

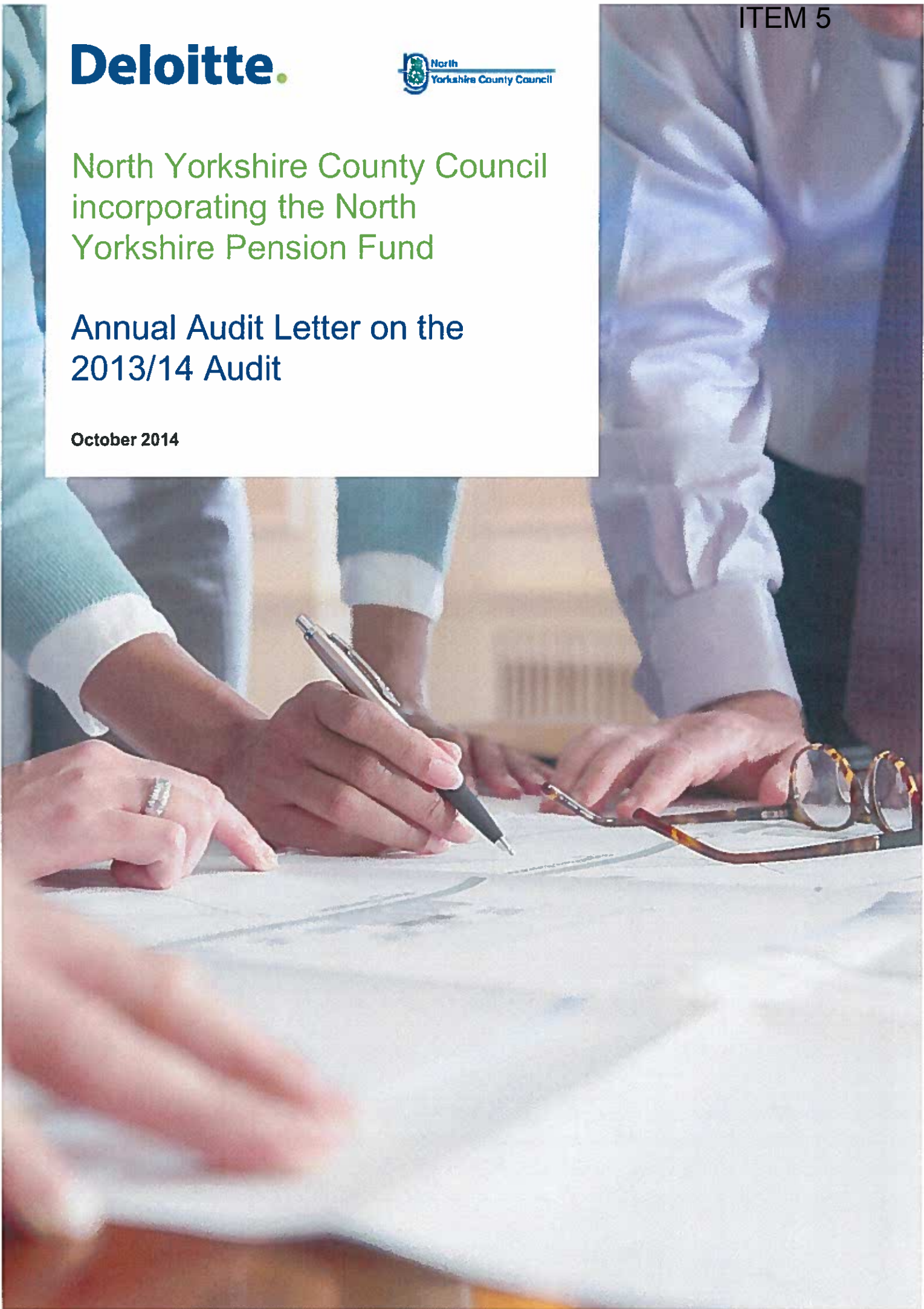
**Deloitte.**



North Yorkshire County Council  
incorporating the North  
Yorkshire Pension Fund

Annual Audit Letter on the  
2013/14 Audit

October 2014



# Contents

	Page
Letter to Members	1
1 Key Messages	2
2 Responsibilities and Scope	3
3 The Audit of the Accounts	4
3 The Audit of the Accounts (continued)	5
4 Value for Money	6
5 Other Matters	7
5 Other Matters (continued)	8

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

30 October 2014

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 2014.

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](http://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](http://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 all 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.



Chris Powell  
Engagement Lead  
for and on behalf of Deloitte LLP  
Leeds, United Kingdom

# 1 Key Messages

## Statement of Accounts

### Unqualified opinion issued on 25 September 2014

In 2013/14 the Authority was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards ("IFRS") as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

We issued an unqualified audit opinion on the Statement of Accounts on 25 September 2014.

## Value for money conclusion

### Unqualified opinion issued on 25 September 2014

We are required to base our statutory VFM conclusion on the two criteria specified by the Audit Commission, namely whether the Authority has in place proper arrangements for securing financial resilience and for challenging how economy, efficiency and effectiveness are secured.

We issued an unqualified value for money conclusion on 25 September 2014.

## Annual Governance Statement

### All relevant governance matters were adequately and appropriately disclosed

We have considered the contents of the Annual Governance Statement and confirmed that the Statement complied with guidance and that it adequately and appropriately disclosed all relevant governance matters arising in the year that we are aware of.

## Pension Fund Annual Report

### Unqualified opinion

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 25 September 2014.

## Whole of Government accounts and audit certificate

### Unqualified opinion issued on 25 September 2014

The Whole of Government Accounts return was presented for audit after the deadline set by HM Treasury but this had no impact on the audit process. We issued an unqualified opinion on the Whole of Government Accounts return on 25 September 2014 and submitted the consolidation pack within the national deadline of 3 October 2014.

The audit certificate of completion of the audit was also issued on 25 September 2014.

## Financial reporting systems

### No significant weaknesses in the internal control systems within the Council were identified.

No areas for significant improvement in internal controls or procedures were identified during our audit.

We confirmed that appropriate action had been taken in response to the recommendations for improvement we raised in our prior year audit.

## 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 2013/14 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.

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 a 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 2013/14 based on IFRS and other relevant legislation.

We conducted our work on the value for money conclusion in line with guidance issued by the Audit Commission in November 2012, as updated in October 2013, in respect of local government bodies for the financial year ended 31 March 2014.

# 3 The Audit of the Accounts

## Statement of Accounts

### Unqualified opinion issued on 25 September 2014

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 25 September 2014.

We issued an unqualified opinion on the Authority's 2013/14 accounts on 25 September 2014, 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 as at 31 March 2014 and its income and expenditure for the year then ended.

## Key issues from work performed on the Statement of Accounts

### There were no uncorrected misstatements noted that would materially impact net assets or the surplus on the provision of services

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. This performance reflects well on the professionalism of the finance staff and their commitment to maintaining high-level controls over financial systems.

Uncorrected misstatements were assessed to be individually and cumulatively immaterial to the accounts and would have had no impact on the financial position of the Authority.

## 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.

## Challenge work

### We have responded to three matters raised by electors but no matters were brought to our attention that impacted our opinion on the accounts or VFM conclusion

Under the Audit Commission Act 1998, auditors have specific powers and duties, including to give electors the opportunity to raise questions about the accounts and to consider and decide upon objections received in relation to the accounts.

We received three matters raised by electors in relation to 2013/14:

- the assessment of risks associated with the Whitby Park and Ride Scheme;
- the adequacy of the disclosures in the accounts and information published alongside the accounts in relation to the waste project; and
- the approach to assessing whether value for money is achieved, particularly in relation to the waste project.

In each case, based on the information available we were satisfied that the approach adopted by the Authority was appropriate.

No matters have been brought to our attention that impact our opinion on the accounts, VFM conclusion or that require the exercise of our other statutory powers.

# 3 The Audit of the Accounts (continued)

## Pension Fund Annual Report

### Unqualified opinion issued on 25 September 2014

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 25 September 2014 and there were no key issues to report.

We issued an unqualified opinion on the Authority's 2013/14 accounts on 25 September 2014, in advance of the deadline set for pension funds. Our opinion confirms that the accounts present a true and fair view of the financial position of the Authority as at 31 March 2014 and its income and expenditure for the year then ended.

## Whole of Government Accounts return

### An unmodified assurance statement issued on 3 October 2014

The Whole of Government Accounts return was presented for audit on 18 August 2014, which is outside the deadline set by HM Treasury of 30 June 2014. We were required to report this delay to the Audit Commission but this did not cause any problems with our audit. We carried out our work in accordance with instructions issued by the Audit Commission and issued an unmodified assurance statement on the Whole of Government Accounts return on 25 September 2014.

## Audit Certificate

### Issued on 25 September 2014

When our audit is complete we are required to certify the closure of the audit. The audit certificate was issued on 25 September 2014.

# 4 Value for Money

## Background and approach

The approach to local value for money (“VFM”) audit work at councils is specified by the Audit Commission. Consistent with the prior year, auditors were 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 Authority 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 Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We would emphasise that it is the arrangements in place that we are required to assess, and not the actual decisions made by the Authority.

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

The key audit risks we identified as part of our overall audit strategy were:

- financial sustainability, particularly financial planning and the delivery of efficiency plans;
- the impact of the withdrawal of the PFI credits for the waste project; and
- the potential impact on the control environment of reductions in capacity as a result of reductions in funding.

## 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 2013/14 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 through review of the outturn in 2013/14, budgets for 2014/15 and the medium term financial plan. The Authority is clearly facing significant financial challenges but we have no specific concerns over the response to those challenges or the financial standing of the Authority.

We have considered the financial standing of the Authority as at 31 March 2014. We have assessed this based on current/on-going expenditure demands, expected income levels and the current cash position of the Authority. The minimum level of reserves has been reassessed by the Authority in the year and current level of usable reserves is adequate in light of the Authority’s current risk assessment.

The Authority continues to face severe financial pressures over the next few years. Based on currently available information, the Authority has estimated that savings of c£92 million are required over the next five years. In response, a major transformation programme is being undertaken and this will key to achieving the required savings. We carried out a high level review of the project management arrangements for the 2020 North Yorkshire programme as part of our VFM risk assessment and did not identify any matters of concern that would impact our VFM conclusion.

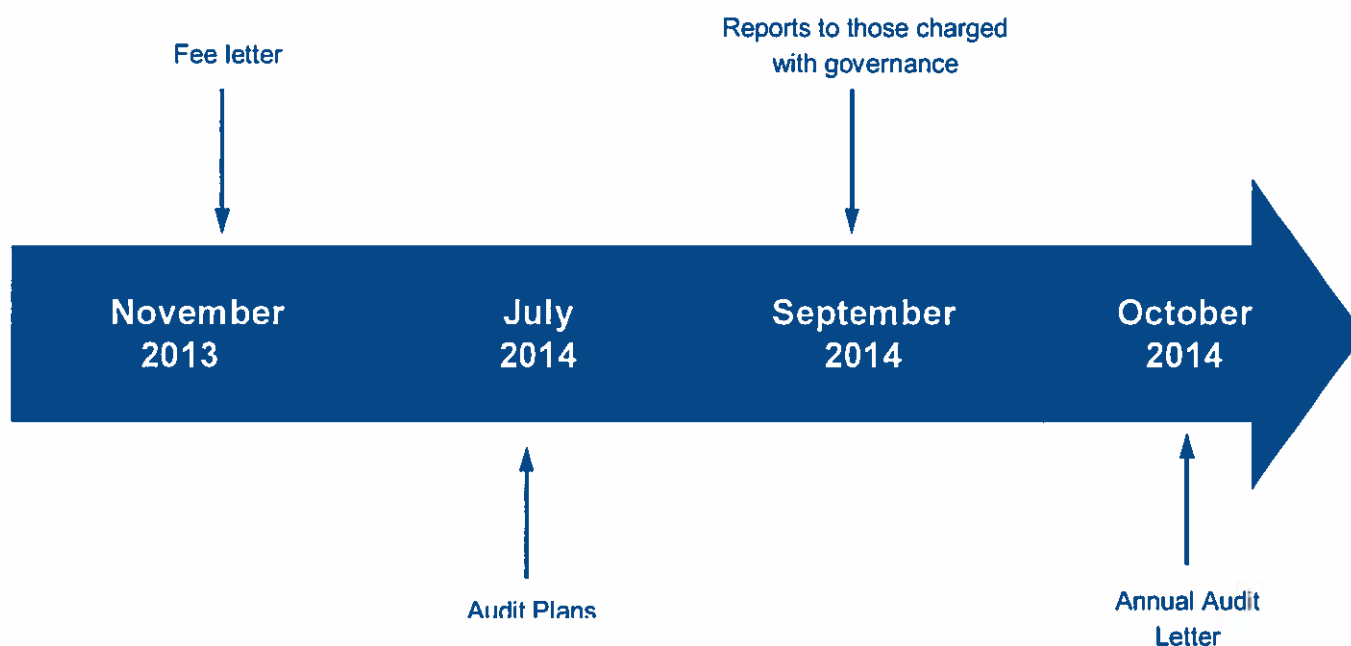


# 5 Other Matters

## Reports issued

Reports issued during the course of the 2013/14 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 2013/14 audits of the Authority and the Pension Fund; and
- a combined annual audit letter.



## Analysis of audit fees

Audit fees charged are as follows:

	2014 £	2013 £
Total fees for the audit of the Authority's annual accounts, vfm conclusion and whole of government accounts return	125,987	125,987
Total fees for the audit of the Pension Fund	24,943	24,943
Fees payable for local challenge work (subject to approval by the Audit Commission)	3,000	-
<b>Total fees (excluding VAT)</b>	<b>153,930</b>	<b>150,930</b>

In March 2014 the Audit Commission agreed a rebate to be distributed across local audit bodies. The rebate was set at 13.7 per cent of the 2012/13 annual audit fee. The rebate received by North Yorkshire County Council was £17,241.

We have not performed any non-audit services in either the current or prior year.

# 5 Other Matters (continued)

## **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. No matters impacting our independence have arisen during the year.

## **Statement of Responsibilities**

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.

Other than as stated below, this document is confidential and prepared solely for your information and that of other beneficiaries of our advice listed in our engagement letter. Therefore you should not, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities). In any event, no other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

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