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North Yorkshire County
Council incorporating the
North Yorkshire Pension
Fund

Annual Audit Letter
on the 2012/13 Audit
October 2013

Deloitte.

Members of North Yorkshire County Council
County Hall
Northallerton
DL7 8AD

30 October 2013

Dear Sirs

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2013.

Although this letter is addressed to the members of North Yorkshire County Council ("the Authority"), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at www.audit-commission.gov.uk and also on the Authority's website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

This letter has been discussed and agreed with the Corporate Director – Strategic Resources. A copy of the letter will be provided to Members.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution which supports the Authority's own agenda. We recognise the value of your co-operation and support.

Christopher D Powell FCA
for and on behalf of Deloitte LLP
Engagement Lead
Leeds United Kingdom

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1. Key messages

Statement of Accounts

Unqualified opinion issued on 26 September 2013

In 2012/13 the Authority was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards ("IFRS"). The adoption of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on IFRS resulted in a number of minor changes to accounting policies and disclosures.

The Statement of Accounts was prepared, audited and closed in accordance with the agreed timetable. The Authority achieved a good standard of financial reporting.

We issued an unqualified audit opinion on the Statement of Accounts on 26 September 2013.

Value for money conclusion

Unqualified opinion issued on 26 September 2013

We issued an unqualified value for money conclusion on 26 September 2013.

Annual Governance Statement

All relevant governance matters were adequately and appropriately disclosed

We considered the contents of the Annual Governance Statement and confirmed that the Statement adequately and appropriately disclosed all relevant governance matters arising in the year.

Pension Fund annual report

Unqualified opinion issued on 26 September 2013

The Pension Fund annual report was prepared, audited and closed in accordance with the agreed timetable. The Authority achieved a good standard of financial reporting.

We issued an unqualified audit opinion on the Statement of Accounts on 26 September 2013.

Whole of Government accounts and certificate of completion

Unqualified opinion issued on 4 October 2013

The Whole of Government Accounts return was presented for audit by the deadline set by HM Treasury. An unqualified opinion on the Whole of Government Accounts return was issued to the National Audit Office and the Audit Commission on 4 October 2013 following submission by the Authority of a locked DCT pack to the Department of Communities and Local Government on 4 October 2013.

The certificate of completion was issued on 4 October 2013.

1. Key messages (continued)

Financial reporting systems

No significant weaknesses noted

We did not identify any significant weaknesses in the financial reporting systems and the control observations noted in our report were considered to be minor. Control observations were reported to the Audit Committee on 26 September 2013 as part of our reports on significant matters arising from our audits of the Authority and the Pension Fund.

The Authority needs to implement the actions noted in our reports to those charged with governance:

- maintain the ability to continue to meet the financial reporting timetable; and
 - implement the actions noted in the management response to the control observations raised in our reports to those charged with governance.
-

2. Responsibilities and scope

Responsibilities of the Authority and Auditors'

The Authority is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on IFRS and other relevant legislation.

We are appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including County Councils.

As the Authority's appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice ("the Code"). Under the Code, we have responsibilities in two main areas:

- the Authority's accounts; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

As the Authority is the Administering Authority for the North Yorkshire Pension Fund we also have responsibility under the Code for the audit of the Annual Report of the Fund.

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Authority, being the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on IFRS and other relevant legislation. We conducted our work on the value for money conclusion in line with guidance received from the Audit Commission in respect of single tier and county councils for the financial year ended 31 March 2013.

3. The audit of the accounts

Key issues arising from the audit of the accounts

Statement of Accounts

Unqualified opinion issued on 26 September 2013

Before we give our opinion on the accounts, we are required to report to those charged with governance any significant matters arising from the audit. A detailed report was discussed with the members of the Audit Committee on 26 September 2013 and there were no significant issues to report.

We issued an unqualified opinion on the Authority's 2012/13 accounts on 26 September 2013, in accordance with the deadline set for local government bodies. Our opinion confirms that the accounts present a true and fair view of the financial position of the Authority and Group and its income and expenditure for the year.

Key issues from work performed on the Statement of Accounts

One misstatements noted that would reduce the deficit on provision of service and increase net assets by £275,000

We received a set of draft accounts in advance of the agreed deadline, which were supported by working papers. The finance staff were helpful throughout the process and responded swiftly to all queries. This performance reflects well on the professionalism of the finance staff and their commitment to maintaining high-level controls over financial systems. We identified one misstatement in respect of the Authority results, which would reduce the deficit on the provision of service and increase net assets by £275,000. The adjustment related to the over-provisions of the accumulated absence provision however this was deemed to not have a material impact upon the accounts. Amendments were made to some of the disclosures to improve compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on IFRS.

Annual Governance Statement

The Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements

As appointed auditors, we review the Annual Governance Statement ("AGS") and comment on any inconsistencies noted between the AGS and our audit work, other work relating to the Code of Audit Practice, and our understanding of the Authority's Governance arrangements. We have concluded that the Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements and internal controls derived from our audit work.

Pension Fund annual report

Unqualified opinion issued on 26 September 2013

Before we give our opinion on the accounts, we are required to report to those charged with governance any significant matters arising from the audit. A detailed report was discussed with the members of the Audit Committee on 26 September 2013 and there were no key issues to report.

We issued an unqualified opinion on the annual report of the North Yorkshire Pension Fund 2012/13 on 26 September 2013, in advance of the deadline set for pension funds on 1 December 2013. Our opinion confirms that the accounts present a true and fair view of the financial position of the Fund and its income and expenditure for the year.

3. The audit of the accounts (continued)

Key issues from work performed on the Pension Fund annual report

One misstatements noted that would increase net return on investments and net assets by £330,000

We received a set of draft accounts in advance of the agreed deadline, which were supported by working papers. The finance staff were helpful throughout the process and responded swiftly to all queries. This performance reflects well on the professionalism of the finance staff and their commitment to maintaining high-level controls over financial systems. We identified one misstatement in respect of the Fund which would increase the net return on investment and net assets by £330,000. The adjustment related to the understatement of an investment however this was deemed to not have a material impact upon the accounts.

Whole of Government Accounts return

Unqualified opinion issued on 4 October 2013

The Whole of Government Accounts return was presented for audit by the deadline set by HM Treasury. An unqualified opinion on the Whole of Government Accounts return was issued to the National Audit Office and the Audit Commission on 4 October 2013 following submission by the Authority of a locked DCT pack to the Department of Communities and Local Government on 4 October 2013.

Certificate of completion

Issued on 4 October 2013

When our audit is complete we are required to certify the closure of the audit. The certificate of completion was issued on 4 October 2013.

4. Value for money

Background and approach

From 2010/11 the Audit Commission introduced new requirements for local value for money ("VFM") audit work at councils. This year, there have been no changes in the scope of our work and auditors are again required to give their statutory VFM conclusion based on the following two criteria:

- proper arrangements for securing financial resilience: work to focus on whether the Council has robust systems and processes to manage risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- proper arrangements for challenging how economy, efficiency and effectiveness are secured: work to focus on whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We have determined our local programme of work based on our risk assessment, which is informed by a series of risk factors determined by the Audit Commission.

It should be noted that the work carried out was light touch, in line with Audit Commission guidance, focusing on updating our understanding of arrangements and controls in place. As arrangements have previously been assessed as adequate and we are not aware of any changes, we did not carry out detailed testing of the implementation of those controls in the current year.

The VFM conclusion

Having performed our work in line with guidance received from the Audit Commission we issued an unqualified value for money conclusion for the 2012/13 financial year. This means that we are satisfied that in the areas reviewed the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during the year.

During the course of our work, which focused on the risks identified by our risk assessment, we reviewed the response of the Authority to financial pressures and consider it to be appropriate. We also note that no matters of concern have been identified from the work of internal or external audit arising from reducing capacity as a result of reducing resources.

Financial resilience

We have considered the financial standing of the Authority as at 31 March 2013. We have assessed this based on current/on-going expenditure demands, expected income levels and the current cash position of the Authority. Following the Government's comprehensive spending review and the extent of reduction in the funding settlement, and major changes in Government policy such as Welfare reform, the Authority continues to face severe financial pressures over the next few years. Savings of £22.9 million are required over the next two years. A medium term financial plan (MTFP) is in place covering 2013/14 and, at a more strategic level, 2014/15. Savings of £18.3 million have been identified to date and work is ongoing to address the remaining balance.

At 31 March 2013 the Authority had a usable reserve of £56.6 million (2012: £36.1 million) in the General Working Balance and £101.3 million (2012: £91.3 million) in Earmarked reserves.

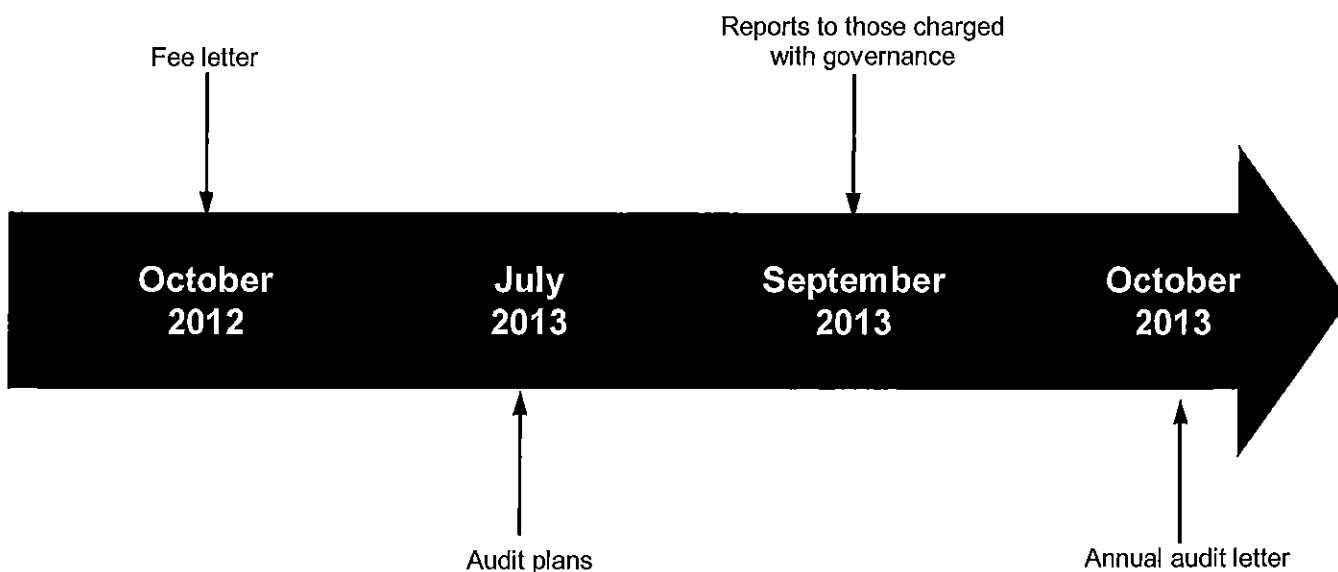
Upon review of the MTFP, we consider that the response of the Authority to the financial pressures is considered to be appropriate.

5. Other matters

Reports issued

Reports issued during the course of the 2012/13 audit included:

- Fee letter for the Authority and Pension Fund;
- Audit plans for the Authority and Pension Fund;
- Reports to those charged with governance on the 2012/13 audit for the Authority and Pension Fund; and
- A combined Annual audit letter.



Analysis of audit fees

Audit fees charged are as follows:

	2013 £'000	2012 £'000
Total fees for the audit of the Authority's annual accounts and whole of government accounts return (excluding VAT)	126	210
Total fees for the audit of the Pension Fund annual report (excluding VAT)	25	41
Fees payable for local challenge work	-	-
Fees payable for grant certification (estimate)	1	2
Total	152	253

We have not performed any non-audit services in either the current or prior year. In addition there have been no additional Value for Money projects undertaken in the current or prior year.

5. Other matters (continued)

Grants

We have undertaken work during the year on grant claims made by the Authority. Our work on 2012/13 certification of claims is still on-going and a separate report will be prepared in respect of the findings from this work.

Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

“The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the Audit Commission.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party since this report has not been prepared, and is not intended, for any other purpose.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.”

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