

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 SEPTEMBER 2013

STATEMENT OF FINAL ACCOUNTS including LETTER of REPRESENTATION

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF REPORT

- 1.1 To approve a Letter of Representation that is required to be submitted to the External Auditor.
- 1.2 To approve a Statement of Final Accounts for 2012/13 following completion of the external audit of those Accounts.
- 1.3 To approve the Annual Governance Statement (AGS) for 2012/13.

2.0 BACKGROUND

- 2.1 A draft Statement of Final Accounts (SOFA) for 2012/13 was considered by this Committee on 18 July 2013 in advance of these accounts being audited by the External Auditor during July and August 2012. This SOFA incorporates the accounts of the North Yorkshire Pension Fund.
- 2.2 The external audit of the 2012/13 Accounts is now complete with the report of the External Auditor being included as a prior item on this Agenda. Separate reports are issued by the External Auditor for the County Council and North Yorkshire Pension Fund accounts.
- 2.3 The External Auditor has indicated that he anticipates being able to issue an unmodified opinion on 26 September 2013.
- 2.4 The revised SOFA is provided as a separate booklet in the Agenda papers for this meeting.
- 2.5 To conclude the Final Accounts process (in advance of the External Auditor signing off the 2012/13 Accounts by the required statutory date of 30 September 2013), it is necessary for this Committee to
 - (i) agree and countersign a Management Letter of Representation to the External Auditor (see **paragraph 3**)
 - (ii) note the changes reflected in the Final SOFA compared to the version considered on 18 July 2013 (see **paragraph 4**), and
 - (iii) approve the Final SOFA and authorise the Chairman to sign the Accounts on that basis (see **paragraph 5**)
- 2.6 The report also asks Members to approve a final Annual Governance Statement for 2012/13 and authorise the Chairman to sign the AGS on its behalf (**paragraph 6**).

3.0 LETTER OF REPRESENTATION

- 3.1 The External Auditor requires a written representation from the County Council's management as an acknowledgement of its responsibility for the fair presentation of the SOFA and as audit evidence on matters material to the financial statements when other sufficient appropriate evidence cannot reasonably be expected to exist.
- 3.2 The External Auditor has therefore requested that this Letter should be discussed and agreed by the Audit Committee (as the body charged with responsibility for governance) and then signed on their behalf by the Chairman, before approval of the SOFA. This is to ensure that Members of this Committee are aware of the representations on which the Auditor intends to rely when issuing his opinion.
- 3.3 This Letter, the text of which is unchanged from last year, is attached as **Appendix A** and has already been signed by management (ie the Chief Executive and the Corporate Director – Strategic Resources). For security reasons the copy attached does not include the signatures of the two officers – the version to be signed at the meeting by the Chairman has already been signed by the two officers.
- 3.4 The Letter applies to the financial statements of both the County Council and North Yorkshire Pension Fund.
- 3.5 Members are therefore asked to consider and approve this Letter and then authorise the Chairman to approve it on their behalf. The Letter will then be submitted to the External Auditor.

4.0 CHANGES REFLECTED IN THE FINAL SOFA

- 4.1 A number of changes have been made to the SOFA since it was considered by Members of this Committee on 18 July 2013.
- 4.2 These changes are explained in detail in **Appendix B** attached and arise from:-
- (i) refinements agreed with the External Auditor during their audit of the accounts
 - (ii) internally initiated refinements including several resulting from comments and questions by Members of this Committee when considering the draft SOFA on 18 July 2013
 - (iii) inclusion of the External Auditor's certificate which was not included in the draft document on 18 July 2013.

5.0 APPROVAL OF THE FINAL SOFA

- 5.1 The audited final SOFA is attached as a separate booklet. This incorporates all the changes to the draft version considered by Members on 18 July 2013, as set out in **paragraph 4** and **Appendix B**. These accounts will be re-signed by the Corporate Director – Strategic Resources and the Chief Executive on 26 September 2013.
- 5.2 Members are therefore asked to approve the Final SOFA for 2012/13 following completion of the audit and authorise the Chairman to sign the accounts on behalf of the Audit Committee. A copy of the Balance Sheet (pages 38 and 39 of the SOFA) which the Chairman is asked to sign is attached as **Appendix C** with the wording
- ‘I confirm that these accounts were approved by the Audit Committee on 26 September 2013 following completion of the External Audit.’

5.3 As mentioned in **paragraph 2.3** the External Auditor has already indicated that he anticipates being able to issue an unmodified opinion on the accounts.

6.0 ANNUAL GOVERNANCE STATEMENT

6.1 The Annual Governance Statement (AGS) is an annual report which assesses the effectiveness of the governance processes which have been put in place within the Council. It accompanies the Statement of Final Accounts.

6.2 The AGS has been drafted to comply with the Delivering Good Governance Framework in Local Government 2007 and the Application Note to Delivering Good Governance in Local Government: a Framework (March 2010).

6.3 In order to fulfill its responsibilities, the Audit Committee needs to be able to satisfy itself that the governance and internal control processes described in the AGS are in fact both operational and effective. One aspect of this assurance process is to review progress by management on dealing with the issues identified in the AGS. The Audit Committee has considered a draft AGS at its meeting on 27 June 2013 and aspects of it again (principally the Statements of Assurance) at its meeting on 18 July 2013.

6.4 The requirement to produce an AGS is set out in the Accounts and Audit (England) regulations for the Council to approve an AGS as part of the SOFA and the Audit Committee is therefore requested to formally approve the AGS 2012/13 and to authorise the Chairman to sign the AGS on its behalf.

7.0 RECOMMENDATIONS

7.1 That in relation to the Letter of Representation

- (i) Members approve the Letter of Representation set out in **Appendix A**, and
- (ii) authorise the Chairman to sign the Letter on behalf of the Audit Committee

7.2 That in relation to the Statement of Final Accounts 2012/13

- (i) Members note the changes to the Final SOFA as set out in **paragraph 4 and Appendix B**, and
- (ii) Members approve the Final SOFA for 2012/13 (**paragraph 5.2**), and
- (iii) authorise the Chairman to sign the Balance Sheet as attached at **Appendix C**

7.3 That Members approve the Annual Governance Statement 2012/13 and authorise the Chairman to sign the AGS on its behalf (**paragraph 6.4**).

GARY FIELDING
Corporate Director – Strategic Resources

County Hall, Northallerton

17 September 2013

There are no background documents



Your ref: CDP/AJL/NYCC2012 3

Our ref: GF/GJ

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26 September 2013

Dear Sirs

**NORTH YORKSHIRE COUNTY COUNCIL –
AUDIT OF THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013**

This representation letter is provided in connection with your audit of the financial statements of North Yorkshire County Council, the consolidated financial statements and the North Yorkshire Pension Fund (hereafter collectively referred to as North Yorkshire County Council) for the year ended 31 March 2013.

This representation letter is given for the purpose of expressing an opinion as to whether the financial statements present a true and fair view of the financial position of North Yorkshire County Council as of 31 March 2013 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with applicable accounting framework and relevant statutory authorities.

We acknowledge our responsibilities under the relevant statutory authorities for preparing financial statements for North Yorkshire County Council 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 North Yorkshire County Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all County Council, Executive and Committee meetings, 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 North Yorkshire County Council involving:
 - (i) management and other employees who have significant roles in the system of internal accounting control
 - (ii) irregularities involving other employees or members that could have a material effect on the financial statements or
 - (iii) communications from regulatory agencies concerning non-compliance with or deficiencies on, financial reporting practices which 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 North Yorkshire County Council financial statements communicated by employees, former employees or others.
6. We are not aware of any actual or possible instances of non-compliance with laws, regulations and code of practice the effects of which would likely have a significant effect on the finances or operations of the North Yorkshire County Council. North Yorkshire County Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
7. We have considered the unadjusted errors and disclosure deficiencies detailed in the appendix 1 to this report. 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 and net asset statement is, in our opinion, the fair value or other value as required by the applicable accounting framework and relevant statutory authorities. 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 North Yorkshire County Council. 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 members and other individuals who are in a position to influence, or who are accountable for the stewardship of the reporting entity and confirm that we have disclosed in the financial statements all transactions relevant to North Yorkshire County Council and we are not aware of any other such matters required to be disclosed in the financial statements, whether under IAS24 "Related party disclosures" or other requirements.
10. There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:
 - (i) no claims in connection with litigation have been or are expected to be received, other than those already disclosed in the financial statements
 - (ii) there are no material commitments or contractual issues, other than those already disclosed in the financial statements
 - (iii) no financial guarantees have been given to third parties.

11. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
12. Since the date of consideration of the financial statements by the Audit Committee on 18 July 2013, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements except as disclosed in the Statement of Accounts.
13. There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.
14. We have properly recorded the bank balances of all school bank accounts in the financial statements.
15. We have evaluated the adequacy of the self-insurance reserve maintained and consider it to be appropriate.
16. We confirm that no amounts are expected to be paid in respect of any legal claims, which are being dealt with by our solicitors, other than those already provided in the annual accounts and no other legal claims have been received or are expected to be received that would have a material impact on the annual accounts.
17. We confirm that where grant income has been received that the income has been recognised in the appropriate period based on whether the grant conditions have been met.
18. We confirm that no significant fixed assets have been sold or scrapped during the financial year other than those identified in the financial statements.
19. We have considered the remaining useful lives of the fixed assets and confirm that the present rates of depreciation are appropriate to amortise the cost less residual value over the remaining useful lives.
20. We confirm that in relation to accounting and disclosures of the pension costs and liabilities in North Yorkshire Council's financial statements:
 - there are no schemes of which you have not been made aware or properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities accord with the management's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the Council; and
 - 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.
21. We recognise that we are responsible for ensuring that the statement of accounts as published on the website properly presents the financial information and your Auditors' report and for the controls over, and security of, the website. We also recognise that we are responsible for establishing and controlling the process for electronically distributing annual reports and other information.

We confirm that the above representations are made on the basis of adequate enquiries of other officials of North Yorkshire County Council (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 North Yorkshire County Council

Name: R Flinton

Name: G Fielding

Position: Chief Executive

Position: Corporate Director – Strategic Resources
(S151 Officer)

Signed: _____

Signed: _____

Date: 26 September 2013

Date: 26 September 2013

Signed by the Chairman of the Audit Committee on behalf of that Committee as evidence that Members are aware of the representations on which the auditor intends to rely.

Signed: _____

Chairman of the Audit Committee

Date: 26 September 2013

Deloitte LLP
1 City Square
Leeds
LS1 2AL

UNADJUSTED ERRORS AND DISCLOSURE DEFICIENCIES

The Auditors have identified the following unadjusted errors and disclosure deficiencies, but officers believe that no adjustment is required to be made in respect of these items as they are individually and in aggregate immaterial having regard to the financial statements taken as a whole.

COUNTY COUNCIL'S ACCOUNTS

(1) Disclosure Deficiencies

- (a) Related Parties note – the amount due at 31 March 2013 to the Yorkshire Purchasing Organisation and North Yorkshire Business and Education Partnership has not been disclosed because this information is not readily available.
- (b) Financial Instrument note – a reconciliation of the movement between the opening and closing bad debts provision has not been made.

(2) Unadjusted errors

Overstatement of accumulation absence provision by £275k which if adjusted would decrease the deficit on provision of services and increase net assets by this sum.

NORTH YORKSHIRE PENSION FUND ACCOUNTS

(1) Disclosure Deficiencies

None

(2) Unadjusted errors

Understatement of the Newton Investment by £330k based on Investment Manager confirmation.

CHANGES TO THE 2012/13 STATEMENT OF FINAL ACCOUNTS SINCE AUDIT COMMITTEE ON 18 JULY 2013.

1.0 Introduction

1.1 There have been a number of changes made to the Statement of Final Accounts (SOFA) since it was considered by the Audit Committee on 18 July 2013.

1.2 These changes are as a result of:

- (a) Refinements agreed with the External Auditor during the Audit of Accounts process
- (b) Internally agreed refinements together with adjustments following queries and comments from Members of the Audit Committee on 18 July 2013
- (c) Inclusion of the External Auditor's Certificate that was not included in the draft document on 18 July 2013.

2.0 Changes made as a result of the final accounts audit

2.1 Deloitte commenced their auditing of the SOFA in early July 2013 and concluded their auditing process in early September 2013. During the audit process, the following amendments have been agreed with the auditor.

- Amendments to the Cash-Flow Statement to reflect: adjusted figure for "Other Non-cash Items," revisions to the value of Capital Expenditure cash movements, reclassification of repayment of NYNET Loan and corresponding reduction in value of receipts received from investment activities.
- Amendments to Disclosures on the title of revenue grants credited to Service Directorate Accounts and amendments to figures relating to CYPS Capital Grants.
- Insertion of Debtors, Loans to Subsidiary Companies and North Yorkshire Police Authority Debt into an analysis of categories of Financial Instruments Disclosure Note.
- Amendment to figures and row names on the Disclosure Note on Dedicated Schools Grant.
- Various amendments to Pension Fund Main Statements and supporting notes
 - a reduction in the value of the unquoted private equity investment managed by YFM Partners to reflect the valuation closest to the financial year end
 - a reallocation of the income distributions from the property investment managed by Hermes as investment income

→ a reduction in the overall employer contributions received in March 2013

→ other minor changes to disclosures and notes to the accounts

- Amendments to the Group Cash-flow Statement to adjust for inter-company cash transactions and movements in year-end Balance Sheet items.
- Additional disclosure of Accounting Standards which have been issued and will need to be considered and adopted in future years.
- An extension of the Disclosure Note on Prior Period Adjustment information to disclose the impact of that adjustment on the 2010/11 main financial statements.
- Various other minor adjustments.

3.0 Internally generated refinements, together with queries raised by Members of the Audit Committee on 18 July 2013

- Amendment to 2012/13 and 2011/12 figures in relation to the Disclosure of (Senior Management) Remuneration Note to reduce the value of Employer Pension Contributions attributable to each Senior Manager – based on an actual employer contribution rate of 12.4% rather than the previously stated 19.2% (which included a share of pension fund deficit shortfall recovery).
- Correction to Current Service Cost information presented in the Supporting Notes on the County Council's share of Pension Fund Costs.
- Adjustments to related party transactions (payments to) with NYNET from the County Council.
- Amendments to the main financial statements and supporting disclosure notes on Investment Properties and Capital Receipts following the re-categorisation of income as Capital Receipts in relation to County Farms.
- Adjustment of Segmental Reporting Statement to reclassify income within Central Services from fees & charges to grants. An associated amendment was also made to the Explanatory Foreword.
- Updated wording to reflect the current position on 2 material contingent liabilities relating to Children's Social Care and Waste PFI project.
- Adjustments to the Annual Governance Statement.
- Various minor presentational issues and rounding adjustments.

4.0 Inclusion of the External Auditor's Certificate in the final SOFA as a result of the Audit process having now been finalised.

BALANCE SHEET AS AT 31ST MARCH 2013

31st March 2011 £000 As Restated (note 1)	31st March 2012 £000 As Restated (note 1)		31st March 2013 £000
1,497,192	1,490,595	Property, Plant and Equipment (note 19)	1,457,181
28,235	27,782	Investment Property (note 26)	27,027
6,786	8,593	Intangible Assets (note 25)	9,696
3,518	3,518	Long Term Investments (note 30)	3,518
11,823	11,523	Long Term Debtors (note 31)	8,815
1,547,554	1,542,011	Long Term Assets	1,506,237
115,968	138,212	Short Term Investments (note 44d)	135,947
1,262	1,187	Inventories (note 33)	921
36,952	32,489	Short Term Debtors (note 34)	38,048
92,327	65,375	Cash and Cash Equivalents (note 29)	89,818
1,906	494	Landfill Allowances Trading Scheme (note 32)	0
0	0	Carbon Allowances Trading Scheme (note 24)	64
2,139	1,136	Assets held for sale (note 28)	462
250,554	238,893	Current Assets	265,260
(46,189)	(47,571)	Short Term Borrowing (note 44a)	(28,933)
(94,300)	(72,786)	Short Term Creditors (note 35)	(76,368)
(194)	(211)	PFI Liability repayable within 12 months (note 13)	(230)
(53)	(25)	Finance Lease repayable within 12 months (note 14)	(6)
(16,724)	(10,812)	Capital Grant Receipts in Advance (note 9)	(13,077)
(157,460)	(131,405)	Current Liabilities	(118,614)
(303)	(440)	Long Term Creditors	(86)
(5,132)	(4,921)	PFI Liability repayable in excess of 12 months (note 13)	(4,692)
(1,131)	(1,106)	Finance Lease repayable in excess of 12 months (note 14)	(1,099)
(19,294)	(18,124)	Provisions (note 36)	(20,927)
(402,260)	(472,462)	Pensions Liability (note 38e)	(559,095)
(366,770)	(350,036)	Long Term Borrowing (note 44a and 44d)	(344,581)
(4,190)	(9,789)	Capital Grant Receipts in Advance (note 9)	(8,659)
(799,080)	(856,878)	Long Term Liabilities	(939,139)
841,568	792,621	Net Assets	713,744

BALANCE SHEET AS AT 31ST MARCH 2013 (continued)

31st March 2011 £000 As Restated (note 1)	31st March 2012 £000 As Restated (note 1)		31st March 2013 £000
		Usable Reserves	
23,949	36,107	General Working Balance (note 37a)	56,602
81,724	91,311	Earmarked Reserves (note 37b)	101,252
0	0	Capital Receipts Reserve (note 37c)	0
13,662	10,269	Capital Grant Unapplied Reserve (note 37d)	6,807
119,335	137,687	Total Usable Reserves	164,661
		Unusable Reserves	
110,575	157,313	Revaluation Reserve (note 38a)	149,014
461	248	Council Tax Adjustment Account (note 38b)	763
0	0	Financial Instruments Adjustment Account (note 38c)	0
(10,072)	(9,745)	Accumulated Absences Account (note 38d)	(10,088)
(402,260)	(472,462)	Pension Reserve (note 38e)	(559,095)
1,023,529	979,580	Capital Adjustment Account (note 38f)	968,489
722,233	654,934	Total Unusable Reserves	549,083
841,568	792,621	Total Reserves	713,744

The Balance Sheet is a statement of the financial position of the County Council as at the Balance Sheet date. It shows the assets and liabilities of the County Council; the net assets on the Balance Sheet are matched by reserves held by the County Council. The first category of reserves are usable reserves. These are reserves that the County Council may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of Unusable Reserves are those that arise from statutory accounting requirements and are not available to be used for service provision.

The restatement of the 2010/11 and 2011/12 Balance Sheet reflects the change to the basis of revaluation of secondary schools with further information being provided in note 1.

I confirm that these Accounts were approved by the Audit Committee on 26th September 2013 following completion of the External Audit.

..... Date

Chair of the Audit Committee