

## NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

29 September 2016

## STATEMENT OF FINAL ACCOUNTS for 2015/16 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 2015/16 following completion of the external audit of those Accounts.
- 1.3 To approve the Annual Governance Statement (AGS) for 2015/16.

**2.0 BACKGROUND**

- 2.1 A draft Statement of Final Accounts (SOFA) for 2015/16 was considered by this Committee on 14 July 2016 in advance of these accounts being audited by the External Auditor during July and August 2016. This SOFA incorporates the accounts of the North Yorkshire Pension Fund.
- 2.2 A number of issues identified following the meeting on 14 July 2016 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 2015/16 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 2015/16 Accounts by the required statutory date of 30 September 2016), 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 14 July 2016 (see **paragraph 4**), and
- (iii) approve the Final SOFA and authorise the Chairman to sign the Accounts on that basis (see **paragraph 5**)

2.7 The report also asks Members to approve a final Annual Governance Statement for 2015/16 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 Letter of Representation is attached as Appendix A. The Letter should be reviewed 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 The Letter applies to the financial statements of both the County Council and North Yorkshire Pension Fund.

3.4 Members are therefore asked to consider and approve this Letter and then authorise the Chairman to sign 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 14 July 2016.

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 14 July 2016 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 14 July 2016.

## 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 14 July 2016, 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 29 September 2016.

5.2 Members are therefore asked to approve the Final SOFA for 2015/16 following completion of the audit and authorise the Chairman to sign the accounts on behalf of the Audit Committee. A copy of the Statement of Responsibilities for the Statement of Accounts (page 33 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 29 September 2016.’

5.3 A copy of the Balance Sheet (pages 41 and 42 of the SOFA) is also attached as Appendix D.

5.4 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 (updated 2012) 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 23 June 2016.

6.4 A Members Working Group was established following the Audit Committee meeting on 23 June 2016 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 2015/16 and to authorise the Chairman to sign the AGS on its behalf.

**7.0 RECOMMENDATIONS**

- 7.1 That Members authorise the Chairman to sign the Letter of Representation set out in **Appendix A** on behalf of the Audit Committee.
- 7.2 That in relation to the Statement of Final Accounts 2015/16
- (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 2015/16 (**paragraph 5.2**), and
  - (iii) recommend that the Chairman sign the Statement of Responsibilities for the Statement of Accounts as attached at **Appendix C**
- 7.3 That Members approve the Annual Governance Statement 2015/16 and authorise the Chairman to sign the AGS on its behalf (**paragraph 6.5**).

GARY FIELDING

Corporate Director – Strategic Resources

County Hall,  
Northallerton  
09 September 2016

**There are no background documents**



Our Ref: GF/

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KPMG LLP  
Public Sector Audit  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

Dear Mr Khangura

This representation letter is provided in connection with your audit of the financial statements of North Yorkshire County Council ("the Council"), for the year ended 31 March 2016, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Council and the Group as at 31 March 2016 and of the Council's and the Group's expenditure and income for the year then ended;
- ii. whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

These financial statements comprise the Council and Group Movement in Reserves Statements, the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, and the related notes. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Council confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Council confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### **Financial statements**

1. The Council has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Council and the Group as at 31 March 2016 and of the Council's and the Group's expenditure and income for the year then ended;
  - ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016, other than liabilities to pay pensions and other benefits after the end of the scheme year;
  - iii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. The only uncorrected misstatement is the impact on the cashflow statement of the movement in capital debtors and creditors as it has not been possible to identify these balances separately.

## Information provided

5. The Council has provided you with:

- access to all information of which it is 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 the Council for the purpose of the audit; and
- unrestricted access to persons within the Council and the Group from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Council confirms the following:

- i) The Council has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

ii) The Council has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Council and the Group and involves:
- management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Council's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Council acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Council acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Council has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Council has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions*,

*Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Council has disclosed to you the identity of the Council's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Council confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Council's and the Group's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Council and the Group to continue as a going concern.

12. On the basis of the process established by the Council and having made appropriate enquiries, the Council is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Council further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - funded or unfunded; and
  - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 29 September 2016.

Yours faithfully,

Cllr Mike Jordan  
Chair of the Audit Committee

Gary Fielding  
Corporate Director, Strategic  
Resources

cc: Audit Committee



**CHANGES TO THE 2015/16 STATEMENT OF FINAL ACCOUNTS  
SINCE AUDIT COMMITTEE ON 14 July 2016.**

**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 14 July 2016.

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 14 July 2016 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 14 July 2016.

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

2.1 KPMG commenced their auditing of the SOFA in early July 2016 and concluded their auditing process in early September 2016. 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 Capital Grants received in Advance;
- amendment to Balance Sheet and Group Balance Sheet to reflect change in classification of assets from Assets Under Construction to Property, Plant and Equipment;
- amendment to the Balance Sheet/Cash Flow Statement and Group Balance Sheet/Cash Flow Statement regarding the reclassification of specific creditor provisions;
- addition of a new Accounting Policy to clarify the accounting treatment for schools;
- 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;

**3.0 Internally initiated refinements, together with queries raised by Members of the Audit Committee on 14 July 2016 and subsequently the Members Working Group on Governance**

- amendments to Disclosures on the reporting of Loans to Subsidiary Companies and Other Organisations ;
- 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.**

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

The County Council is required to:

- (a) make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director – Strategic Resources;
- (b) manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- (c) approve the Statement of Accounts.

The Corporate Director – Strategic Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Corporate Director – Strategic Resources has:

- (a) selected suitable accounting policies and then applied them consistently;
- (b) made judgements and estimates that were reasonable and prudent; and
- (c) complied with the local authority Code.

The Corporate Director – Strategic Resources has also:

- (a) kept proper accounting records which were up to date; and
- (b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

**CERTIFICATE OF THE CORPORATE DIRECTOR – STRATEGIC RESOURCES**

I certify that the Statement of Accounts 2015/16 presents a true and fair view of the financial position of the County Council and the North Yorkshire Pension Fund at the accounting date and their income and expenditure for the year ended 31st March 2016.

Gary Fielding  
Corporate Director – Strategic Resources  
September 2016

Co-signed by,  
Richard Flinton  
Chief Executive  
September 2016

**CERTIFICATE OF THE AUDIT COMMITTEE**

I confirm that these Accounts were approved by the Audit Committee on 29th September 2016 following completion of the External Audit

Chair of the Audit Committee

**BALANCE SHEET AS AT 31ST MARCH 2016**

31st March 2015 £000		31st March 2016 £000
1,552,763	Property, Plant and Equipment (note 20)	1,507,699
36,699	Investment Property (note 27)	34,731
10,055	Intangible Assets (note 26)	9,763
3,518	Long Term Investments (note 31)	3,518
14,150	Long Term Debtors (note 32)	21,420
<b>1,617,185</b>	<b>Long Term Assets</b>	<b>1,577,131</b>
155,491	Short Term Investments (note 44a)	227,383
1,400	Inventories (note 33)	1,081
73,872	Short Term Debtors (note 34)	64,137
80,186	Cash and Cash Equivalents (note 30)	69,013
2,125	Assets held for sale (note 29)	170
<b>313,074</b>	<b>Current Assets</b>	<b>361,784</b>
(53,026)	Short Term Borrowing (note 44a)	(57,566)
(79,963)	Short Term Creditors (note 35)	(83,904)
(250)	PFI Liability repayable within 12 months (note 14)	(273)
(7)	Finance Lease repayable within 12 months (note 15)	(8)
(2,247)	Provisions to be used within 12 months (note 36)	(1,996)
(3,568)	Capital Grant Receipts in Advance (note 10)	(3,025)
<b>(139,061)</b>	<b>Current Liabilities</b>	<b>(146,772)</b>
(40)	Long Term Creditors (note 25)	(3,073)
(4,453)	PFI Liability repayable in excess of 12 months (note 14)	(4,180)
(1,085)	Finance Lease repayable in excess of 12 months (note 15)	(1,077)
(6,842)	Provisions to be used in excess of 12 months (note 36)	(5,750)
(484,059)	Pensions Liability (note 11)	(436,923)
(311,585)	Long Term Borrowing (note 44a and 44d)	(308,975)
(941)	Capital Grant Receipts in Advance (note 10)	(4,889)
<b>(809,005)</b>	<b>Long Term Liabilities</b>	<b>(764,867)</b>
<b>982,193</b>	<b>Net Assets</b>	<b>1,027,276</b>

31st March 2015 £000		31st March 2016 £000
	<b>Usable Reserves</b>	
91,711	General Working Balance (note 37a)	27,270
115,878	Earmarked Reserves (note 37b)	192,543
0	Capital Receipts Reserve (note 37c)	0
10,632	Capital Grant Unapplied Reserve (note 37d)	27,304
<b>218,221</b>	<b>Total Usable Reserves</b>	<b>247,117</b>
	<b>Unusable Reserves</b>	
270,666	Revaluation Reserve (note 38a)	260,831
4,574	Collection Fund Adjustment Account (note 38b)	4,675
0	Financial Instruments Adjustment Account (note 38c)	
(8,739)	Accumulated Absences Account (note 38d)	(7,606)
(484,059)	Pension Reserve (note 38e)	(436,923)
981,530	Capital Adjustment Account (note 38f)	959,182
<b>763,972</b>	<b>Total Unusable Reserves</b>	<b>780,159</b>
<b>982,193</b>	<b>Total Reserves</b>	<b>1,027,276</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.