

## NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

25 SEPTEMBER 2014

## STATEMENT OF FINAL ACCOUNTS for 2013/14 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 2013/14 following completion of the external audit of those Accounts.
- 1.3 To approve the Annual Governance Statement (AGS) for 2013/14 .

**2.0 BACKGROUND**

- 2.1 A draft Statement of Final Accounts (SOFA) for 2013/14 was considered by this Committee on 17 July 2014 in advance of these accounts being audited by the External Auditor during July and August 2014. This SOFA incorporates the accounts of the North Yorkshire Pension Fund.
- 2.2 Subsequent to the meeting on 17 July 2014 some of the issues identified at the meeting and in subsequent correspondence have been picked up by the Members Working Group on Governance whose report is a separate item on the agenda for this meeting.
- 2.3 The external audit of the 2013/14 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.
- 2.4 The External Auditor has indicated that he anticipates being able to issue an unmodified opinion on 25 September 2014.
- 2.5 The revised SOFA is provided as a separate booklet in the Agenda papers for this meeting.
- 2.6 To conclude the Final Accounts process (in advance of the External Auditor signing off the 2013/14 Accounts by the required statutory date of 30 September 2014), 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 17 July 2014 (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 2013/14 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 for 2013/14 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 and reflects some changes compared to last year. These changes are not material but reflect the Auditor's latest template in terms of:

- a) Rewording of some of the clauses and
- b) Removal of some clauses based on the current level of risk involved and materiality levels and
- c) The addition of some clauses to reflect amongst other things, the current economic climate.

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 17 July 2014.

- 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 together with those resulting from comments and questions by Members of this Committee when considering the draft SOFA on 17 July 2014 and the input of the Members Working Group on Governance when subsequently raising a number of issues in relation to the SOFA
  - (iii) inclusion of the External Auditor's certificate which was not included in the draft document on 17 July 2014.

## 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 17 July 2014, 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 25 September 2014.

5.2 Members are therefore asked to approve the Final SOFA for 2013/14 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 25 September 2014 following completion of the External Audit.’

5.3 As mentioned in **paragraph 2.4** the External Auditor has 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 considered a draft AGS at its meeting on 26 June 2014.

- 6.4 A Members Working Group was established following the Audit Committee meeting on 26 June 2014 and this Group have considered the draft AGS and the more detailed Statement of Assurances from Directorates. Their report is included elsewhere on this Committee's agenda.
- 6.5 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 2013/14
- (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 2013/14 (**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 2013/14 and authorise the Chairman to sign the AGS on its behalf (**paragraph 6.5**).

GARY FIELDING

Corporate Director – Strategic Resources

County Hall,  
Northallerton  
15 September 2014

**There are no background documents**



**Your ref:** CDP/AJL/NYCC2012 3

**Our ref:** GF/GJ

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**Corporate Director Strategic Resources**  
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25 September 2014

Dear Sirs

**NORTH YORKSHIRE COUNTY COUNCIL –  
AUDIT OF THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

This representation letter is provided in connection with your audit of the financial statements of North Yorkshire County Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of North Yorkshire County Council as of 31 March 2014.

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

*Financial statements*

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework which give a true and fair view.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “*Related party disclosures*”
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to the report to the Audit Committee.

6. We confirm that the financial statements have been prepared on the going concern basis. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for any future actions.
7. We confirm that in our view the provision in relation to debt is adequate.

*Information provided*

8. We 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 matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
9. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
10. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
11. 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.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of that affects the entity and involves:
  - (i) management;
  - (ii) Members of the Council;
  - (iii) employees who have significant roles in internal control; or
  - (iv) others where the fraud could have a material effect on the financial statements
13. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
14. We are not aware of any instances of non-compliance, or suspected non-compliance with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

16. 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 applicable financial reporting framework. On the basis of legal advice we have set them out in the attachment with our estimates of their potential effect. No other claims in connection with litigation have been or are expected to be received.
17. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
18. Pension Scheme:
  - all retirement benefits and schemes have been identified and 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 value of scheme liabilities accord with the members' best estimates of the future events that will affect the cost of retirement benefits and are consistent with the members' knowledge of the business;
  - the actuary's calculations have been based on complete and up-to-date member data (as far as is appropriate regarding the adopted methodology); and
  - the amounts included in the financial statements derived from the work of the actuary are appropriate.
19. Where required, the value at which assets and liabilities are recorded in the balance sheet is, in the opinion of the Members, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council. Any significant changes in those values since the balance sheet date have been disclosed to you.
20. The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets.
21. We are not aware of any potential clawback by grant payers of grants that have been released to income.
22. There have been no events since the balance sheet date which require adjustment of or a disclosure in the financial statements or notes thereto that have not been fully disclosed. Should further material events occur, which may necessitate revision of the figures included in the annual accounts or inclusion of a note thereto, we will advise you accordingly.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of North Yorkshire County Council

Name: R Flinton

Name: G Fielding

Position: Chief Executive

Position: Corporate Director – Strategic Resources  
(S151 Officer)

Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

Date: 25 September 2014

Date: 25 September 2014

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: 25 September 2014

Deloitte LLP  
1 City Square  
Leeds  
LS1 2AL



## CHANGES TO THE 2013/14 STATEMENT OF FINAL ACCOUNTS SINCE AUDIT COMMITTEE ON 17 JULY 2014.

### 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 17 July 2014.

1.2 These changes are as a result of:

- (a) Refinements agreed with the External Auditor during the Audit of Accounts process
- (b) Internally initiated refinements together with those resulting from comments and questions by Members of this Committee when considering the draft SOFA on 17 July 2014 and the input of the Members Working Group on Governance when subsequently raising a number of issues in relation to the SOFA.
- (c) Inclusion of the External Auditor's Certificate that was not included in the draft document on 17 July 2014.

### 2.0 Changes made as a result of the final accounts audit

2.1 Deloitte commenced their auditing of the SOFA in early July 2014 and concluded their auditing process in early September 2014. During the audit process, the following amendments have been agreed with the auditor.

- Rationalisation of Material Contingent Liability Disclosures by removing several that were either deemed not to be material or a potential liability event had not yet materialised
- amendments to the Balance Sheet, Cash Flow Statement, Group Balance Sheet, Group Cash Flow and supporting notes, (Short Term Debtors, Short Term Creditors, Collection Fund Adjustment Account), to reflect changes in the calculation of the District Council's Collection Fund Adjustment;
- amendments to the Balance Sheet, Cash Flow Statement, Group Balance Sheet, Group Cash Flow and supporting notes to reflect changes in the allocation of Short Term and Long Term Bad Debt Provision;
- insertion of additional terms to the Glossary of Terms to assist the reader of the Accounts;
- split of provisions in the balance sheet between short term (current liabilities) and long term (long term liabilities);
- amendments to Disclosures on the title of some revenue grants credited to Service Directorate Accounts and amendments to figures relating to CYPS Capital Grants; and

- various amendments to Pension Fund Main Statements and supporting notes, including;
  - an increase in Administration Expenses for the Fund in the Income and Expenditure Account and supporting notes due to a re-allocation of expenses and the receipt of some updated figures;
  - an increase in Investment Expenses in the Income and Expenditure Account and supporting notes due to finalised Quarter 4 Management and Custodian Fees along with a re-calculation of anticipated Performance Related Fees;
  - an amendment to Sales and Purchase values for Fixed Interest and Equity Investments. This also impacted upon the Change in Market Value figure for investments and resulted in amendments to the Income and Expenditure Account and supporting notes.
  - the Salary Inflation Assumption as used by the Fund Actuary within the Future Service Liability Calculation was amended so as to bring it into line with the figure used within the 2013 Triennial Valuation;
  - other minor changes to disclosures and notes to the accounts;

The net effect of all amendments was to increase the Closing Net Assets of the Fund by £60,000.

### **3.0 Internally initiated refinements, together with queries raised by Members of the Audit Committee on 17 July 2014 and subsequently the Members Working Group on Governance**

- adjustment of Segmental Reporting Statement to reclassify expenditure within Business and Environmental Services from Employee Expenses to Other;
- further analysis for FTE's within the Explanatory Foreword;
- various presentational adjustments to the supporting notes to the Group Accounts to assist the reader of the accounts;
- adjustments to the Annual Governance Statement; and
- 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 2014**

135,947	Short Term Investments (note 44d)	93,833
921	Inventories (note 33)	1,630
38,048	Short Term Debtors (note 34)	41,503
89,818	Cash and Cash Equivalents (note 30)	144,836
0	Landfill Allowances Trading Scheme	0
64	Carbon Allowances Trading Scheme (note 25)	0
462	Assets held for sale (note 29)	2,582
<b>265,260</b>	<b>Current Assets</b>	<b>284,384</b>
(28,933)	Short Term Borrowing (note 44a)	(58,439)
(76,368)	Short Term Creditors (note 35)	(69,215)
(230)	PFI Liability repayable within 12 months (note 14)	11
(6)	Finance Lease repayable within 12 months (note 15)	(7)
(15,191)	Provisions to be used within 12 months (note 36)	(11,440)
(13,077)	Capital Grant Receipts in Advance (note 10)	(6,925)
<b>(133,805)</b>	<b>Current Liabilities</b>	<b>(146,015)</b>
(86)	Long Term Creditors	(3)
(4,692)	PFI Liability repayable in excess of 12 months (note 14)	(4,703)
(1,099)	Finance Lease repayable in excess of 12 months (note 15)	(1,092)
(5,736)	Provisions to be used in excess of 12 months (note 36)	(5,752)
(559,095)	Pensions Liability (note 11)	(317,521)
(344,581)	Long Term Borrowing (note 44a and 44d)	(304,757)
(8,659)	Capital Grant Receipts in Advance (note 10)	(5,713)
<b>(923,948)</b>	<b>Long Term Liabilities</b>	<b>(639,541)</b>
<b>713,744</b>	<b>Net Assets</b>	<b>1,035,172</b>

**BALANCE SHEET AS AT 31ST MARCH 2014 (continued)**

31st March 2013 £000		31st March 2014 £000
	<b>Usable Reserves</b>	
56,602	General Working Balance (note 37a)	78,491
101,252	Earmarked Reserves (note 37b)	113,147
0	Capital Receipts Reserve (note 37c)	0
6,807	Capital Grant Unapplied Reserve (note 37d)	6,645
<b>164,661</b>	<b>Total Usable Reserves</b>	<b>198,283</b>
	<b>Unusable Reserves</b>	
149,014	Revaluation Reserve (note 38a)	198,531
763	Collection Fund Adjustment Account (note 38b)	2,087
0	Financial Instruments Adjustment Account (note 38c)	0
(10,088)	Accumulated Absences Account (note 38d)	(9,598)
(559,095)	Pension Reserve (note 38e)	(317,521)
968,489	Capital Adjustment Account (note 38f)	963,390
<b>549,083</b>	<b>Total Unusable Reserves</b>	<b>836,889</b>
<b>713,744</b>	<b>Total Reserves</b>	<b>1,035,172</b>

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.

I confirm that these Accounts were approved by the Audit Committee on 25th September 2014 following completion of the External Audit.

..... Date .....

Chair of the Audit Committee