

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

24 SEPTEMBER 2015

STATEMENT OF FINAL ACCOUNTS for 2014/15 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 2014/15 following completion of the external audit of those Accounts.
- 1.3 To approve the Annual Governance Statement (AGS) for 2014/15.

2.0 BACKGROUND

- 2.1 A draft Statement of Final Accounts (SOFA) for 2014/15 was considered by this Committee on 16 July 2015 in advance of these accounts being audited by the External Auditor during July and August 2015. This SOFA incorporates the accounts of the North Yorkshire Pension Fund.
- 2.2 Following the meeting on 16 July 2015 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 2014/15 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 by the time the Audit Committee meets.
- 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 2014/15 Accounts by the required statutory date of 30 September 2015), 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 16 July 2015 (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 2014/15 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 2014/15 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 16 July 2015.

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 16 July 2015 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 16 July 2015.

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 16 July 2015, 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 24 September 2015.

5.2 Members are therefore asked to approve the Final SOFA for 2014/15 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 41 and 42 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 24 September 2015.’

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 25 June 2015.

6.4 A Members Working Group was established following the Audit Committee meeting on 25 June 2015 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 2014/15 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 2014/15

- (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 2014/15 (**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 2014/15 and authorise the Chairman to sign the AGS on its behalf (**paragraph 6.5**).

GARY FIELDING

Corporate Director – Strategic Resources

County Hall,
Northallerton
08 September 2015

There are no background documents



Your ref: CDP/AJL/NYCC2012 3

Our ref: GF/GJ

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24 September 2015

Dear Sirs

**NORTH YORKSHIRE COUNTY COUNCIL –
AUDIT OF THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

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 2015 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 2015.

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: 24 September 2015

Date: 24 September 2015

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: 24 September 2015

Deloitte LLP
1 City Square
Leeds
LS1 2AL

**CHANGES TO THE 2014/15 STATEMENT OF FINAL ACCOUNTS
SINCE AUDIT COMMITTEE ON 16 JULY 2015.**

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 16 July 2015.

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 16 July 2015 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 16 July 2015.

2.0 Changes made as a result of the final accounts audit

2.1 Deloitte commenced their auditing of the SOFA in early July 2015 and concluded their auditing process in early September 2015. During the audit process, the following amendments have been agreed with the auditor.

- amendment to Cash Flow Statement and Group Cash Flow Statement to reflect changes in allocation of Purchase / Proceeds of Short Term and Long Term Investments;
- small minor changes to disclosures and notes to the accounts; and
- various amendments to Pension Fund Main Statements and supporting notes, including; a small number of amendments to Pension Fund Main Statements and supporting notes, including;
 - a decrease of £1,008k to NYCC Contributions so as to reflect a Past Service Adjustment refund that also acted to increase non-investment creditors;
 - removal of change in market value on cash within Note 15(a) in order to reflect a lack of any price risk;
 - other minor changes to disclosures and notes to the accounts;

The net effect of all amendments was to decrease the Closing Net Assets of the Fund by £ 1,008k.

3.0 Internally initiated refinements, together with queries raised by Members of the Audit Committee on 16 July 2015 and subsequently the Members Working Group on Governance

- amendments to Disclosures on the title of some revenue grants credited to Service Directorate Accounts;
- various presentational adjustments to the supporting notes 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 2015

31st March 2014 £000		31st March 2015 £000
1,469,280	Property, Plant and Equipment (note 20)	1,552,763
37,160	Investment Property (note 27)	36,699
9,551	Intangible Assets (note 26)	10,055
3,518	Long Term Investments (note 31)	3,518
16,835	Long Term Debtors (note 32)	14,150
1,536,344	Long Term Assets	1,617,185
93,833	Short Term Investments (note 44a)	155,491
1,630	Inventories (note 33)	1,400
41,503	Short Term Debtors (note 34)	73,872
144,836	Cash and Cash Equivalents (note 30)	80,186
2,582	Assets held for sale (note 29)	2,125
284,384	Current Assets	313,074
(58,439)	Short Term Borrowing (note 44a)	(53,026)
(69,215)	Short Term Creditors (note 35)	(71,224)
11	PFI Liability repayable within 12 months (note 14)	(250)
(7)	Finance Lease repayable within 12 months (note 15)	(7)
(11,440)	Provisions to be used within 12 months (note 36)	(10,986)
(6,925)	Capital Grant Receipts in Advance (note 10)	(3,568)
(146,015)	Current Liabilities	(139,061)
(3)	Long Term Creditors	(40)
(4,703)	PFI Liability repayable in excess of 12 months (note 14)	(4,453)
(1,092)	Finance Lease repayable in excess of 12 months (note 15)	(1,085)
(5,752)	Provisions to be used in excess of 12 months (note 36)	(6,842)
(317,521)	Pensions Liability (note 11)	(484,059)
(304,757)	Long Term Borrowing (note 44a and 44d)	(311,585)
(5,713)	Capital Grant Receipts in Advance (note 10)	(941)
(639,541)	Long Term Liabilities	(809,005)
1,035,172	Net Assets	982,193

31st March 2014 £000		31st March 2015 £000
	Usable Reserves	
78,491	General Working Balance (note 37a)	91,711
113,147	Earmarked Reserves (note 37b)	115,878
0	Capital Receipts Reserve (note 37c)	0
6,645	Capital Grant Unapplied Reserve (note 37d)	10,632
198,283	Total Usable Reserves	218,221
	Unusable Reserves	
198,531	Revaluation Reserve (note 38a)	270,666
2,087	Collection Fund Adjustment Account (note 38b)	4,574
0	Financial Instruments Adjustment Account (note 38c)	0
(9,598)	Accumulated Absences Account (note 38d)	(8,739)
(317,521)	Pension Reserve (note 38e)	(484,059)
963,390	Capital Adjustment Account (note 38f)	981,530
836,889	Total Unusable Reserves	763,972
1,035,172	Total Reserves	982,193

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 24th September.

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Chair of the Audit Committee

Date