

Audit Completion Report

Redcar and Cleveland Borough Council



For the year ended 31 March 2017



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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1. Executive summary

Purpose of this report

The Audit Completion Report sets out the updated findings of our audit of Redcar and Cleveland Borough Council (the Council) for the year ended 31 March 2017, and forms the basis for discussion at the Governance Committee meeting on 26 September 2017.

The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £5.225 million. We have updated our assessment as part of our continuous planning processes and materiality remains the same at £5.225 million. Our clearly trivial threshold for reporting matters to you has been set at £157,000.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in April 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.</p>
Identified misstatements	<p>Our work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.</p>
Value for Money	<p>At the time of issuing this report, we anticipate having no matters to report in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>
Whole of Government Accounts (WGA)	<p>We anticipate completing our work on your WGA submission, in line with the group instructions issued by the National Audit Office, by the deadline of 30 September 2017. We anticipate reporting that the WGA submission is consistent with the audited financial statements.</p>

The status of our work

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017. We cannot formally conclude the audit and issue an audit certificate until we have completed our work on an objection raised in relation to the Authority's financial statements for the year ended 31 March 2017. We are satisfied that these matters do not have a material effect on the financial statements or on our value for money conclusion.

2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

Significant risks

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
<p>Management override of control In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates affecting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We found no indication of management override of controls.</p>

Significant risk	How we addressed the risk	Audit conclusion
<p>Revenue recognition</p> <p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources, we have concluded that there are insufficient grounds for rebuttal in 2016/17. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	<p>We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing receipts in March, April and May 2017 to ensure they have been recognised in the right year; • testing material year end receivables; • testing adjustment journals; and • obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger. 	<p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We did not find any evidence of revenue being recognised in the wrong year.</p>
<p>Valuation of the defined benefit pension scheme and pensions estimates (IAS19)</p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we:</p> <ul style="list-style-type: none"> • evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and • considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by PSAA Ltd. 	<p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We found no indication of material estimation error in respect of pensions.</p>

Qualitative aspects of the Council's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of the Council's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	<p>We have reviewed the Council's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code).</p> <p>In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.</p>
Quality of the draft financial statements	<p>We received draft financial statements from management on 23 May 2017, well in advance of the statutory deadline. The financial statements were prepared to a high quality standard with few amendments being made as a result of the audit.</p>
Quality of supporting working papers	<p>Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. The Council provided good quality, comprehensive working papers to support the financial statements.</p>

Significant difficulties during the audit

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

3. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit

Follow-up of previous internal control deficiencies and recommendations

We did not raise any internal control points last year.

procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our work this year did not identify any significant deficiencies.

4. Value for Money Conclusion

Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix C states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Value for Money conclusion risk	Work undertaken	Conclusion
<p>Auditor VFM Risk</p> <p>Our audit work in previous years has concluded that the Council has robust arrangements in place for Medium Term Financial Planning. The Council continues to face financial pressure in the coming years and the Council has recently updated its medium term financial plan (MTFP).</p>	<p>Building on our work from previous years, we:</p> <ul style="list-style-type: none"> • reviewed the Council's updated MTFP to ensure it reflects the latest funding position from central government; and • reviewed and updated our knowledge of the arrangements the Council has in place to monitor progress against its savings plans that underpin the MTFP. 	<p>The Council is well aware of the risk in relation to the future funding gap and need to transform service provision and is taking action aimed at addressing future pressures on spending, budgets and services.</p>

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Informed decision making

Criteria	Commentary	Arrangements in place?
Acting in the public interest, through demonstrating and applying the principles and values of sound governance	<ul style="list-style-type: none"> Regular and appropriate finance and performance monitoring, savings achieved in year with no significant impact on performance. Constitution on the website and subject to regular review and update. Council plan refreshed annually and published, including consultation with public and partners. 	Yes
Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	<ul style="list-style-type: none"> Detailed information presented to Scrutiny Committees and summary information to Cabinet. Regular and appropriate finance and performance reports. MTFP reviewed and updated annually as part of budget setting, funding gap in future years being addressed through Shaping our Future. 	Yes
Reliable and timely financial reporting that supports the delivery of strategic priorities.	<ul style="list-style-type: none"> Regular and timely reporting to members. Updated Council plan on the website. MTFP updated as part of budget setting. 	Yes
Managing risks effectively and maintaining a sound system of internal control.	<ul style="list-style-type: none"> Risk register and risk management arrangements in place. Regular reporting to members. Annual governance statement prepared, reviewed and approved by members. Regular reporting by Internal Audit on internal control. 	Yes

Sustainable resource deployment

Criteria	Commentary	Arrangements in place?
Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	<ul style="list-style-type: none"> Financial and performance reports demonstrate a history of achieving cuts without significant adverse effects on services. Future need to transform services to reduce costs considered through Shaping our Future. Funding gap in future years being addressed. 	Yes
Managing and utilising assets effectively to support the delivery of strategic priorities.	<ul style="list-style-type: none"> Asset register in place. Asset management plan in place. Ongoing monitoring and assessment of assets with a view to reduce asset base and associated costs. 	Yes
Planning, organising and developing the workforce effectively to deliver strategic priorities.	<ul style="list-style-type: none"> Organisational development part of ongoing Shaping our Future and transformation. HR policies and procedures in place. Investors in people awards. 	Yes

Working with partners and other third parties

Criteria	Commentary	Arrangements in place?
Working with third parties effectively to deliver strategic priorities.	<ul style="list-style-type: none"> Policies and framework for partnership working in place and on the website. Shaping our Future includes consideration of partnership working in all reviews. Better Care Funding outcomes being monitored and some progress confirmed though not all targets met. 	Yes

Criteria	Commentary	Arrangements in place?
Commissioning services effectively to support the delivery of strategic priorities.	<ul style="list-style-type: none"> • Council plan in place and on the website. • Successful in reducing costs in line with savings plans, includes working with partners. • Better Care Funding outcomes being monitored and some progress confirmed, as above. 	Yes
Procuring supplies and services effectively to support the delivery of strategic priorities.	<ul style="list-style-type: none"> • Constitution in place, regularly reviewed and updated. • Procurement policy in place and part of guidance available on the business section of the website. 	Yes

Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £157,000, are set out below.

The first table outlines the identified misstatements which management has assessed as not being material, either individually or in aggregate to the financial statements, and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2016/17				
	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: CIES 2016-17 income/ cash		231	231	
Cr: CIES 2017-18 income/ cash	231			231
1	Explanation Income of £120,000 received and posted in 2017-18 which related to 2016-17 and should have been accrued. Error rate within the sample calculated as 0.46% extrapolated across the population gives estimated extrapolated error of £231,000.			

Adjusted misstatements 2016/17				
	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	493			
		493		
1	Explanation Error in classification identified in last year's grant income analysis. Prior year audited amounts should only be adjusted for material errors. Figures amended to audited amounts and explanation added to note 38 grant income.			
	529			
		529		
2	Explanation Error in classification identified in last year's grant income analysis. Prior year audited amounts should only be adjusted for material errors. Figures amended to audited amounts and explanation added to note 38 grant income.			

Disclosure amendments

There have been a small number of notes which have been expanded or amended:

- note 1 expenditure and funding analysis – reasons for adjustments added;
- note 14 officer's remuneration – minor changes within bandings;
- note 16 trading operations – prior year results for trade refuse had been restated to include waste disposal, non-material errors identified in prior year should not be adjusted in brought forward balances;
- note 38 grant income – exclusion of recharge; and
- note 45 related party transactions – changes to disclosures.

Other issues

In relation to the triennial valuation, the Pension Fund auditor has agreed all asset values submitted to the actuary (£3.13 billion) as at 31 March 2016 back to the audited financial statements for 31 March 2016. A difference of £10 million was identified, of which £6.7 million has been explained with the remaining £3.3 million being an audit difference in the prior year (overstatement of assets advised to actuary). This £3.3 million error is not a material issue for the Council, however, it is non-trivial. Based on the Council's share of total PF assets as at 31 March 2016 the Council's share of the error is approximately £0.446 million.

Appendix B – Draft management representation letter

[Client address]

[Date]

Dear [Name]

[Name of client] - audit for year ended 31 March 2017

This representation letter is provided in connection with your audit of the statement of accounts for [body name] ('the Council') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as [Director of Resources / s151 officer] that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-

compliance.

Fraud and error

I acknowledge my responsibility as [Director of Resources / s151 Officer] for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

[Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2016/17 in relation to the Council's PFI schemes that you have not been made aware of.]

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or

inclusion of a note thereto, I will advise you accordingly.

Going concern

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

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Director of Resources / s151 officer

Date.....

Appendix C – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REDCAR AND CLEVELAND BOROUGH COUNCIL

Opinion on the Council financial statements

We have audited the financial statements of Redcar and Cleveland Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Redcar and Cleveland Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Redcar and Cleveland Borough Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement and the content of the summary accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Redcar and Cleveland Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Narrative Statement and the content of the summary accounts for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, *Redcar and Cleveland Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our work on an objection raised in relation to the Authority's financial statements for the year ended 31 March 2017. We are satisfied that these matters do not have a material effect on the financial statements or on our value for money conclusion.

Mark Kirkham

For and on behalf of Mazars LLP

Salvus House

Aykley Heads

Durham

DH1 5TS

[Date]

Appendix D – Independence

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

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.