

North Yorkshire County
Council (incorporating
North Yorkshire Pension
Fund)

Annual Audit Letter
on the 2009/10 Audit
November 2010

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1. Key messages

The Statement of Accounts was prepared, audited and concluded in accordance with the agreed timetable. The Authority maintained a high standard of financial reporting, with no material adjustments to the reported financial position being required. A small number of presentation and disclosure amendments were made.

We issued an unqualified audit opinion on the Statement of Accounts and the value for money conclusion on 30 September 2010.

We did not identify any material weaknesses in the financial reporting systems and the control observations noted in our report are considered to be minor. Control observations were reported to the Audit Committee, on 30 September 2010, as part of our report on significant matters arising from our audit.

The Whole of Government Accounts return was presented for audit by the deadline set by HM Treasury. We issued the audit opinion on the Whole of Government Accounts return on 1 October 2010.

We issued the audit opinion on the North Yorkshire Pension Fund Annual Report on 30 September 2010.

The audit certificate of completion of the audit was issued on 30 September 2010.

Action needed by the Authority

The Authority needs to:

- continue to focus on meeting the financial reporting timetable. From 2010/11, local authorities' Statements of Accounts will be prepared under an International Financial Reporting Standards ("IFRS") based Code of Practice on Local Authority Accounting. We have assessed the Authority's readiness for IFRS conversion as part of the Audit Commission surveys in November 2009 and July 2010. In each case we assessed that the Authority was broadly on-track. The Authority will need to continue to focus on IFRS conversion to ensure required timescales are met; and
- implement the actions noted in the management response of each control observations raised in our report to those charged with governance.

2. Purpose, responsibilities and scope

The purpose of this letter

The purpose of this Annual Audit Letter is to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2010.

Although this letter is addressed to the members of North Yorkshire County Council (“the Authority”), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at www.audit-commission.gov.uk and also on the Authority’s website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

Responsibilities of the Auditor and the Authority

The Authority is responsible for maintaining the control environment and accounting records and for preparing the accounting statements in accordance with the Statement of Recommended Practice for Local Authorities 2009 (“SORP 2009”) and relevant legislation.

We are appointed as the Authority’s independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including County Councils.

As the Authority’s appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (“the Code”). Under the Code, we have responsibilities in two main areas:

- the Authority’s accounts; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

As the Authority is the Administering Authority for the North Yorkshire Pension Fund we also have responsibility under the Code for the Annual Report of the Fund.

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISA plus”) as adopted by the UK Auditing Practices Board (“APB”). The audit opinion on the accounts reflects the financial reporting framework adopted by the Authority, being the SORP 2009. We conducted our work on the value for money conclusion in line with guidance received from the Audit Commission in respect of single tier and county councils for the financial year ended 31 March 2010.

3. The audit of the accounts

Key issues arising from the audit of the accounts

We issued an unqualified opinion on the Authority's 2009/10 accounts on 30 September 2010, in accordance with the deadline set for local authorities. Our opinion confirms that the accounts present a true and fair view of the financial position of the Authority and its income and expenditure for the year.

We issued an unqualified opinion on the annual report of the North Yorkshire Pension Fund 2009/10 on 30 September 2010, in advance of the deadline set for pension funds. Our opinion confirms that the accounts present a true and fair view of the financial position of the Fund and its income and expenditure for the year.

Before we give our opinion on the accounts, we are required to report to those charged with governance any significant matters arising from the audit. A detailed report covering the Authority was discussed with the Audit Committee on 30 September 2010 and there were no key issues to report. A detailed report covering the Fund was provided to Pension Fund Committee on 23 September 2010 and discussed with the Audit Committee on 30 September 2010 and there were no key issues to report.

We received a complete set of draft accounts of the Authority in advance of the agreed deadline, which were supported by working papers. The finance staff were helpful throughout the process and responded swiftly to all queries. This performance reflects well on the professionalism of the finance staff and their commitment to maintaining high-level controls over financial systems. Minor amendments were made to some of the disclosures to bring them into line with the 2009 SORP.

We have considered the financial standing of the Authority as at 31 March 2010. We have assessed this based on current/ongoing expenditure demands, expected income levels and the current cash position of the Authority. It is expected that public sector funding cuts may cause a reduction in grant income received in the future. The Authority has drawn up plans on how to deal with differing levels of grant reduction in advance of the funding position being clarified later this year.

Audit certificate

When our audit is complete we are required to certify the closure of the audit. The audit certificate was issued on 30 September 2010.

4. Value for money

Background

Under the Code of Audit Practice, we are required to give a 'yes/no' opinion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. This is known as the value for money conclusion and is given within our audit report on the Authority's Statement of Accounts.

At the end of May 2010, the Audit Commission wrote to all Chief Executives to inform them that, following the government's announcement, work on Comprehensive Area Assessment (CAA) would cease with immediate effect and that the Audit Commission would not be issuing new scores for the Use of Resources assessments. We are still required to assess how well the Authority manages and uses its financial resources by performing an unscored assessment in three theme areas as specified by the Audit Commission in accordance with their guidance for principal local authorities. Within this, we are required to consider arrangements in nine of the ten key lines of enquiry (KLOE) in any one year. This assessment will inform our value for money conclusion.

The value for money assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The three themes and the specific KLOE considered in 2009/10 are:

- sound and strategic financial management:
 - financial planning and financial health;
 - understanding costs and achieving efficiencies;
 - financial reporting;
- strategic commissioning and good governance:
 - commissioning and procurement;
 - use of information;
 - good governance;
 - risk management and internal control;
- the management of natural resources, assets and people:
 - asset management; and
 - workforce.



4. Value for money (continued)

Value for money conclusion

Having performed our work in line with guidance received from the Audit Commission we issued an unqualified value for money conclusion for the 2009/10 financial year. This means that we are satisfied that in the areas reviewed the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during the year. During the course of our work on the Authority we noted several examples of good practice such as the management development programme and the apprenticeship programme. The Authority is continuing to make progress against the areas for development highlighted in our prior year report on Use of Resources in the areas of sensitivity analysis, partnership resource and governance, data encryption and continuity plans and disaster recovery.

5. Other matters

Audit Commission

On 13 August 2010, the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission. The proposed abolition after the March 2012 financial year end and the Audit Commission has confirmed that there is no immediate change to audit arrangements. New audit arrangements are likely to apply from the start of the 2012/13 financial year.

Reports issued

Report	Date issued
Fee letter	April 2009
Audit plan	June 2010
Report to those charged with governance on the 2009/10 audit	September 2010
Annual audit letter	November 2010

Analysis of audit fees

	2010 £'000	2009 £'000
Fees payable to the auditors for the annual audit	224	217
Fees payable in respect of the certification of grant claims and returns of the Authority	10	10
Total	234	227

We have not undertaken any non-audit work for the Authority during 2009/10.

Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

Grants

We have undertaken work during the year on various grant claims made by the Authority. All of our work on the 2009/10 grant claims is now complete and a separate report will be prepared in respect of the findings from this work.

5. Other matters (continued)

International Financial Reporting Standards (“IFRS”)

The Authority will be required to prepare IFRS compliant accounts for the year-ending 31 March 2011 and therefore comparative IFRS balances for the year from 1 April 2009 to 31 March 2010.

Finance staff will be leading on the transition to IFRS. Responsibility for the transition has been allocated, and the data capture and analysis has begun. Staff have attended various technical/professional training sessions to date. We have completed Audit Commission returns in November 2009 and July 2010 on the Authority’s state of readiness for IFRS and concluded that the Authority is broadly on track. We will continue to work closely with the Authority to assess progress against the required timescales.

Approach to local value for money audit work from 2010/11

Given the scale of the pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010/11 onwards. As part of this exercise, the Audit Commission has been discussing possible options for a new approach to local value for money (VFM) audit work with key national stakeholders. From 2010/11 we will therefore apply a new, more targeted and better value approach to our local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Audit Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We will determine a local programme of VFM audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. We will no longer make annual scored judgements relating to our local VFM audit work. Instead we will report the results of all the local VFM audit work and the key messages for the audited body in our annual report to those charged with governance and in a clear and accessible annual audit letter.

6. Closing remarks

This letter has been discussed and agreed with the Corporate Director - Finance and Central Services (S151 Officer). A copy of the letter will be presented at the Audit Committee on 9 December 2010.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution which supports the Authority's own agenda. We recognise the value of your co-operation and support.



Deloitte LLP

Chartered Accountants

Leeds, England

2 November 2010

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national use of resources study data and methodology as they are derived solely from the Audit Commission.

This report has been prepared for the Members, 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.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.



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