

# NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

20 September 2021

### STATEMENT OF FINAL ACCOUNTS for 2020/21 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 2020/21 following completion of the external audit of those Accounts.
- 1.3 To approve the Annual Governance Statement (AGS) for 2020/21.

#### 2.0 BACKGROUND

- 2.1 The Accounts and Audit Regulations 2021 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 September.
- 2.2 A draft SOFA for 2020/21 incorporating the accounts of the North Yorkshire Pension Fund was considered by this Committee on 28 June 2021 in advance of the accounts being audited by the External Auditor between July and September 2021.
- 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 Karl Arthur 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 the External Audit Report and an unmodified opinion by 30 September.
- 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 2020/21 Accounts by the required statutory date of 30 September 2021), 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 28 June 2021 (see **paragraph 4**), and
- (iii) approve the Final SOFA and authorise the Chairman to sign the Accounts on that basis (see **paragraph 5**)

At the time of writing this report there is still an element of audit work outstanding, which may potentially lead to changes to the Final SOFA and/or Management Letter of Representation. The Committee will be updated at the meeting should any changes be necessary

- 2.7 The report also asks Members to approve a final Annual Governance Statement for 2020/21 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 28 June 2021.

- 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 28 June 2021.

### 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 28 June 2021, 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 20 September 2021.

- 5.2 Members are therefore asked to approve the Final SOFA for 2020/21 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 23 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 20 September 2021.’

- 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 28 June 2021 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 2020/21 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 2020/21

- (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 2020/21 (**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 2020/21 and authorise the Chairman to sign the AGS on its behalf (**paragraph 6.4**).

GARY FIELDING  
Corporate Director – Strategic Resources  
County Hall,  
Northallerton  
9 September 2021

**There are no background documents**

Deloitte LLP  
One City Square  
Leeds  
LS1 2AL

Gary Fielding – Corporate Director  
Strategic Resources  
County Hall  
Northallerton  
North Yorkshire  
DL7 8AD  
Tel: 01609 533304  
Fax: 01609 778199  
Email: [gary.fielding@northyorks.gov.uk](mailto:gary.fielding@northyorks.gov.uk)  
Web: [www.northyorks.gov.uk](http://www.northyorks.gov.uk)

20 September 2021

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 2021 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 2021 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 2020/21 (“the Code”).

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 the Accounts and Audit Regulations 2015 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (“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:
  - 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 Council where relevant to the accounting estimates and disclosures;
  - c) 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;
  - d) the disclosures are complete and appropriate; and
  - e) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
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 that would suggest the carrying value is materially misstated as a result of it not being revalued.
12. With respect to pensions we confirm that:

- 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 Council where relevant to the accounting estimates and disclosures;
- c. 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;
- d. the disclosures are complete and appropriate; and
- e. there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
- f. the amounts included in the financial statements derived from the work of the actuary are appropriate.

*Information provided*

13. 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.
14. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
15. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
16. 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.
17. 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.
18. 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.
19. 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

20. 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.
21. 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.
22. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
23. 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

24. We acknowledge our responsibility for ensuring the Council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.
25. 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 2020/21 STATEMENT OF FINAL ACCOUNTS SINCE AUDIT COMMITTEE ON 28 JUNE 2021.**

### **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 28 June 2021.

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 28 June 2021.

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

2.1 Deloitte audited the SOFA between July and October. 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;
- 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 2020/21 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  
20th September 2021

Co-signed by,  
Richard Flinton  
Chief Executive  
20th September 2021

**CERTIFICATE OF THE AUDIT COMMITTEE**

I confirm that these Accounts were approved by the Audit Committee on 20th September 2021 following completion of the External Audit.

Chair of the Audit Committee

**BALANCE SHEET AS AT 31ST MARCH 2021**

31st March 2020 £000		31st March 2021 £000
1,665,551	Property, Plant and Equipment (note 18)	1,631,979
53,022	Investment Property (note 25)	49,419
5,932	Intangible Assets (note 24)	5,298
19,777	Long Term Investments (note 29)	10,099
<u>15,556</u>	Long Term Debtors (note 30)	<u>17,872</u>
<b>1,759,838</b>	<b>Long Term Assets</b>	<b>1,714,667</b>
366,976	Short Term Investments (note 39a)	421,275
1,957	Inventories	2,390
106,261	Short Term Debtors (note 31)	135,738
98,007	Cash and Cash Equivalents (note 28)	61,799
<u>170</u>	Assets held for sale (note 27)	<u>170</u>
<b>573,371</b>	<b>Current Assets</b>	<b>621,372</b>
(269,745)	Short Term Borrowing (note 39a)	(213,622)
(95,820)	Short Term Creditors (note 32)	(111,467)
(3,503)	PFI/PPP Liability repayable within 12 months (note 12)	(3,948)
(12)	Finance Lease repayable within 12 months (note 13)	(13)
(2,316)	Provisions to be used within 12 months (note 33)	(2,877)
<u>(21,237)</u>	Capital Grant Receipts in Advance (note 9)	<u>(2,768)</u>
<b>(392,633)</b>	<b>Current Liabilities</b>	<b>(334,695)</b>
(2,642)	Long Term Creditors (note 23)	(1,731)
(150,584)	PFI/PPP Liability repayable in excess of 12 months (note 12)	(146,635)
(1,036)	Finance Lease repayable in excess of 12 months (note 13)	(1,023)
(10,916)	Provisions to be used in excess of 12 months (note 33)	(13,197)
(433,171)	Pensions Liability (note 10)	(496,989)
(220,968)	Long Term Borrowing (note 39a and 39d)	(221,839)
<u>(18,063)</u>	Capital Grant Receipts in Advance (note 9)	<u>(1,341)</u>
<b>(837,380)</b>	<b>Long Term Liabilities</b>	<b>(882,755)</b>
<b>1,103,196</b>	<b>Net Assets</b>	<b>1,118,589</b>

**BALANCE SHEET AS AT 31ST MARCH 2021 (continued)**

31st March 2020 £000		31st March 2021 £000
<b>Usable Reserves</b>		
27,640	General Working Balance (note 34a)	27,868
195,064	Earmarked Reserves (note 34b)	245,422
3,815	Capital Receipts Unapplied Reserve (note 34c)	4,062
22,873	Capital Grant Unapplied Reserve (note 34d)	68,386
<b>249,392</b>	<b>Total Usable Reserves</b>	<b>345,738</b>
<b>Unusable Reserves</b>		
409,826	Revaluation Reserve (note 35a)	368,953
3,986	Collection Fund Adjustment Account (note 35b)	9,981
0	Financial Instruments Adjustment Account	0
(308)	Financial Instruments Revaluation Reserve (note 35f)	(349)
(7,718)	Accumulated Absences Account (note 35c)	(7,450)
(433,171)	Pension Reserve (note 35d)	(496,989)
881,189	Capital Adjustment Account (note 35e)	898,705
<b>853,804</b>	<b>Total Unusable Reserves</b>	<b>772,851</b>
<b>1,103,196</b>	<b>Total Reserves</b>	<b>1,118,589</b>