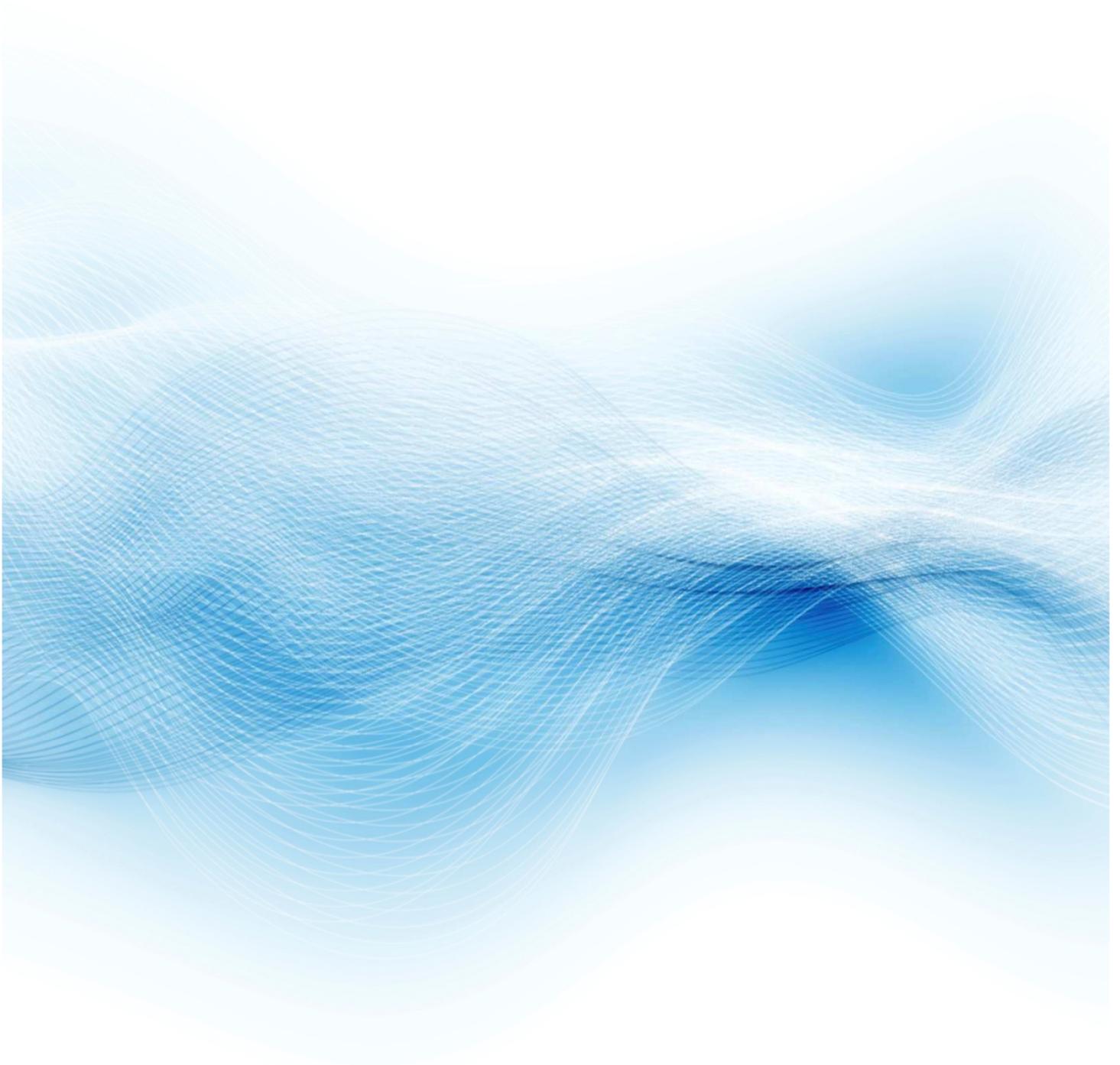
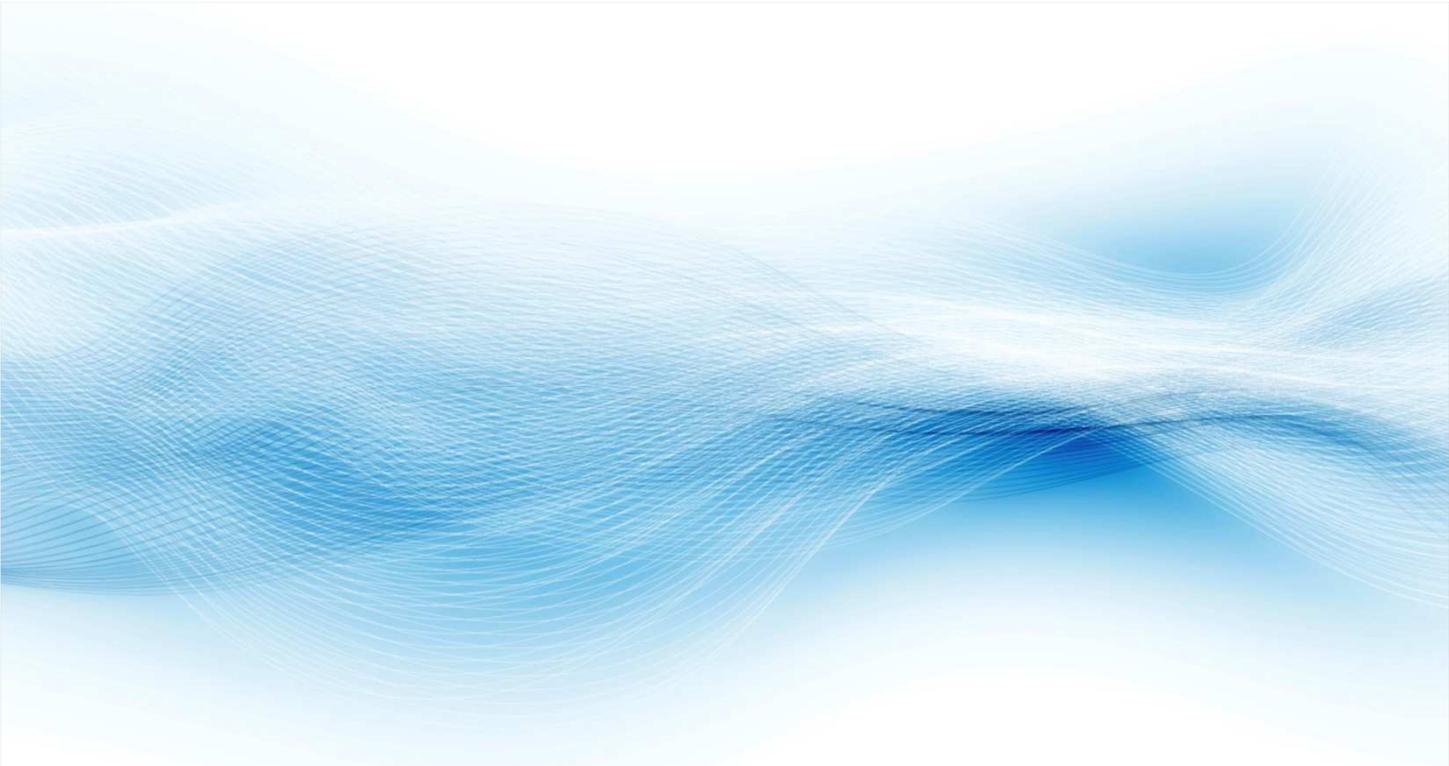




Audit Completion Report

Redcar and Cleveland Borough Council
Year ending 31 March 2018





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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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Governance Committee Members
Redcar and Cleveland Borough Council
Redcar and Cleveland House
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Redcar
TS10 1RT

July 2018

Dear Members

Audit Completion Report – Year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 13 February 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Mark Kirkham
Mazars LLP

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1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of Redcar and Cleveland Borough Council ('the Council') for the year ended 31 March 2018, and forms the basis for discussion at the Governance Committee meeting on 24 July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 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.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including our proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 31 August 2018. We anticipate issuing our assurance certificate which confirms that the Council is below the audit threshold set by the NAO..

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We have not received any communications from electors for 2017/18.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance Committee in a follow-up letter.

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1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and value for money conclusion for the year ended 31 March 2018. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Collection Fund	Review of the Collection Fund control accounts, precepts and debtors.
Pensions	Detailed programme of work including review of assurances from the pension fund auditor.
Notes to the CIES	Detailed testing of the expenditure funding analysis, segmental information, pooled budgets and dedicated schools grant.

We will provide the Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in April 2018. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £6.399 million using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £6.385 million, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Governance Committee) at £192,000 based on 3% of overall materiality.

2. FINANCIAL STATEMENTS AUDIT

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

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 intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk by performing audit work in respect of:

- accounting estimates impacting on amounts included in the financial statements;
- 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.

Audit conclusion

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.

2. FINANCIAL STATEMENTS AUDIT (CONTINUED)

Significant risk	Description of the risk
Revenue recognition – fees and charges	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 2017/18. We have identified income from fees and charges as the key areas of audit testing. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

How we addressed this risk

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 testing receipts in March, April and May 2018 to ensure they had 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.

Audit conclusion

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.

Significant risk	Description of the management judgement
Property, plant and equipment (PPE) revaluation	The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE. Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE because of the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk

How our audit addressed this area of management judgement

We considered the Council's arrangements for ensuring that PPE values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's valuer. We will also assess the competence, skills and experience of the valuer.

Where necessary we also performed further audit procedures on individual assets to ensure that the basis and level of revaluation is appropriate.

Audit conclusion

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 PPE being materially misstated.

2. FINANCIAL STATEMENTS AUDIT (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation	The financial statements contain material pension entries in respect of 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.
	How we addressed this risk
	We obtained explanations to support any significant changes to the pension estimates. In addition to our standard programme of work in this area, we 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.
	Audit conclusion
	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.

Qualitative aspects of the entity's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31 May 2018 and were of a good quality.

Significant difficulties during the audit

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

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2017/18 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not used our wider powers and responsibilities under the Act in 2017/18.

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 relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor 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 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 findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2

Description of deficiency

The payroll control account reconciliation is the process of checking that transactions in the payroll system are correctly reflected in the general ledger. Responsibility for completing the payroll control account reconciliation passed to payroll officers in November 2017 when the processing of payroll entries into the accounts payable system became automatic. However, the payroll reconciliation has not been completed since the transfer of responsibility.

Potential effects

Payroll transactions in the general ledger may be incomplete or incorrectly coded.

Recommendation

Payroll officers should complete the payroll control account reconciliation.

Management response

Finance officers are working with payroll officers to resolve this issue.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £192,000.

The first table below outlines the misstatements that were identified during the course of our audit 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 in the main financial statements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2017/18

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Children's and Adults income	324		n/a	
Cr: Children's and Adults expenditure		324		n/a

Inclusion of internal recharges in income and expenditure which should have been netted off. Error of £108,000 identified at audit in Children's and Adults other income. The Council has analysed the remaining £3.4m of other income and identified a further £216,000 of internal recharges. The remaining entries have been reviewed for reasonableness and as total other income is not material we have agreed with the Council that further work is not necessary. Transactions of this type will be reviewed in more detail in future.

4. SUMMARY OF MISSTATEMENTS

Adjusted misstatements 2017/18

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Safety net grant				
Dr: Government debtor			1,734	
Cr: Transfer to earmarked reserves/Taxation and non-specific grant income safety net grant		1,734		1,734
2 s31 grant				
Dr: Local authority creditors			3,148	
Dr: Government debtors			480	
Cr: Government debtors				3,167
Cr: Local authority creditors				461
3 Collection Fund surplus/deficit, increase in transitional protection and adjustment to disregard				
Dr: Collection Fund adjustment account	2,638	11	4,362	
Dr: Local authority creditors			45	
Dr: Government creditors			3,833	
Dr: Local authority debtors			9	
Dr: Government debtors			451	
Cr: Government creditors				6,966
Cr: Collection Fund adjustment account				1,734

Entries to reflect the inclusion of a post balance sheet event relating to the back-dated adjustment following a business rates appeal. The adjustment is needed to reflect the recent MHCLG notification of the expected accounting treatment of a loss stemming from the revaluation. In summary, the deficit on the provision of services recorded in the CIES increases by £0.893m, earmarked reserves increase by £1.734m, debtors decrease by £0.493m, creditors increase by £0.401m and the collection fund adjustment account changes by £2.627m.

Disclosure amendments

We have identified a few minor errors in disclosure notes and narrative as part of the audit:

- Note 1 expenditure and funding analysis – prior year figures amended to reflect the change in presentation in the CIES;
- Note 14 officers' remuneration – amended to correct bandings and pension contributions;
- Note 18 fees payable to auditors – amended to correct split between payments for audit and grant work and to remove the PSAA refund; and
- Note 27 short term debtors – classification of debtors agrees to the analysis in the general ledger but not the accounts payable due to changes in classification between debtors being raised and payment being received. Accounts payable is correct but the accounts have not been amended to reflect this.

5. VALUE FOR MONEY CONCLUSION

Our approach

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.

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

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Council operates an Cabinet with Leader model, and this is governed by the Council Constitution including all of the normal features of an effective governance framework in local government.</p> <p>The new Council Plan, Our Flourishing Future, sets out the Council's priorities and how it is focussing on the most important issues of growing the economy and creating more jobs, developing great places to live and improving quality of life.</p> <p>Key priorities for the Council include strong and confident communities, prosperity for all, a brighter future for children, longer and healthier lives, attractive and vibrant places, good connections, clean and safe environment, enriching lives through culture and sport and improving the way the Council works. Delivery of priorities is monitored in quarterly performance reports.</p> <p>There is evidence of financial reporting being used to deliver strategic objectives, for example, through the Medium Term Financial Strategy and in allocating resources to priority areas. In addition, regular financial reporting takes place, with formal reporting quarterly to Cabinet.</p> <p>The Council has a risk management strategy and framework in place.</p> <p>The Council's system of internal control is subject to Internal Audit and for 2017/18, the Council's Head of Internal Auditor has given an opinion of strong assurance. The Audit and Governance Committee is in place to oversee the governance framework including the work of internal audit and approval of the Council's financial statements.</p>	Yes

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Council continues to deliver its financial plans and the 2017/18 outturn showed a £337,000 overspend against the general fund budget.</p> <p>The medium term financial strategy has been refreshed and updated for known pressures, events and assumptions as part of the 2018/19 budget setting process. The strategy covers 2017/18 to 2021/22.</p> <p>The Council has set a balanced budget for 2018/19 which includes using £4.632 million of earmarked reserves as part of a use of reserves strategy over the life of the plan.</p> <p>The Council's Shaping our Future programme of service reviews to achieve reductions in spending is continuing and is forecast to generate a £7.059 million reductions in 2018/19.</p> <p>The Council has an asset management strategy which is kept under review. The Council is also exploring opportunities for flexible working.</p> <p>The Council has taken steps to develop its workforce, downsizing in the face of austerity and reorganising staff into wider roles. The Council continues to be an Investors In People recognised organisation.</p>	Yes
Working with partners and other third parties	<p>All Shaping Our Future service reviews include consideration of alternative ways of providing services including partnership working. The Council has recently re-tendered the outsourced revenues and benefits contract.</p> <p>The Council is working jointly with the CCG on social care and with the other local authorities as part of the Tees Valley Combined Authority.</p> <p>The Council's website includes a section on how to do business with the Council to explain procurement and provide useful information to suppliers and members of the public.</p>	Yes

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our 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 audit risk. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>Financial sustainability</p> <p>Our audit work in previous years has concluded that the Council has 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 strategy (MTFS) and Council Plan – Our Flourishing Future.</p> <p>We need to ensure our knowledge of the Council's MTFS arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct Value for Money conclusion.</p>	<p>Building on our work in previous years, we reviewed the Council's updated 2018 MTFS to ensure it reflects the latest funding position from central government.</p> <p>We reviewed and updated our knowledge of the arrangements the Council has in place to monitor progress against its savings plans and the income projections that underpin the MTFS.</p>	<p>The Council is aware of the risk in relation to the future funding gap, and the need to transform service provision, and is taking action aimed at addressing future pressures on spending, budgets and services.</p>

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified value for money conclusion for the 2017/18 financial year.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided by Redcar and Cleveland Borough Council to us on client headed note paper

[Client address]

[Date]

Dear Sirs

Redcar and Cleveland Borough Council - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for Redcar and Cleveland Borough Council (the Council) for the year ended 31 March 2018 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 2017/18 (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 financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements 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 financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the company you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Corporate Director for Resources (Section 151 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 we are 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.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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 company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the 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 have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Corporate Director of Finance, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

I have disclosed to you:

- all the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity 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 entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

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

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

Impairment review

To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of 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.

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APPENDIX A DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Going concern

To the best of our knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which we 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 any 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 faithfully

Director



APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the Members of Redcar and Cleveland Borough Council

Opinion on the financial statements

We have audited the financial statements of Redcar and Cleveland Borough Council ('the Council') for the year ended 31 March 2018 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, the Collection Fund, and notes to the financial statements, including the summary of significant accounting policies. 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 2017/18.

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 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director for Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director for Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporate Director for Resources is responsible for the other information. The other information comprises the Annual Governance Statement, the summary accounts and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Corporate Director for Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Corporate Director for Resources 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 2017/18, and for being satisfied that they give a true and fair view. The Corporate Director for Resources is also responsible for such internal control as the Corporate Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director for Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Corporate Director for Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusion on Redcar and Cleveland Borough Council's arrangements for securing economy, efficiency and effectiveness in the 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 in November 2017, we are satisfied that, in all significant respects, Redcar and Cleveland Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether 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. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Council

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.

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- 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 sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's 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 members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Redcar and Cleveland Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham
Partner
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS
July 2018

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APPENDIX C INDEPENDENCE

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

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

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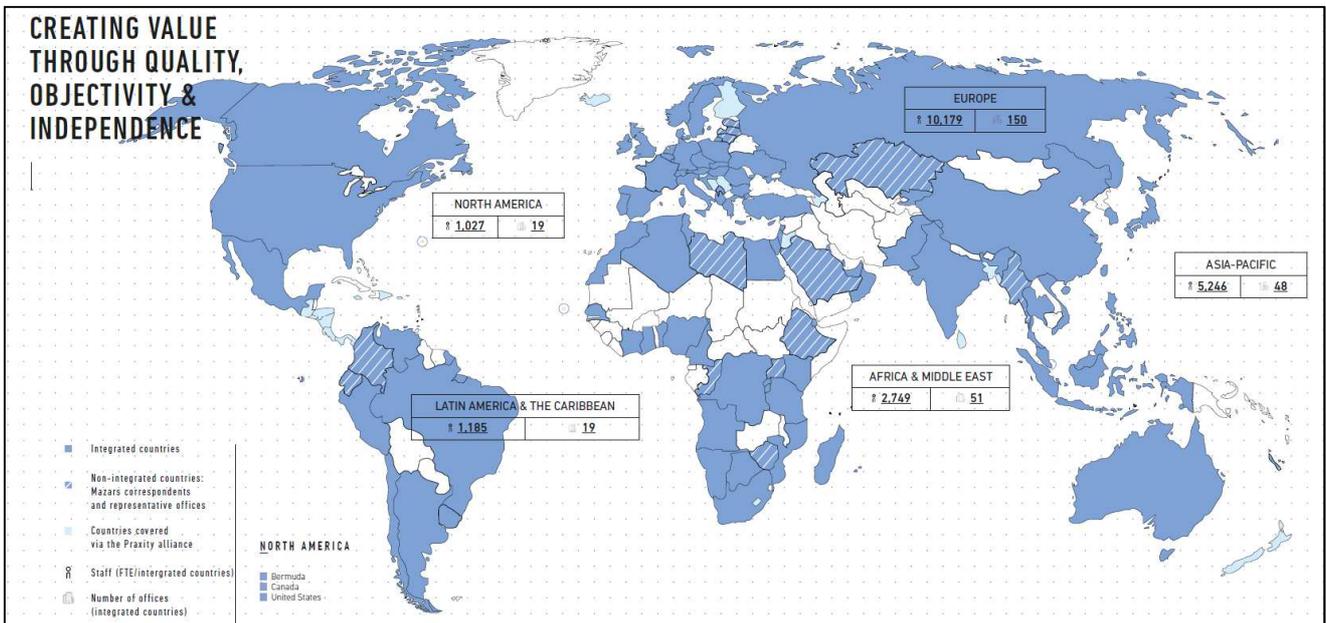
Appendices

MAZARS AT A GLANCE

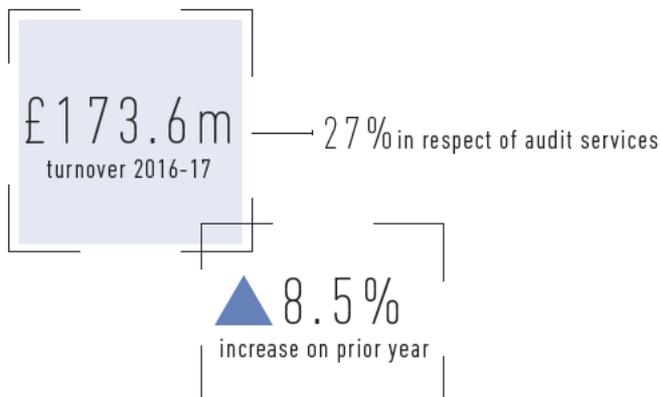
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