the Second Partner and by the Independent Review Partner, which goes beyond auditing standards, and ensures the objectivity of our judgement is maintained.</p> <p>We report annually to the Audit Committee our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.</p> <p>There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.</p> <p>Periodic rotation takes place of the audit engagement partner, the independent review partner and key audit partners in accordance with our policies and professional and regulatory requirements.</p> <p>In accordance with the Ethical Standards issued by the APB, there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.</p> <p>In the UK, statutory oversight and regulation of auditors is carried out by the Professional Oversight Board for Accountancy (POBA) which is an operating body of the Financial Reporting Council. The Firm's policies and procedures are subject to external monitoring by both the Audit Inspection Unit (AIU), which is a division of POBA, and the ICAEW's Quality Assurance Directorate (QAD). The AIU is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW's Audit Registration Committee. The AIU also reports to POBA and can inform the Financial Reporting Review Panel of concerns it has with the accounts of individual companies.</p>

8. Independence policies and procedures (continued)

Independence policies	<p>Our detailed ethical policies standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.</p> <p>Amongst other things, these policies:</p> <ul style="list-style-type: none">• state that no Deloitte partner or immediate family member is allowed to hold a financial interest in any of our UK audit clients;• require that professional staff or any immediate family member may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client;• state that no person in a position to influence the conduct and outcome of the audit or any immediate family member should enter into business relationships with UK audit clients or their affiliates;• prohibit any professional employee from obtaining gifts from clients unless the value is clearly insignificant; and• provide safeguards against potential conflicts of interest.
Remuneration and evaluation policies	<p>Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.</p>

Confirmation of independence

In our professional judgement we are independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired. In respect of our consideration of the retention of the audit engagement for the period commencing 1 April 2008 we confirm that we will comply with APB Ethical Standards for that period.

Details of our audit and non-audit services performed for the Council are detailed in Appendix 5.

9. Responsibility statement

The Audit Commission published a 'Statement of responsibilities of auditors and of audited bodies' alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audited bodies by summarising where, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body begin and end, and what is expected of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do.

Our report has been prepared on the basis of, and our audit work carried out in accordance with, the Code and the Statement of responsibilities.

While our reports may include suggestions for improving accounting procedures, internal controls and other aspects of your business arising out of our audit, we emphasise that our consideration of Ryedale District Council's system of internal financial control was conducted solely for the purpose of our audit having regard to our responsibilities under Auditing Standards and the Code of Audit Practice. We make these suggestions in the context of our audit but they do not in any way modify our audit opinion which relates to the financial statements as a whole. Equally, we would need to perform a more extensive study if you wanted us to make a comprehensive review for weaknesses in existing systems and present detailed recommendations to improve them.

We view this report as part of our service to you for use as Members for corporate governance purposes and it is to you alone that we owe a responsibility for its contents. We accept no duty, responsibility or liability to any other person as the report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

If you intend to publish or distribute financial information electronically, or in other documents, you are responsible for ensuring that any such publication properly presents the financial information and any report by us thereon and for the controls over, and security of, the website. You are also responsible for establishing and controlling the process for electronically distributing accounts and other information.

Deloitte & Touche LLP

Chartered Accountants

Leeds

30 September 2008

Appendix 1: Draft letter of representation

We ask that the Audit Committee notes the format of the letter below, and recommends to the Council that the Corporate Director can sign the letter on behalf of the Council.

(Letterhead)

Deloitte & Touche LLP
1 City Square
Leeds
LS1 2AL

XX September 2008

Ryedale District Council - Audit of the annual accounts for the year ended 31 March 2008

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Ryedale District Council for the year ended 31 March 2008.

This representation letter is given for the purpose of expressing an opinion as to whether the financial statements present fairly the view of the financial position of Ryedale District Council as of 31 March 2008 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with applicable accounting framework and relevant statutory authorities.

Appendix 1: Draft letter of representation (continued)

We acknowledge our responsibilities under the relevant statutory authorities for preparing financial statements for Ryedale District Council and its financial statements which give a fair view and for making accurate representations to you.

1. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council, Policy and Resources Committee, Community Services and Licensing Committee, Overview and Scrutiny Committee meetings, have been made available to you.
2. We acknowledge our responsibilities for the design and implementation of internal control to prevent and detect fraud and error.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We are not aware of any significant facts relating to any frauds or suspected frauds affecting the Council involving:
 - (i). management
 - (ii). members of the Council
 - (iii). employees who have significant roles in internal control, or
 - (iv). others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We are not aware of any actual or possible instances of non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements.
7. We have considered the uncorrected misstatements detailed in the report to Audit Committee. We believe that no adjustment is required to be made in respect of any of these items as they are individually and in aggregate immaterial having regard to the financial statements taken as a whole.
8. We confirm the completeness of the information provided regarding the identification of related parties, and the adequacy of related party disclosures in the financial statements. We have made enquiries of any key managers, members and other individuals who are in a position to influence, or who are accountable for the stewardship of the Council and confirm that we have disclosed in the financial statements all transactions relevant to the Council and we are not aware of any other such matters required to be disclosed in the financial statements, in accordance with Financial Reporting Standard 8 or other requirements.

Appendix 1: Draft letter of representation (continued)

9. We confirm that we are of the opinion that the Council is a going concern, that we have disclosed to you all relevant information of which we are aware and which relates to our opinion, and that all relevant facts are disclosed in the financial statements.
10. There have been no irregularities involving members or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
11. The financial statements are free from material misstatement.
12. There have been no events since the balance sheet date which necessitate revision of the figures included in the annual accounts or inclusion of a note thereto. Should further material events occur, which may necessitate revision of the figures included in the annual accounts or inclusion of a note thereto, we will advise you accordingly.
13. We confirm that no amounts are expected to be paid in respect of any legal claims, which are being dealt with by our solicitors, other than those already provided in the annual accounts.
14. No other legal claims have been received or are expected to be received that would have a material impact on the annual accounts.
15. All known material liabilities have been properly included in the annual accounts and all material contingent liabilities have been disclosed.
16. We confirm that no significant fixed assets have been sold or scrapped during the financial year other than those identified in the financial statements.
17. We confirm that where income has been received for a specific activity, that income has been recognised in the appropriate period.
18. All minutes of Council and management meetings during and since the financial year have been made available to you.
19. We have reconsidered the remaining useful lives of the fixed assets and confirm that the present rates of depreciation are appropriate to amortise the cost less residual value over the remaining useful lives.
20. We confirm that general overheads are treated in accordance with SORP within the accounts.

Appendix 1: Draft letter of representation (continued)

21. We are not aware of events of changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets may not be recoverable, other than where provision has already been made.
22. We confirm that appropriate disclosure has been made of all future commitments within the statement of accounts.
23. We confirm that:
 - There are no schemes of which you have not been made aware or properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities accord with the management's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the Council;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology;
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.
24. We recognise that we are responsible for ensuring that the statement of accounts as published on the website properly presents the financial information and your Auditors' report and for the controls over, and security of, the website. We also recognise that we are responsible for establishing and controlling the process for electronically distributing annual reports and other information.
25. We recognise that there is a £160,000 difference between the collection fund surplus of £735,000 in the draft accounts for 07/08 versus the actual amount that we have declared that we will pay to the relevant authorities of £575,000. We confirm that this £160,000 difference does represent a distributable surplus that is payable to specific authorities, and that it is our intention to roll this amount forward and incorporate it into the calculation of the distributable surplus for 2008/09.
26. We have considered the uncorrected misstatements detailed in the appendix to this letter. We believe that no adjustment is required to be made in respect of any of these items as they are individually and in aggregate immaterial having regard to the financial statements taken as a whole.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of Ryedale District Council

Appendix 2: Audit adjustments

Unadjusted misstatements

		Increase/ (decrease) in net assets	Charge/ (credit) in Income & Expenditure Account £'000	Increase/ (decrease) in reserves	Charge/ (credit) in Collection Fund £'000
		£'000	£'000	£'000	£'000
Likely					
Potential additional provision required for doubtful debts	1	-45,108	45,108		
Potential overprovision for planning appeals	2	36,435	-36,435		
Known					
None noted					
Total		-8,673	8,673	0	0

1. During our testing of cash after date on sundry debtors, we noted £45k of debt owed to Ryedale District Council for rechargeable works that have not yet been repaid post year end. As such, we have recommended that a full provision is made against these debts.
2. The provision for planning appeals is where the general public can get awarded monies for successful appeals against planning processes. A general provision was built up in the accounts of Ryedale District Council three years ago, and this is reduced year on year for actual expenditure incurred. Although there were three appeals in progress at the year end, as yet, none of these have proven successful post year end. As such, we have recommended that the provision carried forward at 31 March 2008 be released in full to the income & expenditure account.

We will obtain written representations from the Council confirming that after considering all these unadjusted items, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Appendix 3: Model Audit opinion for the Annual Accounts

Independent auditors' report to the Members of Ryedale District Council

Opinion on the financial statements

We have audited the financial statements of Ryedale District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account and the related notes 1 to 12, the Statement of Movement on the General Fund Balance, Balance Sheet and the related notes 1 to 22, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes 1 to 4 and the Collection Fund and the related notes 1 to 6. The financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Ryedale District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director and auditor

The Corporate Directors' responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements, present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year;

We review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with the proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider, nor have we considered, whether the Governance Statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become

Appendix 3: Model Audit opinion for the Annual Accounts

aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority 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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Appendix 3: Model Audit opinion for the Annual Accounts

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities and fire and rescue authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Ryedale District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 30 September 2008. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Deloitte & Touche LLP

Leeds

Date

Appendix 4: Model Audit opinion for the Whole of Government Accounts

INDEPENDENT AUDITORS' REPORT TO RYEDALE DISTRICT COUNCIL ON THE WHOLE OF GOVERNMENT ACCOUNTS (WGA) CONSOLIDATION PACK

We have examined pages 1 to 20 of the consolidation pack of Ryedale District Council for the year ended 31 March 2008, which has been prepared and certified by the Consolidation Officer in accordance with instructions from HM Treasury.

This report is made solely to Ryedale District Council, as a body, in accordance section 10 (2) of the Government Resources and Accounts Act 2000. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

We confirm that we have performed the procedures for Band 2 bodies as set out in the Audit Commission's guidance to auditors published in July 2007.

In our opinion, pages 1 to 20 of the consolidation pack are consistent with the statement of accounts for the year ended 31 March 2008 on which we have entered my opinion in accordance with section 9 of the Audit Commission Act 1998.

Deloitte & Touche LLP

Leeds

Date

Appendix 5: Analysis of professional fees

The professional fees earned by Deloitte in the period from 1/4/07 to 31/3/08 are as follows:

	2007/08
Accounts	39,630
Whole of government accounts	3,550
Total Audit	43,180
Grant Claim Certification *	30,000
Total	73,180

The value of grant work related to the 2007/08 accounts is not known at this stage. The figure that has been is the estimated fee as per the 2007/08 Audit and Inspection Plan.

Deloitte.

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