

NORTH YORKSHIRE COUNTY COUNCIL**AUDIT COMMITTEE****22 July 2019****STATEMENT OF FINAL ACCOUNTS for 2018/19 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 2018/19 following completion of the external audit of those Accounts.
- 1.3 To approve the Annual Governance Statement (AGS) for 2018/19.

2.0 BACKGROUND

- 2.1 A draft Statement of Final Accounts (SOFA) for 2018/19 was considered by this Committee on 21 June 2019 in advance of these accounts being audited by the External Auditor during June and July 2019. This SOFA incorporates the accounts of the North Yorkshire Pension Fund.
- 2.2 In order to provide further overview of the SOFA a Corporate Governance Working Group was created consisting of the Chairman and Vice-Chairman of the Audit Committee and Mr David Portlock (Independent Member of the Committee). A report from the working group is a separate item on the agenda for this meeting.
- 2.3 The external audit of the 2018/19 Accounts is to be completed by 31 July 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 31 July.
- 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 2018/19 Accounts by the required statutory date of 31 July 2019), 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 21 June 2019 (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 2018/19 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 21 June 2019.

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 and the Corporate Governance Working Group
- (iii) inclusion of the External Auditor's certificate which was not included in the draft document on 21 June 2019.

4.3 The SOFA has also been updated to include the adjustments to pension liabilities following the McCloud judgement. The McCloud judgement has been a national issues that has had a significant impact on the audit period across the public sector. A standard approach to accounting for McCloud has been agreed with the NYPF Actuary and Deloitte which is reflected in the Final SOFA.

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 21 June 2019, 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 22 July 2019.

5.2 Members are therefore asked to approve the Final SOFA for 2018/19 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 19 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 22 July 2019.’

5.3 A copy of the Balance Sheet (pages 40 and 41 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 latest Delivering Good Governance Framework in Local Government 2016 and associated Principles.

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 21 June 2019.

6.4 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 2018/19 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 2018/19
- (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 2018/19 (**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 2018/19 and authorise the Chairman to sign the AGS on its behalf (**paragraph 6.5**).

GARY FIELDING

Corporate Director – Strategic Resources

County Hall,
Northallerton
22 July 2019

There are no background documents

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22 July 2019

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of the North Yorkshire County Council for the year ended 31 March 2019 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 2019 and of the results of its operations, other comprehensive income and expenditure, and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

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

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the UK (the Code) and which give a true and fair view.
2. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “Related party disclosures”.
5. 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.
6. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole.

7. 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 future actions.
8. We have considered the valuation of the Council's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation of the entire estate in the current year.
9. With respect to the revaluation of properties in accordance with the Code:
 - a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
 - b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
 - c) the disclosures are complete and appropriate.
 - d) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
10. To the best of our knowledge and belief the Council holds title to all Property Plant and Equipment included in its balance sheet at 31 March 2019.
11. We confirm that:
 - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments 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 valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.

Information provided

12. We have provided you with all relevant information and access.
13. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
14. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
15. 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.
16. We are not aware of any fraud or suspected fraud that affects the entity and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
17. 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.
18. 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.
19. We have disclosed to you the identity of the council's related parties and all the related party relationships and transactions of which we are aware.
20. 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. No other claims in connection with litigation have been or are expected to be received.
21. As a result of the McCloud / Sergeant judgement, North Yorkshire County Council have provided for the additional IAS 19 liability as a past service cost. Management have taken appropriate advice from the scheme actuary and consider this to be the current best estimate of the additional liability based on the key assumptions as set out in the accounts.
22. We confirm that based on our review NYNet's forward financial plans that no provision is required against amounts owed to the Council by NYNet.

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.

This letter was tabled and agreed at the meeting of the Audit Committee on 22 July 2019.

Yours faithfully,

Cllr Clifford Lunn
Chair of the Audit Committee

Gary Fielding
Corporate Director – Strategic Resources

CHANGES TO THE 2018/19 STATEMENT OF FINAL ACCOUNTS SINCE AUDIT COMMITTEE ON 21 JUNE 2019.

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 21 June 2019.

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 and the Corporate Governance Working Group.
- (c) Inclusion of the External Auditor's Certificate that was not included in the draft document on 21 June 2019.

2.0 Changes made as a result of the final accounts audit

2.1 Deloitte audited the SOFA in June and July 2019. During the audit process, the following amendments have been agreed with the auditor.

- amendments to the County Council and Group Balance Sheet, Comprehensive Income and Expenditure Statement and Expenditure, Movement in Reserves Statement, Cash Flow Statement and Expenditure and Funding Analysis to reflect technical accounting changes relating to the treatment of pension fund adjustments;
- amendments to the County Council and Group Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement, and Expenditure and Funding Analysis to reflect changes to the valuation of Land and Buildings revalued in year;
- minor changes to narrative statement, disclosures and notes to the accounts; and
- minor changes to Pension Fund Main Statements and supporting notes.

3.0 Internally initiated refinements, together with queries raised by Members of the Audit Committee on 21 June 2019 and subsequently the Members Working Group on Governance

- 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.
- (c) assessed the Authority's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- (d) used the going concern basis of accounting on the assumption that the functions of the Authority [and the Group] will continue in operational existence for the foreseeable future; and
- (e) maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

CERTIFICATE OF THE CORPORATE DIRECTOR – STRATEGIC RESOURCES

I certify that the Statement of Accounts 2018/19 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 2019.

Gary Fielding
Corporate Director – Strategic Resources
22 July 2019

Co-signed by,
Richard Flinton
Chief Executive
22 July 2019

CERTIFICATE OF THE AUDIT COMMITTEE

I confirm that these Accounts were approved by the Audit Committee on 22nd July 2019 following completion of the External Audit

Chair of the Audit Committee
July 2019

BALANCE SHEET AS AT 31ST MARCH 2019

31st March 2018 £000		31st March 2018 £000
1,671,694	Property, Plant and Equipment (note 18)	1,661,305
36,459	Investment Property (note 25)	47,983
7,422	Intangible Assets (note 24)	6,456
14,018	Long Term Investments (note 29)	25,042
20,942	Long Term Debtors (note 30)	24,002
1,750,535	Long Term Assets	1,764,788
248,883	Short Term Investments (note 39a)	397,316
1,897	Inventories	2,155
88,883	Short Term Debtors (note 31)	96,088
49,867	Cash and Cash Equivalents (note 28)	59,110
170	Assets held for sale (note 27)	170
389,700	Current Assets	554,839
(93,116)	Short Term Borrowing (note 39a)	(258,663)
(83,197)	Short Term Creditors (note 32)	(92,024)
(4,225)	PFI Liability repayable within 12 months (note 12)	(3,003)
(10)	Finance Lease repayable within 12 months (note 13)	(11)
(2,804)	Provisions to be used within 12 months (note 33)	(3,064)
(12,308)	Capital Grant Receipts in Advance (note 9)	(12,369)
(195,660)	Current Liabilities	(369,134)
(2,863)	Long Term Creditors (note 23)	(3,698)
(154,967)	PFI Liability repayable in excess of 12 months (note 12)	(154,086)
(1,058)	Finance Lease repayable in excess of 12 months (note 13)	(1,047)
(9,492)	Provisions to be used in excess of 12 months (note 33)	(12,858)
(452,301)	Pensions Liability (note 10)	(438,907)
(285,079)	Long Term Borrowing (note 39a and 39d)	(258,096)
(4,071)	Capital Grant Receipts in Advance (note 9)	(25,924)
(909,831)	Long Term Liabilities	(894,616)
1,034,744	Net Assets	1,055,877

31st March 2018 £000		31st March 2019 £000
	Usable Reserves	
27,270	General Working Balance (note 34a)	27,231
186,387	Earmarked Reserves (note 34b)	184,200
1,618	Capital Receipts Unapplied Reserve (note 34c)	3,276
24,545	Capital Grant Unapplied Reserve (note 34d)	19,284
239,820	Total Usable Reserves	233,991
	Unusable Reserves	
336,975	Revaluation Reserve (note 35a)	383,895
3,480	Collection Fund Adjustment Account (note 35b)	3,897
0	Financial Instruments Adjustment Account (note 35c)	0
0	Financial Instruments Revaluation Reserve	(41)
(9,105)	Accumulated Absences Account (note 35d)	(6,335)
(469,099)	Pension Reserve (note 35e)	(447,306)
932,673	Capital Adjustment Account (note 35f)	887,776
794,924	Total Unusable Reserves	821,886
1,034,744	Total Reserves	1,055,877