

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

28 November 2022

STATEMENT OF FINAL ACCOUNTS for 2021/22 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 2021/22 following completion of the external audit of those Accounts.
- 1.3 To approve the Annual Governance Statement (AGS) for 2021/22.

2.0 BACKGROUND

- 2.1 The Accounts and Audit Regulations 2022 set out the requirements and timelines for Member approval of Local Authority Accounts. The regulations set out the requirement for the Statement of Accounts (SOFA) to be certified by the Section 151 Officer (Corporate Director – Strategic Resources) by 31 July and approved by Members (the Audit Committee) in advance of the certification and publication of the Accounts by 30 November.
- 2.2 A draft SOFA for 2021/22 incorporating the accounts of the North Yorkshire Pension Fund was considered by this Committee on 27 June 2022 in advance of the accounts being audited by the External Auditor between July and November 2022.
- 2.3 In order to provide further overview of the SOFA a Members Working Group was created with the Chairman and Vice-Chairman of the Audit Committee, Cllr Philip Broadbank, Cllr Stuart Parsons 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.
- 2.4 The report of the External Auditor is 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. External Audit have indicated that they anticipate being able to issue an External Audit Report with an unmodified opinion.
- 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 2021/22 Accounts), 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 27 June 2022 (see **paragraph 4**), and
- (iii) approve the Final SOFA and authorise the Chairman to sign the Accounts on that basis (see **paragraph 5**)
- (iv) approve the final Annual Governance Statement for 2021/22 and authorise the Chairman to sign the AGS on its behalf (**paragraph 6**).

2.7 At the time of writing this report there is still an element of audit work outstanding, due to an issue raised by local government auditors in relation to Infrastructure Assets at a national level. Recent concerns have been raised that some authorities are not fully compliant with accounting requirements for Infrastructure Assets, resulting in delays to audit completion for many authorities. CIPFA attempted to assist in the resolution of the issue through changes to the Code of Practice on Local Authority Accounting (the Code), but were unable to identify an accounting solution that satisfied all stakeholders. The government is therefore proposing to put in place a statutory accounting override, under the Local Government Act 2003, to allow local authorities to finalise accounts.

2.8 The statutory override is not expected to be in place until late December and consequently audit work in relation to Infrastructure Assets is now not expected to conclude until January 2023. While it is anticipated that all other audit work will be completed in advance of Audit Committee, final sign off of the SOFA will now be delayed until January.

2.9 The proposal to conclude the Final Accounts process is for Members to approve the Final SOFA as it stands and delegate authority to the Chairman and Section 151 Officer to sign the accounts on behalf of the Audit Committee on completion of the audit. A report will also be provided back to the Committee with an update of any changes resulting from Infrastructure Assets audit work.

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 delegate authority to the Chairman and Section 151 Officer to sign it on their behalf. The Letter will then be submitted to the External Auditor once signed.

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 27 June 2022.
- 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 Members Working Group
 - (iii) inclusion of the External Auditor's certificate which was not included in the draft document on 27 June 2022.

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 27 June 2022, 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 completion of the audit.
- 5.2 Members are therefore asked to approve the Final SOFA for 2021/22 following completion of the audit and delegate authority to the Chairman and Section 151 Officer to sign the accounts on behalf of the Audit Committee. A copy of the Statement of Responsibilities for the Statement of Accounts (page 23 of the SOFA) which the Chairman is asked to sign is attached as **Appendix C**.
- 5.3 A copy of the Balance Sheet (pages 43 and 44 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. The Audit Committee considered a draft AGS at its meeting on 27 June 2022 and some minor changes were made together with completion of section 7 since it was considered. These changes occurred following a further review by appropriate officers and Directors in readiness for a meeting of the Audit Committee Members Working Group. This has concluded in the final draft which forms part of the SOFA.
- 6.4 The requirement to produce an AGS is set out in the Accounts and Audit (England) regulations and for the Council to approve an AGS as part of the SOFA. The Audit Committee is therefore

requested to formally approve the AGS 2021/22 and to delegate authority to the Chairman and Section 151 Officer to sign the AGS on its behalf.

7.0 **RECOMMENDATIONS**

7.1 That Members delegate authority to the Chairman and Section 151 Officer 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 2021/22

- (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 2021/22 (**paragraph 5.2**), and
- (iii) delegate authority to the Chairman and Section 151 Officer to sign the Statement of Responsibilities for the Statement of Accounts as attached at **Appendix C**

7.3 That Members approve the Annual Governance Statement 2021/22 and delegate authority to the Chairman and Section 151 Officer to sign the AGS on its behalf (**paragraph 6.4**).

GARY FIELDING
Corporate Director – Strategic Resources
County Hall,
Northallerton
18 November 2022

There are no background documents



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28 November 2022

Dear Engagement Partner

This representation letter is provided in connection with your audit of the financial statements of North Yorkshire County Council and its consolidated financial statements for the year ended 31 March 2022 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 and its subsidiaries (together, “the Group”) as of 31 March 2022 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (“the Code”).

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 Accounts and Audit Regulations 2015 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (“the Code”).
2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures, including those assessing the impact of Covid-19 on the group, are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
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 this letter.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the Council and group's ability to continue as a going concern, including principal conditions or events and our plans. In making our going concern assessment we have adopted the 'continuing provision of service' approach and accordingly we are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's and group's ability to continue as a going concern. There are no circumstances that we are aware of that would affect the appropriateness of the 'continuing provision of service' approach. 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.
7. All grants or donations, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled and deferred income to the extent that they have not.
8. We acknowledge our responsibility for the preparation of the other information included in the Statement of Accounts. The other information comprises the Narrative Report and the Annual Governance Statement.
9. We confirm that the content contained within the Narrative Report and the Annual Governance Statement is consistent with the information presented in the financial statements, and has been prepared in accordance with relevant legislation.
10. With respect to the revaluation of properties in accordance with the Code:
 1. the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
 2. the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council where relevant to the accounting estimates and disclosures;
 3. we confirm that the effects of the Covid-19 pandemic have been fully considered by our valuation experts and are reflected in the property valuations disclosed in the financial statements;
 4. where assets have been valued on a Modern Equivalent Asset basis, we have considered whether any changes are required to the Modern Equivalent Asset assumed in the valuation, or to the depreciated extent of the existing asset:
 - i. following the experience of the Covid-19 pandemic, and following consultation with our valuation experts do not consider any changes are required to assumptions at this time.
 - ii. as a result of climate change, and following consultation with our valuation experts do not consider any changes are required to assumptions at this time;
 5. the information supplied for the valuation of the Group's property and investment property assets includes up to date rental and other relevant data

to inform the valuation, and there are no circumstances we are aware of that would impact upon the valuation of assets (such as issues with condition) that have not been shared with the valuer.

6. we have considered the valuation of the Group's Property, Plant and Equipment and investment properties, and we are not aware of any other errors or inconsistencies, and the overall valuation movement recognised is in line with that expected from the work of the valuer.
 7. the disclosures are complete and appropriate; and
 8. there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
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11. We have considered the valuation of the Council's Property, Plant and Equipment that have not been subject to revaluation in year, and are not aware of any circumstances indicating volatility in asset values (either in year, or on a cumulative basis since the last revaluation of the assets) that would suggest the carrying value is materially misstated as a result of it not being revalued.
 12. We have reconsidered the remaining useful lives of the Group's Property, Plant and Equipment and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.
 13. We acknowledge our responsibility for ensuring appropriate processes and controls are in place in respect of Covid-19 specific funding and expenditure streams. We have considered the accounting treatment of grants received, including whether the Council is acting as agent or principal in respect of transactions, and whether any amounts receivable or payable should be accrued, reflecting all relevant guidance and circumstances.
 14. All grants or donations, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled with and deferred income to the extent that they have not.
 15. We have reviewed our provisioning for recoverability of non-exchange debtors, including in respect of Non-Domestic Rates and Council tax, and consider the assumptions in respect of recoverability to reflect our best assessment of the recoverable amount of these balances. There are no relevant facts or circumstances of which we are aware that we have not disclosed to you.
 16. With respect to pensions we confirm that:
 - a. all retirement benefits and schemes, including funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - b. all settlements and curtailments have been identified and properly accounted for;
 - c. all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - d. the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used and salary increases) accord with the Council's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;

- e. the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- f. the amounts included in the financial statements derived from the work of the actuary are appropriate.

Information provided

17. We have provided you with:

- a. 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;
- b. additional information that you have requested from us for the purpose of the audit; and
- c. unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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

19. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

20. 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.

21. We are not aware of any fraud or suspected fraud that affects the group 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.

22. 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.

23. 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

24. We have disclosed to you the identity of the group's related parties and all the related party relationships and transactions of which we are aware.

25. 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.

26. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

27. We confirm that:

- (i) we consider that the group has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
- (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

Value for Money

28. We acknowledge our responsibility for ensuring the Council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.

29. We are not aware of any deficiencies in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

Cllr Clifford Lunn
Chair of the Audit Committee
Resources

Gary Fielding
Corporate Director – Strategic

**CHANGES TO THE 2021/22 STATEMENT OF FINAL ACCOUNTS
SINCE AUDIT COMMITTEE ON 27 June 2022.**

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 27 June 2022.

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 Members Working Group.
- (c) Inclusion of the External Auditor's Certificate that was not included in the draft document on 27 June 2022.

2.0 Changes made as a result of the final accounts audit

2.1 Deloitte audited the SOFA between July and November. 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 accounting changes relating to the Collection Fund;
- amendments the Group Balance Sheet, Cash Flow Statement to reflect accounting changes relating to the consolidation adjustment for the group entities;
- minor changes to narrative statement, disclosures and notes to the accounts; and
- changes to Pension Fund Main Statements and supporting notes.

3.0 Internally initiated refinements, together with queries raised by Members of the Audit Committee and Members Working Group

- 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;
- (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 2021/22 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 2021.

Gary Fielding
Corporate Director – Strategic Resources
January 2022

Co-signed by,
Richard Flinton
Chief Executive
28 November 2022

CERTIFICATE OF THE AUDIT COMMITTEE

I confirm that these Accounts were approved by the Audit Committee on 28 November 2022 following completion of the External Audit.

Chair of the Audit Committee

BALANCE SHEET AS AT 31ST MARCH 2022

31st March 2021 £000		31st March 2022 £000
1,631,979	Property, Plant and Equipment (note 18)	1,652,837
49,419	Investment Property (note 25)	47,559
5,298	Intangible Assets (note 24)	4,870
10,099	Long Term Investments (note 29)	11,130
17,872	Long Term Debtors (note 30)	31,468
1,714,667	Long Term Assets	1,747,864
421,275	Short Term Investments (note 39a)	348,374
2,390	Inventories	1,536
135,738	Short Term Debtors (note 31)	161,826
61,799	Cash and Cash Equivalents (note 28)	74,152
170	Assets held for sale (note 27)	170
621,372	Current Assets	586,058
(213,622)	Short Term Borrowing (note 39a)	(146,260)
(111,467)	Short Term Creditors (note 32)	(95,909)
(3,948)	PF/PPP Liability repayable within 12 months (note 12)	(4,024)
(13)	Finance Lease repayable within 12 months (note 13)	(14)
(2,877)	Provisions to be used within 12 months (note 33)	(2,723)
(9,201)	Capital Grant Receipts in Advance (note 9)	(1,159)
(341,128)	Current Liabilities	(250,089)
(1,731)	Long Term Creditors (note 23)	(13,191)
(146,635)	PF/PPP Liability repayable in excess of 12 months (note 12)	(142,611)
(1,023)	Finance Lease repayable in excess of 12 months (note 13)	(1,009)
(13,197)	Provisions to be used in excess of 12 months (note 33)	(12,977)
(496,989)	Pensions Liability (note 10)	(396,953)
(221,839)	Long Term Borrowing (note 39a and 39d)	(208,500)
(1,341)	Capital Grant Receipts in Advance (note 9)	(15,996)
(882,755)	Long Term Liabilities	(791,237)
1,112,156	Net Assets	1,292,596

BALANCE SHEET AS AT 31ST MARCH 2022 (continued)

31st March 2021 £000		31st March 2022 £000
	Usable Reserves	
27,868	General Working Balance (note 34a)	28,005
247,402	Earmarked Reserves (note 34b)	293,611
4,062	Capital Receipts Unapplied Reserve (note 34c)	3,560
61,953	Capital Grant Unapplied Reserve (note 34d)	45,180
341,285	Total Usable Reserves	370,356
	Unusable Reserves	
368,953	Revaluation Reserve (note 35a)	408,464
9,981	Collection Fund Adjustment Account (note 35b)	21,938
(1,980)	DSG Adjustment Account (note 35g)	212
0	Financial Instruments Adjustment Account	0
(349)	Financial Instruments Revaluation Reserve (note 35f)	682
(7,450)	Accumulated Absences Account (note 35c)	(6,052)
(496,989)	Pension Reserve (note 35d)	(396,953)
898,705	Capital Adjustment Account (note 35e)	893,949
770,871	Total Unusable Reserves	922,240
1,112,156	Total Reserves	1,292,596