Ryedale District Council

Report to the Members on the 2010 Audit

Final Report

September 2010

Contents

Key findings

We have pleasure in setting out in this document details of our audit of Ryedale District Council (the Authority) for the year ending 31 March 2010. The report summarises the main findings from the 2009/10 audit. The majority of the audit work was undertaken in July and August and is almost complete. The working papers were of a good standard and we would like to thank all those officers involved.

On 13 August 2010, the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission. The proposed abolition will be from March 2012 and the Audit Commission has confirmed that there is no immediate change to your audit arrangements. New audit arrangements are likely to apply from the start of the 2012/13 financial year. Both we and the Audit Commission will keep you informed of further developments.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

	Description	Detail
Key findings on audit risks and other matters	Our audit plan set out the specific risks that our audit would address. The key findings regarding these risks are summarised below: • revenue recognition: An error was indentified of £45,560 in the recognition of car park income. Further details are provided in Appendix 1; • valuation of fixed assets: a number of assets were found to be depreciated over useful economic lives that deviated from those specified in the Independent Valuers' report. Further discussion with the valuer noted that the useful economic life included in his report were minimum values and therefore the asset lives in use by the Authority are considered to be appropriate; • valuation of investments: all investments were found to be appropriately valued; • debtors and bad debts: a review of the valuation of the bad debt provision was performed and a net upwards adjustment of £16,783 was noted in relation to the Housing Benefit debtor and Court Cost debtor provision. Details of this adjustment are included in Appendix 1; • accounting for partnerships' shares of asset and liability balances: no adjustments were noted as a result of our testing; • pension assumptions: we have reviewed the assumptions made by the actuary in valuing the Authority's share of the assets and liabilities of the pension fund. We consider that the rate is not unreasonable, however it is at the lower end of an acceptable range at 31 March 2010; and • changes to accounting framework and standards: on review of the financial statements it was found that a change in the Code of Practice on Local Authority Accounting in the United Kingdom in 2009: A Statement of Recommended Practice (SORP) relating to the remuneration of senior officers (CIPFA LAAP Bulletin 85) and changes regarding the presentation of the Collection Fund had been introduced correctly.	Section 1

Key findings (continued)

	Description	Detail
Audit status	We are satisfied that the status of the audit is as expected at this stage of the timetable agreed in our audit plan. Details of other matters outstanding are summarised below: • completion of internal review procedures; • receipt of signed letter of representation; • updated subsequent events review; and • whole of government accounts We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters. On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements.	
Identified misstatements	Audit materiality is calculated as £386,813. The threshold for reporting misstatements is £7,736. There are four uncorrected misstatements above our threshold, which if adjusted would increase net expenditure by £62,560. Details of the adjustment proposed are provided in Appendix 1.	Appendix 1
Accounting policies and financial reporting	As part of our audit, we consider the quality and acceptability of the Authority's accounting policies and financial reporting. From 2010/11, local authorities' Statements of Accounts will be prepared under an International Financial Reporting Standards ("IFRS") -based Code of Practice on Local Authority Accounting. The Council's readiness for IFRS conversion has been assessed as being broadly in line with expectations, but requires further work to be completed to ensure full compliance with the transition requirements. No other significant issues were noted.	Section 3
Accounting and internal control systems	The following recommendations were identified: • authorisation of journals; • supplier statement reconciliations to be performed for major suppliers on a regular basis; • segregation of duties; and • payment account data security (PCI DSS) compliance.	Section 2

Key findings (continued)

	Description	Detail
Financial Standing	We have considered the financial standing of the Authority for 2009/10. We have considered this based on current/ongoing expenditure demands, expected grant income and the current cash position of the authority. It is understood that public sector funding cuts may cause a reduction in grant income received in the future. The Authority has drawn up plans on how to deal with differing levels of grant reduction.	

1. Key audit risks

The results of our audit work on the key audit risks identified in our Audit plan are set out below:

Risk of revenue recognition	
Background	International Auditing Standards (UK and Ireland) 240 – "The auditor's responsibility to consider fraud in an audit in the financial statements" requires the auditors to perform certain audit procedures related specifically to fraud risk, and requires a presumption that revenue recognition is a risk. For Ryedale District Council we consider that the specific revenue recognition risk relates to the non-recognition of cash receipts of income or their recognition in the wrong accounting period (e.g. cut-off of car park permit income).
Deloitte response	We have tested a sample of income receipts around the year end, and noted that car park permit income is recognised immediately on the day of receipt, rather than being deferred over the term of the permit. An adjustment of £45,560 has been proposed by Deloitte to defer an estimate for the post year-end element of income recognised into 2010/2011. We note that there will be a similar error in the prior year. See Appendix 1.

Valuation of fixed assets	
Background	In the current climate the property market is very volatile and there is the potential for valuations of property and other assets to have fallen since the prior year-end. We obtained a copy of the third party valuation report and reviewed a sample of the valuations for arithmetic accuracy. We have considered whether there is indication of any impairment from the third party valuations and if the noted impairments should be applied more widely to other assets that have not been valued in the current year.
Deloitte response	It was noted that upward revaluations of £3.5m took place in the year. The increase in value in the year relates to general increase in these types of assets since these individual assets were last revalued. The results of our testing showed that a number of assets were not being depreciated over the useful economic life per the Valuers' report, however the Independent Valuer confirmed that the useful economic lives per his report were minimum values, and the deviations were acceptable.

Valuation of current asset investments	
Background	Presumed to be a risk due to the general uncertainty in the financial services sector and following the events in Iceland during 2008 and the impact this had on some local authorities.
Deloitte response	We have obtained external confirmations in respect of all current assets investments held by the Authority at the year end and no issues were identified from this testing. We note that all investments are held within UK. There are no matters to bring to your attention from our testing.

1. Key audit risks (continued)

Level of bad debt provision on Council Tax and National Non-Domestic Rates (NNDR) debtors	
Background	In the current climate there is likely to be more pressure on the Council's rate-payers' financial resources. It therefore follows that there is likely to be a higher level of unpaid debts at the balance sheet date and potentially more bad and/or doubtful debts occurring. We have documented the process the Council has in place for reviewing and providing against bad and doubtful debts owed to the Council at the balance sheet date. We have reviewed the calculation of the year-end provision and considered the adequacy of the provision in the light of available evidence. This included the ageing profile of debtors at the year-end and at the time of audit, the history of bad debt exposure, recent changes in payment profile and post year-end cash receipts against year-end debtor balances. The provision for bad sundry debts as at 31 March 2010 was £278,000 (2009 restated: £264,000), which represents a significant judgement by the management of the Authority.
Deloitte response	We obtained a detailed calculation of all elements of the bad debt provisions: • 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 and recent changes in payment profile; • the calculation was reperformed to ensure the accuracy of the calculation; and • the ageing of the debtor balance was assessed to confirm the accuracy. Two adjustment have been proposed in Appendix 1. This first proposed adjustment is to reduce housing benefit bad debt by £17,000. The second proposed adjustment is to increase the court cost bad debt provision by £33,783.

Accounting for partnerships shares of assets and liabilities	
Background	The Council now utilises a number of partnerships (for example Building Control Partnership) for the provision of services to residents and businesses. A risk exists regarding the completeness of such information given the operations of the partnership is outside of the Council's direct control. We have reviewed management's process to ensure that they obtain all information regarding partnership assets and liabilities in a prompt manner and reflect them appropriately in the financial statements.
Deloitte response	We have reviewed management's process to ensure that they obtain all information regarding partnership assets and liabilities from partnerships in a prompt manner. We have reviewed the accounting entries made by the Authority to record their share of partnership assets and liabilities. There are no adjustments to bring to your attention as a result of our testing.

1. Key audit risks (continued)

Pension assumptions	
Background	In the current climate the choice of pension inflation, discount and yield assumptions will be both difficult and judgemental. Small and apparently insignificant changes to these key assumptions can have material consequences for the actuarial assessment of the liability included within the financial statements of the Council. We have documented the process the Authority has put in place to review the assumptions and have used our in house pension and actuarial department to review these assumptions for reasonableness based upon prevailing market factors as at 31 March 2010.
Deloitte response	We have reviewed the assumptions made by the actuary in valuing the Authority's share of the assets and liabilities of the pension fund. We have also consulted with our own in-house actuaries to determine whether the assumptions are reasonable and within expected ranges. Our review noted that the inflation rate used to value the pension liabilities was 3.5% per annum after a deduction of 0.5% pa. We consider that the rate is at lower end of an acceptable range at 31 March 2010. This deduction is made to allow for distortion in market implied inflation due to factors such as undersupply of index-linked gilts and inflation risk premiums. The average deduction we have observed is 0.3%. A change in the inflation assumption of 0.1% pa would increase the liability by c£0.9m.

1. Key audit risks (continued)

Changes to accounting framework and standards	
Background	The financial statements of all councils are required to comply with the accounting requirements of the SORP. A new SORP is issued every year ("the 2009 SORP" applies this year). The main change in the 2009 SORP are in respect of the accounting for Council Tax and NNDR, which are now required to reflect the substance of the arrangement where the council is effectively a collection agency. The comparative figures for 2008/09 are required to be reworked on this new basis and the financial statements will include a prior period adjustment in respect of this change in accounting policy. In addition, there are new disclosure requirements with respect to senior officers' remuneration whereby the titles and, in some instances, the names of senior officers are required to be disclosed if certain levels of remuneration are exceeded. We have reviewed the Authority's calculations of the change in accounting policy for the current and prior year figures alongside the detailed requirements of the 2009 SORP. We have also reviewed the senior officers' remuneration disclosures alongside the 2009 SORP requirements.
Deloitte response	<u>Council Tax:</u> We reviewed the Authority's working papers which quantify the impact of the new SORP. We have reviewed in detail the accounting adjustments proposed and have concluded that the amendments are in accordance with the requirements of the SORP. We have reviewed the adjustments made to prior year comparatives and note that as a consequence of the SORP changes the net worth reduced from £4,824,000 to £4,395,000. The deficit for the prior year increased from £1,105,000 to £1,129,000. The Collection Fund, Cash Flow Statement and summary of adjustments were also correctly presented. <u>Officers remuneration:</u> Review of the financial statements found that the change in the SORP relating to the remuneration of senior officers and the senior management team had been introduced in accordance with LAAP 85 and Regulations.

2. Other issues

This section of the report summarises the key control recommendations that we have raised during the audit, together with managements responses.

Authorisation of journals	
Background	Not all journals are authorised by an additional reviewer. Only journals prepared by non-accountants within the finance team are authorised by a qualified members of the finance team.
Recommendation	An independent review of all journals posted, prior to them being posted to the ledger, to take place. This practice could initially be concentrated on one-off or exceptional journals instead of all recurring journals.
Management Response	Officers have implemented the review of journals prepared by non-accountants based on Deloitte recommendations from the prior year audit. However they believe it would not be cost effective to have journals prepared by accountants authorised.

Preparation of supplier statement reconciliations for key suppliers	
Background	Reconciliations between supplier statements and the Authority's creditor's ledger balance are not performed.
Recommendation	Reconciliations must be performed for key suppliers where supplier statements are received to ensure correct recording of liabilities.
Management Response	Officers accept this recommendation and will implement when new financial management system is implemented.

2. Other issues (continued)

Segregation of duties	
Background	A number of business users, who are responsible for posting transactions, also have administrative access to key financial systems: • two business users with administrator access and operational access; • eleven business users with administrator access to the Civica application; • six business users with administrator access to the Academy application including one user who has access to two generic accounts (Administrator and Supervisor); and • two business users with administrator access to the Authority Purchasing application. This creates segregation of duty conflicts between the processing of business transactions and the management of security and user administration. Where effective segregation of duties is not maintained there is an increased risk that inappropriate or unauthorised transactions may be performed which could impact the integrity of the financial systems and information
Recommendation	Review all applications to identify unnecessary administrator accounts assigned to business users. Administrator access should typically be restricted to the IT team. If there is a business reason why applications need to be administered by business users, appropriate monitoring controls should be put in place to detect whether any inappropriate activity is being performed.
Management Response	Officers have agreed this recommendation and a review will be undertaken in 2010/11.

Payment Account Data Security (PCI DSS) compliance	
Background	It was noted that payment card details from Academy are held for a period of 18 months and that the card details are not encrypted. In addition, network logical access controls are weak. The latest self-assessment relating to this data was performed in November 2008 and no further action has been taken since this date to safeguard the payment data and ensure compliance with PCI-DSS. Where sensitive data is not adequately protected there is an increased risk that this data could be accessed by unauthorised individuals, potentially resulting in fines, penalties and reputational damage to the Council.
Recommendation	Perform a gap analysis of the current procedures and controls over the capture and storage of payment card details with the standards set out for PCI-DSS compliance. The results of the gap analysis should be used to initiate a security project to remediate any identified significant gaps.
Management Response	PCI-DSS compliance is beng managed through the ongoing upgrading of the cash receipts system, due for implementation in February 2011.

3. Accounting policies and financial reporting

In the course of our audit of the financial statements, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our comments on the quality and acceptability of the group's accounting policies and financial reporting are discussed below.

Accounting policies

The 2009/10 accounts have been prepared under the Statement of Recommended Practice (SORP) 2009. In preparation for the change to IFRS, there have been some changes to the SORP since 2008/9. No issues were noted.

Financial reporting

The following disclosure deficiencies have been identified which have been amended by Officers:

- notes to the core financial statements now include notes explaining impact of prior year adjustment;
- impact of prior year adjustment for collection fund on Statement of Total Recognised Gains and Losses has now been included;
- note 7, related party transactions, now discloses disclose amounts due to and from related parties as at 31 March 2010 and include numerical disclosures in relation to North Yorkshire Audit Partnership and North Yorkshire Building Control Partnership; and
- post balance sheet event note now discloses the change announced in June 2010 budget to use Retail Price Index (RPI) to Consumer Price Index (CPI) when calculating pension liabilities.

There are no disclosure deficiencies identified which have not been amended by Officers.

4. Corporate Governance review and our responsibilities

Annual governance statement (AGS)

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

The framework introduced, from 2007/08, an integrated Annual Governance Statement (“AGS”).

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 implemented 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.

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 Authority’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 Authority’s governance arrangements and internal controls derived from our audit work.

5. Value for money (VFM) conclusion

The VFM conclusion

Under the Code of Audit Practice 2009 (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. This conclusion is given within our audit report on the Authority's accounts.

At the end of May 2010, the Commission wrote to all chief executives to inform them that, following the government's announcement, work on CAA would cease with immediate effect and that the Commission would not be issuing new scores for the use of resources (UoR) assessments. We are still required however by the Code of Audit Practice to issue a value for money conclusion, and we have used the results of the work completed on the use of resources assessment up to the end of May to inform the 2009/10 conclusion. Although we are not able to report scored judgements, the significant findings from our 2009/10 use of resources work will be discussed with management over the coming weeks.

The conclusion is limited to an assessment of eight criteria specified by the Audit Commission under the UoR methodology. The UOR assessment consists of judgements against ten key lines of enquiry (KLOE) which focus on financial management but also link to the strategic management of the Authority. The KLOE cover a range of topics including how financial management is integrated with strategy and corporate management supports Authority's priorities and delivers value for money. Assessments are carried out annually, as part of each Authority's external audit. For district councils, the Commission has specified that eight of the ten KLOE will be considered for 2009/10.

Where, in our judgement, there are gaps in the arrangements which are significant enough, we qualify our conclusion in relation to particular criteria, either on an 'except for' basis (i.e. the Authority has put in place proper arrangements except for…) or in the form of an 'adverse' conclusion (i.e. the Authority has not put in place arrangements in that…). Based on the guidance we have received from the Audit Commission, where qualified, our report refers only to the criteria which we conclude have not been met, without providing further details.

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. As is shown in the table overleaf, no issues were noted in our value for money conclusion

5. Value for money (VFM) conclusion (continued)

Code criteria	KLOE	Conclusion
1. Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	1.1	Yes
2. Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	1.2	Yes
3. Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	1.3	Yes
4. Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	2.1	Yes
5. Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	2.2	Yes
6. Does the organisation promote and demonstrate the principles and values of good governance?	2.3	Yes
7. Does the organisation manage its risks and maintain sound system of internal control?	2.4	Yes
8. Is the organisation making effective use of its natural resources?	3.1	Yes

6. Other matters for communication

As part of our obligations under International Standards on Auditing (UK & Ireland) we are required to report to you on the matters listed below.

Independence

We consider that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and the objectivity of the audit engagement partner and audit staff is not compromised.

If the audit committee wishes to discuss matters relating to our independence, we would be happy to arrange this.

Non-audit services

We are not aware of any inconsistencies between APB Revised Ethical Standards for Auditors and the Authority's policy for the supply of non audit services or of any apparent breach of that policy.

During the year, £7,000 of non-audit services were performed in relation to an IT health check.

Audit fees

The professional fees earned by Deloitte in relation to audit services provided on behalf of the Audit Commission in the period from 1 April 2009 to 31 March 2010 are as follows:

	2010	2009
Fees payable to the auditors for the audit of the annual accounts (excluding VAT)	£88,000	£81,000

The audit fee has been calculated in accordance with Audit Commission fee scale.

International Standards on Auditing (UK and Ireland)

We consider that there are no additional matters in respect of those items highlighted in our publication "Briefing on audit matters" to bring to your attention that have not been raised elsewhere in this report or our audit plan.

Liaison with internal audit

The audit team, following an assessment of the independence and competence of the internal audit department, reviewed the findings of internal audit to inform the risk assessment and consider the impact on our audit approach as deemed appropriate. No adjustments were made to the audit approach as a result of our review of the work of internal audit.

Written representations

A copy of the representation letter to be signed on behalf of the Authority is included at Appendix 2.

7. 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 audit plan has been prepared on the basis of, and our audit work carried out in accordance with the Code and the Statement of Responsibilities, copies of which have been provided to the Authority by the Audit Commission.

The audit may include the performance of national studies developed by the Audit Commission, where the auditors are required to follow the methodologies and use the comparative data provided by the Commission. Responsibilities for the adequacy and appropriateness of these methodologies and the data rests with the Audit Commission. The audit may also include reviews such as this report which address locally determined risks and issues the scope of which is agreed with management in advance of the work. In this case it is for management to determine whether the scope is adequate and appropriate to their needs.

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 the Authority’s system of internal 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.

Any conclusion, opinion or comments expressed herein are provided within the context of our opinion on the financial statements and our conclusion on value for money as a whole, which was expressed in our auditors’ report.

We view this report as part of our service to you for use as Members of Ryedale District Council 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 controls over, and security of the website. You are also responsible for establishing and controlling the process for electronic distributing accounts and other information.

Deloitte LLP

Chartered Accountants

Leeds, UK
27 September 2010

For your convenience, this document has been made available to you in electronic format. Multiple copies and versions of this document may therefore exist in different media - in the case of any discrepancy the final signed hard copy should be regarded as definitive. Earlier versions are drafts for discussion and review purposes only.

Appendix 1: Audit adjustments

Unadjusted mistatements

We report all individual identified unrecorded audit adjustments in excess of £7,736 and other identified misstatements in aggregate adjusted by management in the table below.

Unadjusted misstatements:

Description	Assets DR / (CR) £	Liabilities DR / (CR) £	Equity DR / (CR) £	Income Statement DR / (CR) £
Reduction in Housing Benefit bad debt provision	-	16,783	-	(16,783)
Increase in court cost debt provision	-	(33,783)	-	33,783
Deferral of annual car park permit income recognised in advance of provision of service	-	(45,560)	-	45,560
Overstatement of Council Tax Arrears	(22,722)	22,722	-	-
	(22,722)	(39,838)	-	62,560

No adjustments have been booked to the income and expenditure initially reported in June 2010.

£167,129 of uncorrected misstatements were noted in the prior year which have either increased income or reduced expenditure in the current year. We note from our audit that management have addressed the underlying issues and judgements that give rise to the adjustments in the prior year.

Appendix 2: Letter of management representations

(Client's Letterhead)

Deloitte LLP
1 City Square
Leeds
West Yorkshire
LS1 2AL

Our Ref: JR/AJL/RCD/0910 27 September 2010

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 2010 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Ryedale District Council as of 31 March 2010 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.

We acknowledge our responsibilities for preparing financial statements for the Authority which give a true and fair view and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

1. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority, Senior Management, Planning Committee, Audit and Review Committee and Standards Committee, have been made available to you.

2. We acknowledge our responsibilities for the design, implementation and operation 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 Authority involving:
   (i). management;
   (ii). employees who have significant roles in internal control; or
   (iii). 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 Authority's financial statements.

6. We are not aware of 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 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.

8. Where required, the value at which assets and liabilities are recorded in the balance sheet is, in the opinion of the directors, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Authority. Any significant changes in those values since the balance sheet date have been disclosed to you.

9. 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 officers or other individuals who are in a position to influence, or who are accountable for the stewardship of the Authority and confirm that we have disclosed in the financial statements all transactions relevant to the Authority and we are not aware of any other such matters required to be disclosed in the financial statements, whether under FRS8 "Related party disclosures" or other requirements.

10. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to cease the Authority's activities. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Authority's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

11. No claims in connection with litigation have been or are expected to be received by the Authority.

12. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

13. There have been no events subsequent to 31 March 2010, except as disclosed in the financial statements, which require adjustment of or disclosure in the financial statements or notes 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.

14. 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.

15. We confirm that no significant fixed assets have been sold or scrapped during the financial year other than those identified in the financial statements.

16. We confirm that where income has been received for a specific activity that income has been recognised in the appropriate period.

17. 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. We confirm that general overheads are treated in accordance with SORP within the accounts.

18. The financial statements are free from material misstatement.

19. The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets.

20. 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 auditor's 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.

21. We confirm that:

1. all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
2. all settlements and curtailments have been identified and properly accounted for;
3. all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
4. the actuarial assumptions underlying the valuation of the scheme liabilities accord with the Members' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
5. 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.

22. We confirm that the methodology used by management to estimate the increase in value to fixed assets as a result of expenditure on those assets represents the best estimate of the value added.

23. All known material liabilities have been properly included in the annual accounts and all material contingent liabilities have been disclosed.

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