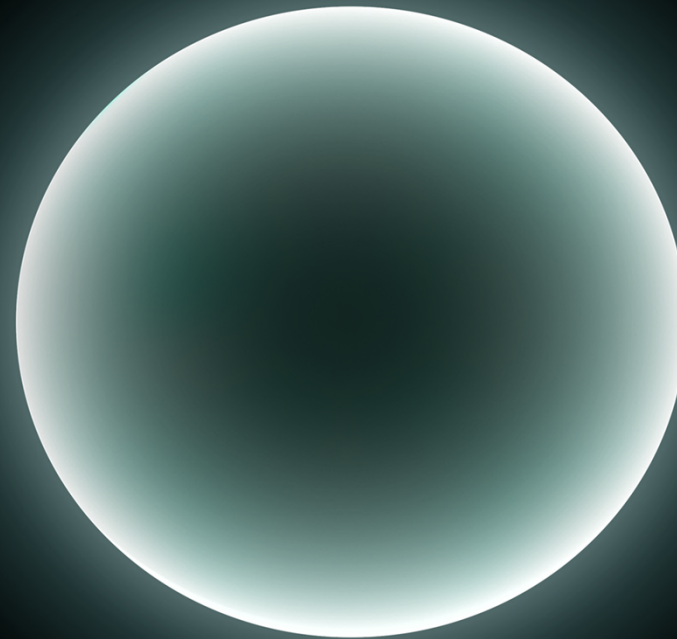


Deloitte.



North Yorkshire County Council

Auditor's Annual Report 2020/21

Issued on 10 March 2022

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Auditor's Annual Report

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Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at North Yorkshire County Council ("the Council") for the year ended 31 March 2021.

This report is intended to bring together the results of our work over the year at the Council, including commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

A key element of this report is our commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources. Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Council has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering or represents value for money.

Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Council's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03 where we identify a significant weakness, or
- Other recommendations, which we have indicate as "Deloitte Insights".

We have not identified any significant weaknesses in the Council's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

Key Messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 22nd December 2021.

The Council's arrangements to secure Value for Money

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

- The Council had a total of £341.3m in usable reserves at the year end, which evidences strong historic financial planning and provides the Council with flexibility in terms of its approach to transformation.
 - The Council reports the financial position on a quarterly basis which includes an analysis of the actual expenditure incurred compared to budget.
-

Governance

How the body ensures that it makes informed decisions and properly manages its risks

- The Council has a number of policies in place to ensure it makes properly informed decisions. The Council Constitution is regularly reviewed and provides detail as to the rules and procedures under which the Council operates. It sets out how decisions are made and the rights of citizens to obtain information and influence decisions.
 - The Council has a detailed risk management process in place and performed an assessment of the risks of COVID-19 during the year. The Council maintains a Risk Management Framework and risk register, which are reviewed on a quarterly basis by the Council. The five independent thematic overview and scrutiny committees hold the Council accountable for the decisions made.
 - The Council utilises an internal audit function which undertakes a risk based programme of internal audit work in accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. They provide and present an annual audit report and opinion on the framework of governance, risk management and control, highlighting any significant control weaknesses.
-

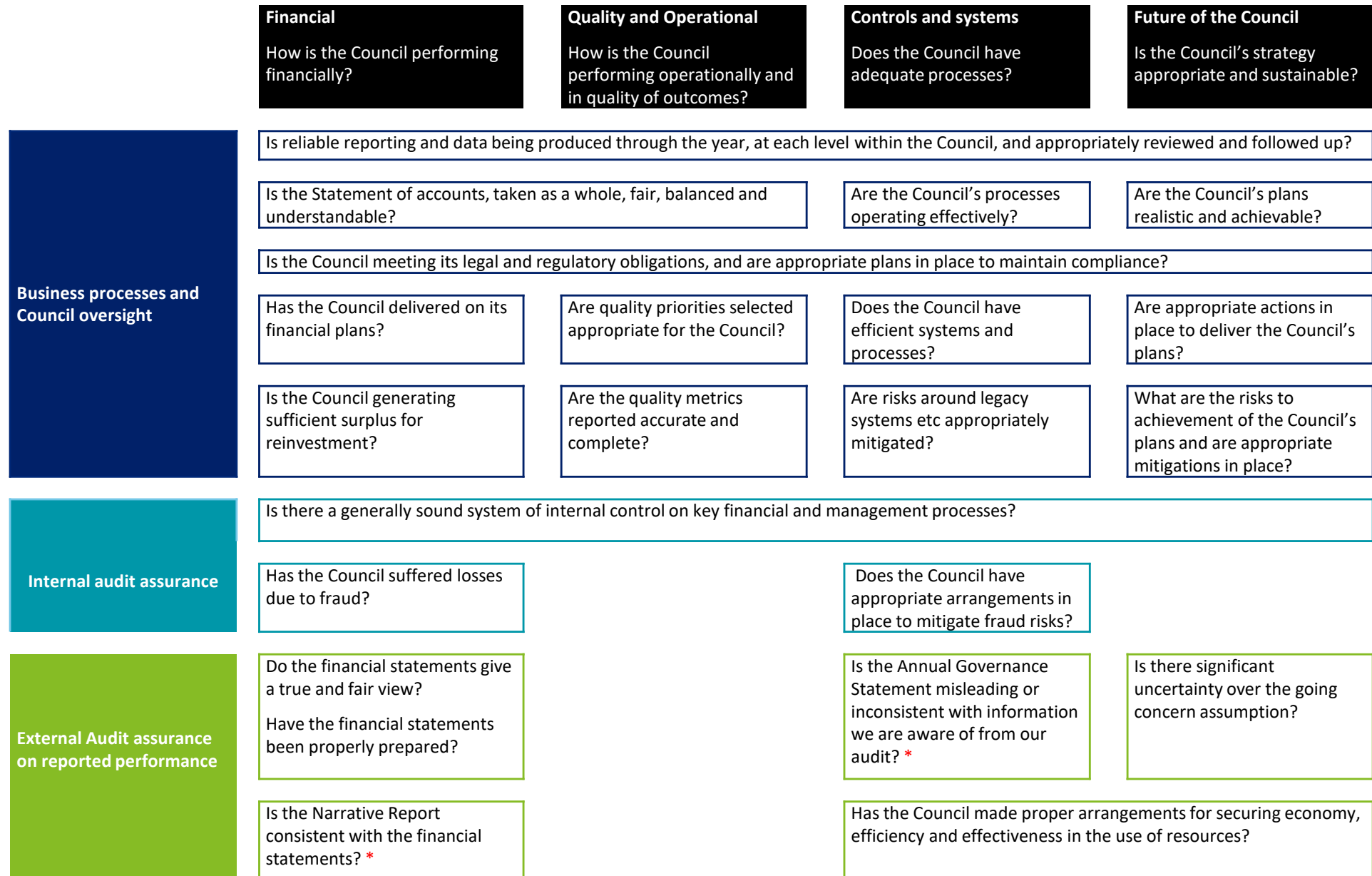
Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

- The Council assesses its performance regularly through meetings with the Executive team. The financial and performance information produced is used at all levels of the Council to identify areas for improvement, addressing any poor performance and using information on good performance to continuously improve.
 - The Council assesses its significant partnerships, service level provision and monitors procurement through various means including the Corporate & Partnership Overview & Scrutiny Committee that allows an improvement to the way in which these are delivered.
-

Assurance sources for the Council

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Council (in the green rows) fits with some of the other assurances available over the Council's position and performance.



Opinion on the financial statements

We provide an independent opinion whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council and its group at 31 March 2021 and of the Council's and group's income and expenditure for the year then ended;
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom in 2020/21.

The full opinion is included in the Council's Statement of accounts, which can be obtained from the Council's website.

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements: We issued an unqualified opinion on the Council's financial statements on 22nd December 2021. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.

Narrative Report: We reported that the information given in the Narrative Report for the year ended 31 March 2021 is consistent with the financial statements.

Annual Governance Statement: We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the code of practice on Local Authority Accounting, was misleading, or was inconsistent with information of which we are aware from our audit.

Reports in the public interest and use of other powers: We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2021.

Audit Certificate: We cannot certify completion of the audit until we have completed our work in respect of our assurance statement on the Council's Whole of Government Accounts consolidation pack. We are currently still waiting for the issue of the central guidance in relation to this work.

Our financial statement audit approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Council and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit partner, Nicola Wright. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuation, pensions and IT.

Materiality

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined group materiality of £21.8m (Council only £21.7m), on the basis of 2% of gross expenditure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.1m as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the Council's financial statements

Our audit of the Council's financial statements included:

- developing an understanding of the Council, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the Council's financial statements;
 - interviewing members of the Council's management team and reviewing documentation to test the design and implementation of the Council's internal controls in certain key areas relevant to the financial statements;
 - performing sample tests on balances in the Council's financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy and completeness of those balances; and
 - data analytic techniques which were used as part of audit testing, in particular for journal testing.
-

Approach to audit risks

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Council's Audit Committee setting out what we considered to be the significant audit risks for the Council, together with our planned approach to addressing those risks. We have provided a summary of each of the significant audit risks on the following pages.

We have made recommendations in our Audit Committee reporting to management for improvement in the Council's policies, procedures and internal controls based on observations from our work. However, we do not consider these recommendations to reflect significant weaknesses in the Council's VfM arrangements.

Significant audit risks

Completeness of accrued expenditure

Risk identified Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We rebutted this risk in line with our approach in the prior year, and instead believe that a fraud risk lies with the completeness of accrued expenditure (as well as management override of controls as detailed on page 9).

In the current year, we identified the completeness of expenditure risk as relating specifically to year end accruals.

There is an inherent fraud risk associated with the under-recording of expenditure in order for the Council to report a more favourable year-end position.

For North Yorkshire County Council, there is therefore an inherent risk that it may materially misstate its expenditure through the understatement of accruals in an attempt to report a more favourable year-end position.

Deloitte response and challenge Our work in this area included the following:

- We assessed the design and implementation of the controls in relation to recording the completeness of accruals; and
- We performed focused testing in relation to the completeness of accruals through testing a sample of post year end payments made. Due to the potential impact of COVID-19 on the Council's processes in this area, we extended this to 91 days to cover the period between April and June.

Conclusion We identified one recommendation in our testing of completeness of accrued expenditure. This related to the Council amending their accounting approach to correctly apportion the cost of the period of care home expenditure that covers year end.

We did not identify any issues in relation to the key judgements made by management based on our work performed.

Significant audit risks (continued)

Management override of controls

Risk identified In accordance with ISA 240 (UK), management override of controls is a significant risk due to fraud for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements include those which we have selected to be significant audit risks (completeness of accrued expenditure) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.

Deloitte response and challenge

We considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and noted that:

- The Council's results for the first half of the year were projecting overspends in operational areas. These were closely monitored and whilst projecting overspends, the underlying reasons were well understood. Actions were taken to address the issues identified and the year-end position was an underspend; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

- We tested the design and implementation of controls in relation to journals.
- We made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis covered all journals posted in the year.

Significant transactions

- We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.
-

Significant audit risks (continued)

Management override of controls (continued)

**Deloitte
response and
challenge****Accounting estimates**

- We performed design and implementation testing of the controls over key accounting estimates and judgements.
- The key judgement in the financial statements was that selected as a significant audit risk: completeness of accrued expenditure.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We noted that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.
- We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Conclusion

We did not identify any issues in relation to management override.

We have raised one recommendation in relation to the journals control process. From our work on the design and implementation of the controls in place around the posting of journals, it was noted that there was no review of journals performed prior to posting. In addition to this, there was also no limit in place on the value of journals an individual can post. We therefore recommended that controls in place around the journal process are tightened to ensure a review takes place prior to posting.

Auditor's work on Value for Money (VfM) arrangements

The Accounting Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Accounting Officer reports on the Council's arrangements, and the effectiveness with which the arrangements are operating as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

| | |
|--|--|
| Financial Sustainability | <i>How the body plans and manages its resources to ensure it can continue to deliver its services</i> |
| Governance | <i>How the body ensures that it makes informed decisions and properly manages its risks</i> |
| Improving economy, efficiency and effectiveness | <i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i> |

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Council can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the COVID-19 pandemic, there have been changes in nationally led processes, changes in expectations around Council's arrangements, and events occurring outside of the Council's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2020/21 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with key stakeholders, including Gary Fielding (Corporate Director – Strategic Resources), Ian Morton and Stuart Cutts (Internal Audit), and John Raine (Head of Technical Finance).



Review of Council and committee reports and attendance at committee meetings.



Reviewing reports from third parties including internal audit.



Considering the findings from our audit work on the financial statements.



Review of the Council's Annual Governance Statement and narrative report.

VfM arrangements: Financial Sustainability

Approach and considerations

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Commentary

The Council has a detailed annual financial planning and forecasting process, with the financial plan being considered as part of the overall operational planning process which is led by the Corporate Director – Strategic Resources.

In preparing the 2020/21 budget, the Council performed a full review of the base budget due to the significant changes that have occurred over the previous two years. This involved reviewing both the internal and external environments to ensure that all financial pressures were identified and factored in to the budget. The 2020/21 budget was linked to the corporate objectives and was prepared to ensure the Council has sufficient resources to deliver services.

For longer term considerations the Council has in place a Medium Term Financial Strategy which covers the period 2020/21 to 2023/24, and within this the Council has identified a recurring shortfall of £18.5m to the end of the period.

The Council's main focus for transformation to address the identified gap has been The Beyond 2020 Programme, but the Council also believes that there are significant opportunities for savings as part of the planned local government reorganisation. However, the Council will need to make sure that it also maintains an appropriate focus on the short term transformation activities it is undertaking so that its financial performance is maintained up to the point of reorganisation.

With the impending reorganisation, the Council will also need to make sure the necessary financial information is available to allow it to formulate an accurate and reliable financial strategy which encompasses the wider remit of the new local Council.

The Council has performed well against budget in 2020/21 and generated a surplus on the provision of services of £41.6m versus a deficit of £47.3m in the prior year (2018/19 deficit: £119.8m). In the prior year a large driver of the deficit was the loss on disposal of assets as schools converted to academies (2020: £59.9m). This loss has reduced in the current year (2021: £38.6m) and also there have been increases in funding due to COVID support and the recognition of capital grants.

VfM arrangements: Financial Sustainability

Commentary

The Council continues to be in a strong balance sheet position with a cash and cash equivalents balance at the end of 2020/21 of £61.8m, which is a decrease in comparison with the PY balance of £98.0m. The Council holds £421.3m in short term investments (PY: £366.9m). This balance equates to 126% of the total current liabilities. This is an indicator that the Council has the capability to repay its liabilities as they fall due.

The Council has net assets of £1,112.2m and net current assets of £280m. Property, plant and equipment (PPE) assets amounted to £1,632.0m, for which the assets within the current year's portion of the rolling programme were last revalued in January 2021. We note that in the prior year a material uncertainty paragraph was included within the PPE note. This has been removed in the current year based on the latest RICS guidance.

Furthermore the Council has a total of £341.3m in usable reserves at the year end, which evidences strong historic financial planning and provides the Council with flexibility in terms of its approach to transformation.

Based on the above, we are satisfied the Council has sufficient arrangements to provide financial sustainability in place for the size and function of the Council.

VfM arrangements: Governance

Approach and considerations

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Commentary

The Council has a detailed risk management process in place, which includes a Risk Management strategy and directorate and corporate risk register which are reviewed on a quarterly basis by the Council. The risks identified are allocated within the risk register to an owner to implement the mitigating actions and the overall process is reviewed by the Council's committees. As we would expect, due to the impact of the COVID-19 pandemic on a number of areas of the Council's services and processes, the main changes in the year have been the identification and inclusion of risks relating to the pandemic.

The Audit Committee reviews the adequacy of the risk management arrangements and has oversight of the Council's system of internal control, including arrangements to prevent and detect fraud. The Council has a series of policies covering internal controls, including a whistleblowing and anti-money laundering policy. These policies are readily available for all staff to review on the Council's website. The Audit Committee approves the annual Internal Audit Plan, and receives updates at Committee meetings through the year.

The Council uses an internal audit function to provide independent, objective assurance, designed to add value to and improve operations. The Head of Internal Audit opinion for the year was "Substantial Assurance" that there is a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the areas audited. The function also provides updates and reporting on the Council's counter fraud matters and documents the developments in the Council's arrangements to minimise fraud risks.

The annual budget setting is conducted as part of the annual planning exercise performed by the Council. National and local guidance is assessed and used to form the basis of a number of assumptions in the plan. Current year performance is evaluated with notable variances explained to determine any ongoing impact. The budget seeks to explain year on year movements and any pressures are identified. There is a clear process in place to set the annual budget and this is approved by the Executive and Audit Committee.

VfM arrangements: Governance

Commentary

The Council produces a quarterly corporate performance report which includes a review of the actual outturn position against the budget, and details any significant variances. This is reported to the Council quarterly, which ensures there is sufficient oversight of the budget monitoring process. The report also includes non financial information and reports on how the Council is achieving against its corporate plans.

The Council has a number of policies in place to ensure it makes properly informed decisions which are detailed within the Council's Constitution, which is reviewed regularly by the Executive. The Council receives regular reporting on a wide range of areas to help ensure that decisions are based on the appropriate information, this includes reports and recommendations from sub-committees and updates from the Councillors responsible for specific portfolios.

The Council has an approved decision methodology for investment and divestment decisions, which includes approval by finance personnel, and other key factors. Where necessary, decisions will be reviewed by the executive management team for comment and to determine if the proposal should be approved. Business cases with supporting information are submitted to the relevant committee for approval. This allows for challenge and transparency before decisions are approved.

The Council operates with five independent thematic overview and scrutiny committees, which hold the Executive accountable and ensure value is added to the Council's ongoing work to improve outcomes for customers and communities. The Audit Committee also has 3 independent members who are not County Councillors and it allows the Committee to bring in additional skills and external views on the Committee's business.

The Council has a number of staff policies in place including a code of conduct. These are all contained within the Constitution and are readily available for all staff to access. Declarations of interest are maintained for all senior members of staff and decision making officers.

In relation to work done by external regulators on the Council's services the latest full Ofsted inspection was undertaken in July 2018 in which the Council were rated 'Outstanding' overall and in all areas. There has also been a focused visit in relation to Children's Services in June 2021 which did not provide a rating but noted limited recommendations and a number of areas of good practice. From the Local Government & Social Care Ombudsman reporting we note that the Council has implemented recommendations raised and was ahead of other similar authorities in terms of the rate at which they were able to provide a satisfactory remedy before the complaint reached the Ombudsman.

In the prior year we raised one recommendation following work undertaken in relation to an objection to the Council's accounts. We recommended that the Council take steps to understand the reasons for the decline in their compliance with the reporting deadlines for Freedom of Information Act requests in 2020 (72%) from 2019 (79%). For 2021 there was a further decline to 62%, but there has been increased focus from the management board to improve performance and as at the end of February 2022 compliance has increased to 89%.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations:

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Council assesses whether it is realising the expected benefits.

Commentary

The Council assesses its performance through quarterly Performance and Finance Monitoring Reports which consider a number of measures. These reports are presented to the Audit Committee.

Financial planning and performance assessment is increasingly being performed at all levels of the Council in order to assess areas for improvement and using information on good performance to continuously improve. The Council also undertakes focussed reviews of service areas which have been identified through the performance management regime. The focussed reviews are performed in those areas identified where it has been determined that the greatest benefits may be achieved. Further services reviews are monitored on a quarterly basis by the Executive through the use of quarterly financial and performance reports.

The Council operates systems in which North Yorkshire residents can provide feedback on services provided and share ideas about the Council operations. The quarterly Executive performance reports produced have a Customer feedback segment in which feedback in relation to services is discussed.

The Council provides services and maintains partnership throughout North Yorkshire, serving a wide range of customer needs and utilise various partnerships to do this in collaboration with other entities. This means co-ordinating plans with partners throughout North Yorkshire. The plans for a unitary council for North Yorkshire are to be implemented in April 2023 and will replace the current county council and seven district and borough councils, and will assist in transforming the ways in which the Council operate. As the Council moves forwards with ever closer partnership and the increasing focus on system wide objectives, it is important that the Council adapts its arrangements appropriately to incorporate new duties and responsibilities whilst maintaining the existing rigour over the its current arrangements.

The Council has adequate procurement procedures and policies and develop the Procurement and Contract Management Strategy in line with the Council's policy. The strategy's aim is to ensure that the Council operates in an open and transparent manner, achieves value for money and sustainable quality through a proactive commercial approach to procurement and commissioning for the communities of North Yorkshire. The strategy as been updated to incorporate the key changes needed to the strategy due to the COVID-19 pandemic.

Based on the above, we are satisfied the Council has sufficient arrangements to improve economy, efficiency and effectiveness in place for the size and function of the Council.

Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council's arrangements.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Audit Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP

Newcastle | 10 March 2022

Appendix 1: Council's responsibilities

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Executive, as Accounting Officer of the Council, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer is required to comply with the CIPFA code of practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Accounting Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The Accounting Officer is required to confirm that the statement of accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for patients, regulators and stakeholders to assess the Council's performance, business model and strategy.

The Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Council's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer and the Council are responsible for ensuring proper stewardship and governance, and reviewing regularly the adequacy and effectiveness of these arrangements.

Appendix 2: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Auditor's responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Council's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is:
 - about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or
 - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.



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