

**Notice of a public meeting of
Audit & Governance Committee**

To: Councillors Pavlovic (Chair), Fisher (Vice-Chair), Mason, D Taylor, Wann, Webb and Lomas
Mr Mann and Mr Mendus (Independent Members)

Date: Monday, 29 July 2019

Time: 5.30 pm

Venue: The George Hudson Board Room - 1st Floor West Offices (F045)

A G E N D A

1. Declarations of Interest

At this point in the meeting, Members are asked to declare:

- any personal interests not included on the Register of Interests
- any prejudicial interests or
- any disclosable pecuniary interests

which they might have in respect of business on this agenda.

2. Minutes (Pages 1 - 12)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 19 June 2019.

3. Public Participation

It is at this point in the meeting that members of the public who have registered their wish to speak can do so. The deadline for registering is by **5:00pm on Friday 26 July 2019**. To register please contact the Democracy Officer for the meeting, on the details at the foot of this agenda.

Filming, Recording or Webcasting Meetings

Please note that, subject to available resources, this meeting will be filmed and webcast, or recorded, including any registered public speakers who have given their permission. This broadcast can be viewed at: <http://www.york.gov.uk/webcasts>.

Residents are welcome to photograph, film or record Councillors and Officers at all meetings open to the press and public. This includes the use of social media reporting, i.e. tweeting. Anyone wishing to film, record or take photos at any public meeting should contact the Democracy Officer (whose contact details are at the foot of this agenda) in advance of the meeting.

The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at:

http://www.york.gov.uk/download/downloads/id/11406/protocol_for_webcasting_filming_and_recording_of_council_meetings_20160809.pdf

4. Mazars Audit Completion Report (Pages 13 - 40)

The paper attached at Annex A is the Audit Completion Report from Mazars and communicates their findings of the audit to date for the year ended 31 March 2019.

5. Final Statement of Accounts (Pages 41 - 44)

This report presents a final set of accounts for 2018/19 to reflect changes made since the draft pre-audit accounts were presented to this committee on 19 June 2019 [Annex A to follow].

6. Forward Plan (Pages 45 - 52)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to June 2020.

7. Urgent Business

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

Laura Clark

Tel: (01904) 552207

Email: Laura.Clark@york.gov.uk

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

This information can be provided in your own language.

我們也用您們的語言提供這個信息 (Cantonese)

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)

Ta informacja może być dostarczona w twoim własnym języku. (Polish)

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جاسکتی ہیں۔ (Urdu)

 (01904) 551550

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City of York Council

Committee Minutes

Meeting	Audit & Governance Committee
Date	19 June 2019
Present	Councillors Pavlovic (Chair), Fisher (Vice-Chair), Mason, D Taylor, Wann, Webb and Lomas Mr Mendus (Independent Member)
Apologies	Mr Mann (Independent Member)

Part A - Matters Considered Under Delegated Authority

1. Declarations Of Interest

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda.

Councillors D Taylor and Mason declared that, in relation to Item 5. Draft Statement of Accounts, they were on the board of Make it York.

2. Minutes

Members pointed out an error under Minute Item 62.

3. note that the 2019/20 Monitor 1 report would include a detailed analysis of KCR7 Capital Programme.

This bullet point should be **removed**.

Resolved: That the minutes of the meeting held on 6 March 2019 be approved and then signed by the Chair as a correct record, subject to the above amendment.

Matters Arising

Members raised an query on the nature of 'key decisions' which had been brought up under Public Participation at the previous meeting.

The S151 Officer explained that the definition of a 'key' decision was set out in the constitution. Elements of this were common across all Local Authorities and other elements were locally set. Larger Authorities were likely to have a higher threshold. Members could review the financial threshold if they chose to.

3. Public Participation

It was reported that there had been one registration to speak at the meeting under the Council's Public Participation Scheme.

Gwen Swinburn, a resident, spoke on her concerns around data breaches – in particular the One Planet York App and the Joint Standards Hearing in January 2019. She felt that the Council's response to these incidents was not acceptable and brought the Authority into disrepute. She also stated that, in the case of the latter incident, she had been a key witness and had not been contacted during an investigation. Finally, she asked that Members request a review of these data breaches and the Management and Communications Team response to them.

4. Key Corporate Risks Monitor

Members considered a report which provided them with an update on the key corporate risks for the Council. This included a detailed analysis of KCR 6 (Health and Wellbeing). The Director of Public Health and Principal Accountant attended the meeting to present the report and answer Member questions.

In response to Member questions they stated:

- The rating on Brexit had not changed since the last report and this would be taken back for discussion. Reports on this had been taken to Executive and some services had set out the implications of a 'no deal'. However, the full impact was hard to plan for;
- In relation to the One Planet York App breach, the matter had been reviewed by the ICO who did not find against CYC and information on this would be circulated to Members. There were also regular reports to this Committee on Information Governance more generally;
- The Resilient Communities Group was the responsibility of the Director of Children, Education & Communities. Officers would send out the make up of the Committee to Members following the meeting;

- CSMC were looking at the issue of Sickness and Attendance Management and HR were reporting back to their next meeting;
- Equality Impact Assessments were undertaken by CYC and were published on the website. Officers would provide details to Members;
- Data provided by Health Providers to Public Health was received in a number of ways. There was public data, which usually had a time lag, but the team also had access to more real time information which was not publicly available. This meant they were alerted to any immediate issues. There were also annual reports to Health Scrutiny and the Health & Wellbeing Board;
- Public Health Emergency Planning was now linked up with the CYC Emergency Planning Team and a lot of partnership working. The Emergency Planning Lead was now a Member of the Public Health Committee and Public Health contributed to the Major Incident Plan;
- The Local Health Resilience Partnerships across Yorkshire shared information and planning. Action Cards used in the event of an outbreak were area specific;
- An agreement had been made with Community Pharmacies to work with Public Health to run a campaign on immunisation. They were also targeting areas with poor vaccination take up;
- An Internal Audit and a Peer Review had recently looked at Public Health planning. They would both inform an improvement plan and A&G could receive a future update against this plan; and
- There was anecdotal information which suggested that the lack of flexibility of GP surgery hours may be having an impact on the take up of cervical screening. Public Health were trying to use relationships to address this;

Members also raised the following issues:

- They had not yet received the Health and Safety Training Update they requested at the previous meeting;
- They felt more planning on a 'no deal' Brexit should have taken place at this point;
- Equality Impact Assessments were now known as Equality Analysis; and
- A comment on the issues on Cervical Screening could be included under controls.

Resolved: That Members:

1. Provide comment on the key corporate risks included at Annex A;
2. Provide comment on the information provided in relation to KCR6 Health and Wellbeing included at Annex B; and
3. note that the 2019/20 Monitor 2 report will include a detailed analysis of KCR7 Capital Programme

Reason: To provide assurance that the authority is effectively understanding and managing its key risks

5. Draft Statement of Accounts Incl. Annual Governance Statement

Members considered a report which presented, for information, the draft 2018/19 Statement of Accounts before they were audited. The Finance & Procurement Manager and Technical Accountant attended the meeting to present the report and to answer Member questions.

They stated that the final version would be brought to July Committee and the Chair would be asked to sign on behalf of the Council. Any errors found by the External Auditors would be brought to the Committees attention at that point.

In response to Member questions they stated:

- There was no business rate relief for small businesses;
- The handover of playing fields was to two schools after they had become academies;
- If an academy school were to close, the land and buildings would transfer back to the Local Authority;

Members also made the following comment:

- That sickness absence had been an ongoing issue but the Annual Governance Statement stated that 'significant progress' was being made. It was felt that this should be re-worded to recognise that little progress had been made.

Officers agreed to revise the wording and circulate to the Committee ahead of the next meeting.

Resolved:

1. That Members note the draft pre-audit statement of accounts, including the Annual Governance Statement, for the financial year ended 31 March 2019.
2. That a revision to the statement on sickness absence (see above) be made and circulated to Members ahead of the July meeting of the Committee.

Reason: To ensure that, in line with best practice, Members have had the opportunity to review the draft pre-audit Statement of Accounts.

6. Annual Report of the Audit & Governance Committee

[See also under Part B]

Members considered a report which sought their views on the draft annual report of the Audit and Governance Committee for the year ended 6 March 2019, prior to submission to Full Council. The Technical Accountant presented the report and answered Member questions, along with the S151 Officer.

She explained that the Chartered Institute of Public Finance and Accountancy (CIPFA) suggested that Audit Committees reported back annually on how they had discharged their responsibilities.

In response to Member questions Officers stated:

- The report was just a factual statement as to the work undertaken over the last year;
- Functions of the Committee were set out in the Constitution but other work was undertaken in addition to this and there was always scope to do so as issues arose. Officers would advise the Committee as to whether this was the correct forum or if other Committees may be a more appropriate place;

- The updated Whistleblowing Policy had previously been brought to A&G and comments made. A revised version would be brought back to this Committee. The Head of Internal Audit stated he would check on the involvement of the Joint Standards Committee and report this back to Members.

Members commented that it was challenging to critique this report when so many of them were new to the Committee post-Election. They also stated that there should perhaps be mention of the difficulties the previous Committee had sometimes had in obtaining information.

Resolved: That Members agree the Annual Report of the Audit and Governance Committee prior to its submission to Full Council.

Reason: To enable the Committee to fulfil its role in providing assurance about the adequacy of the Council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

7. Treasury Management Outturn Report

Members considered the draft Treasury Management Annual Report and Review of Prudential Indicators 2018/19, which provided them with an update on treasury management activity during the year. The Finance & Procurement Manager and Technical Accountant attended the meeting to present the report and to answer Member questions. They explained that the Council's Constitution gave this Committee responsibility for scrutinising the Council's Treasury Management policies and practices before they are presented to Executive.

In response to Member questions they stated:

- All of CYC 's investments were with High Street banks or financial institutions;
- The Capital Programme was likely to slip or not be delivered exactly when planned. Day to day cash flow was planned and cash only borrowed when necessary, so costs on loans were not being incurred unnecessarily;
- The Capital Financing requirement set out what the Council's underlying need to borrow was. There were

limits for debt based on what CYC could afford to repay. Spending decisions made today could not have a negative impact in the future and this was carefully managed;

- The cost of Capital should be spread over the life of the asset so that all those paying Council Tax would get the benefits of the scheme;
- Work was still being done to calculate an affordable level of debt for the Housing Revenue Account (HRA) now the debt cap had been lifted; and
- There were no external controls on General Fund Debt, this was a decision for Council.

Resolved: That Members note the Treasury Management Annual Report and Review of Prudential Indicators 2018/19 at Annex 1.

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

8. Mazars Audit Progress Report

Members considered a report from Mazars, the Council's external auditors, reporting on progress in delivering their responsibilities as auditors. The Engagement Lead (Partner), Mazars attended the meeting to present the report and answer Member questions. He highlighted that there were no matters to draw to the Committee at this early stage.

In response to questions he stated:

- Materiality was a threshold above which it would be difficult to give a clean audit opinion. If there were material errors found in the accounts which Officers would not correct they would be reported to this Committee;
- The Committee's Terms of Reference included an assessment and appraisal of Mazars reports, including the audit plan; and
- Members could make the external auditors aware of any issues they felt should be brought to their attention right up until the point in the cycle that the opinion was signed.

Members thanked Mazars for taking on-board previous feedback.

Resolved: That Members note the matters set out in the Progress report presented by Mazars.

Reason: To ensure Members are aware of Mazars progress in delivering their responsibilities as external auditors.

9. **Annual Report of the Head of Internal Audit**

Members received a report summarising the outcome of audit and counter fraud work undertaken in 2018/19 and providing an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

The Head of Internal Audit attended the meeting to present the report and answer Member questions. He stated that the audit plan had been produced in consultation with Senior Management, by looking at the Risk Register and discussion with external auditors. The plan was then brought to Committee at the start of the year for approval. With a limited internal audit resource available they had to focus on key risk areas which, in the event of failure, would have the most significant impact on the Council. However, this was a flexible plan and changes could be made dependant on the Council's priorities throughout the year.

In response to Member questions he stated:

- Internal fraud investigations were usually against employees and would result in disciplinary action rather than financial recovery;
- Decisions as to prosecution were made with the S151 Officer based on the prosecution policy. This was part of the Counter Fraud Policy Framework which was reviewed by this Committee. Officers would circulate this to Members following the meeting;
- The definition for each level of assurance was reviewed regularly and they were currently under review;
- Limited and no assurance papers were always included in the agenda papers;

- The report on Ward Committee Funding had been presented as a Memorandum with no opinion as it was only a follow up report. This would also be the case if a report was only looking at a narrow part of a process and it was not possible to give an opinion;
- Follow up work was undertaken on every audit. Action plans were produced with deadlines and every action point was followed up with management. Where there were delays there was often a good reason and a new deadline would be agreed. Where this was not the case this would be taken further, ending up at this Committee. A six monthly report to A&G would also include this information;
- In relation to Information Security this had been included in the Annual Governance Statement, there were actions in place with Officers taking steps to mitigate risks in this area, which was particularly challenging in an organisation dealing with large amounts of data;
- Information Security also included storage of data throughout the Council's buildings. Building security was a partial mitigation but correct storage was still necessary. The report on this issue would be circulated to Members following the meeting; and
- It was appropriate for Members to highlight audit reports they wished to consider in more detail or which they wanted to forward to scrutiny for consideration;

Some Members requested that Audit Reports of Reasonable Assurance and below be included in the agenda papers. However, Members who had previously sat on this Committee suggested that sending reports by email as they were published and publishing online with the agenda was sufficient and stopped the agenda papers from being unmanageable.

A Member highlighted several references to 'Chairmen' and requested that this be changed for less gender specific language moving forward.

Resolved: That Members:

1. note the results of audit and counter fraud work undertaken;
2. note the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's

framework of governance, risk management and internal control;

3. note the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms with Public Sector Internal Audit Standards; and
4. note the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement.

Reason:

1. To enable members to consider the implications of audit and counter fraud findings;
2. To enable members to consider the implications of audit and counter fraud findings;
3. To enable members to consider the opinion of the Head of Internal Audit; and
4. To enable the Annual Governance Statement to be prepared

10. **Forward Plan**

Members received the future plan of reports expected to be presented to the Committee during the forthcoming year to February 2020.

Members requested that the following items be added to the Forward Plan:

- July - Data Protection and the breach investigation process (including a case study for Member Training) [to be included in the Information Governance report]
- Whistleblowing Policy (time to be agreed with Head of Internal Audit)

Resolved: That the Committee's forward plan for the period up to March 2020 be noted, with the above amendment.

Reason: To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.

Part B - Matters Referred to Council

11. Annual Report of the Audit & Governance Committee

[See also under Part A]

Members considered a report which sought their views on the draft annual report of the Audit and Governance Committee for the year ended 6 March 2019, prior to submission to Full Council.

Resolved: That Members agree the Annual Report of the Audit and Governance Committee prior to its submission to Full Council.

Reason: To enable the Committee to fulfil its role in providing assurance about the adequacy of the Council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

Councillor Pavlovic, Chair

[The meeting started at 5.30 pm and finished at 7.55 pm].

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Audit & Governance Committee

29 July 2019

Report of the Deputy Chief Executive / Director of Customer & Business Support Services

Mazars Audit Completion Report**Summary**

1. The paper attached at Annex A is the Audit Completion Report from Mazars and communicates their findings of the audit to date for the year ended 31 March 2019.

Background and Analysis

2. The report covers:
 - a. Details of any significant findings from the audit
 - b. Details of any internal control recommendations
 - c. A summary of minor misstatements and other amendments
 - d. Details of the value for money assessment and conclusion.

Options

3. Not applicable.

Corporate Priorities

4. The report contributes to the overall effectiveness of the Council's governance and assurance arrangements.

Implications

5. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

Risk Management

6. The Council will fail to comply with legislative and best practice requirements to provide for a proper audit of the Council if it does not consider this report.

Recommendations

7. Members are asked to note the matters set out in the Audit Completion Report presented by the external auditor

Reason: To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

Contact Details

Author:	Chief Officer responsible for the report:			
Emma Audrain Technical Accountant 01904 551170	Ian Floyd Deputy Chief Executive / Director of Customer & Business Support Services			
Debbie Mitchell Finance & Procurement Manager 01904 554161	Report Approved	✓	Date	19 July 2019
Wards Affected: All				
For further information please contact the author of the report				

Background Papers:

None

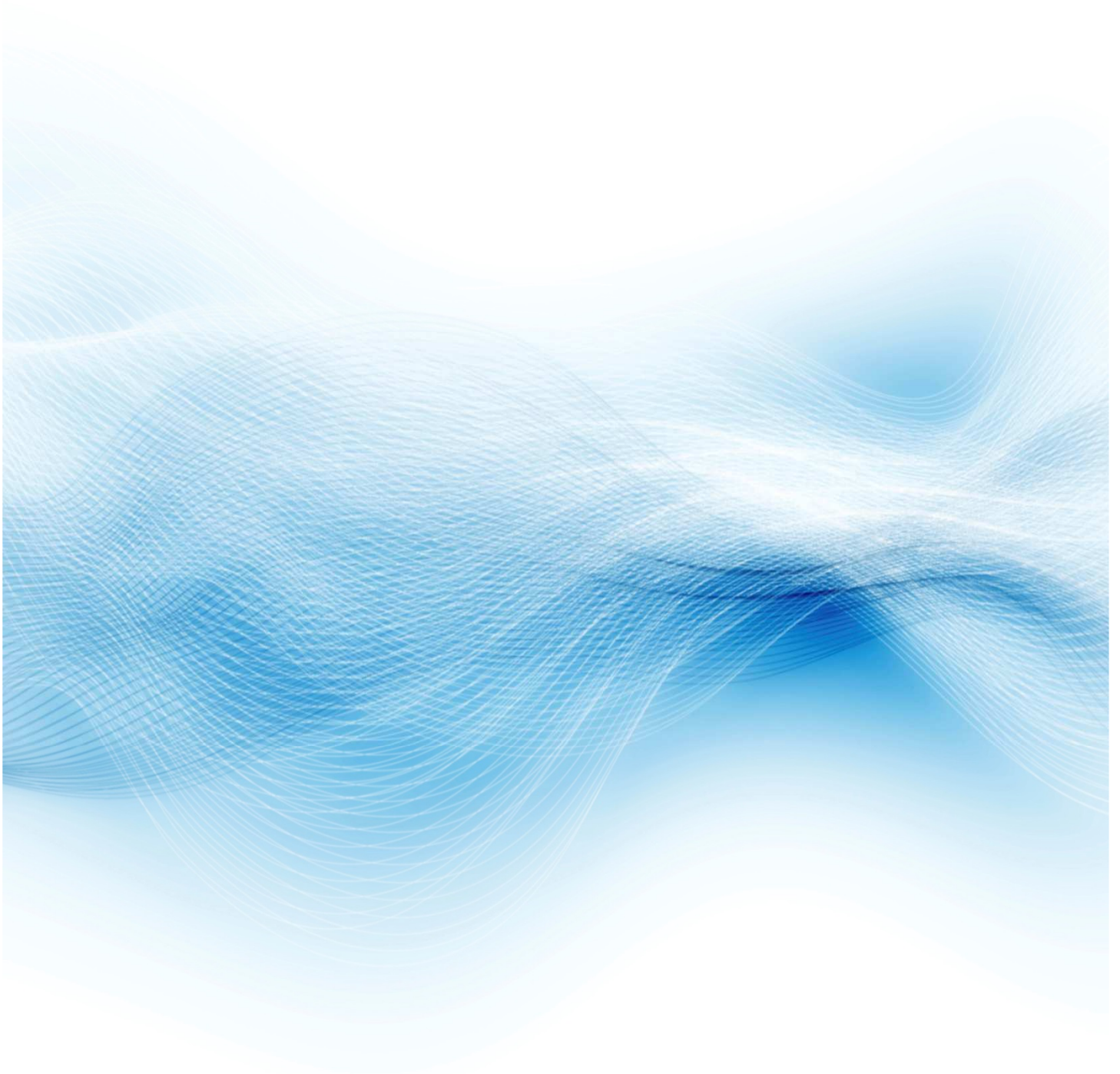
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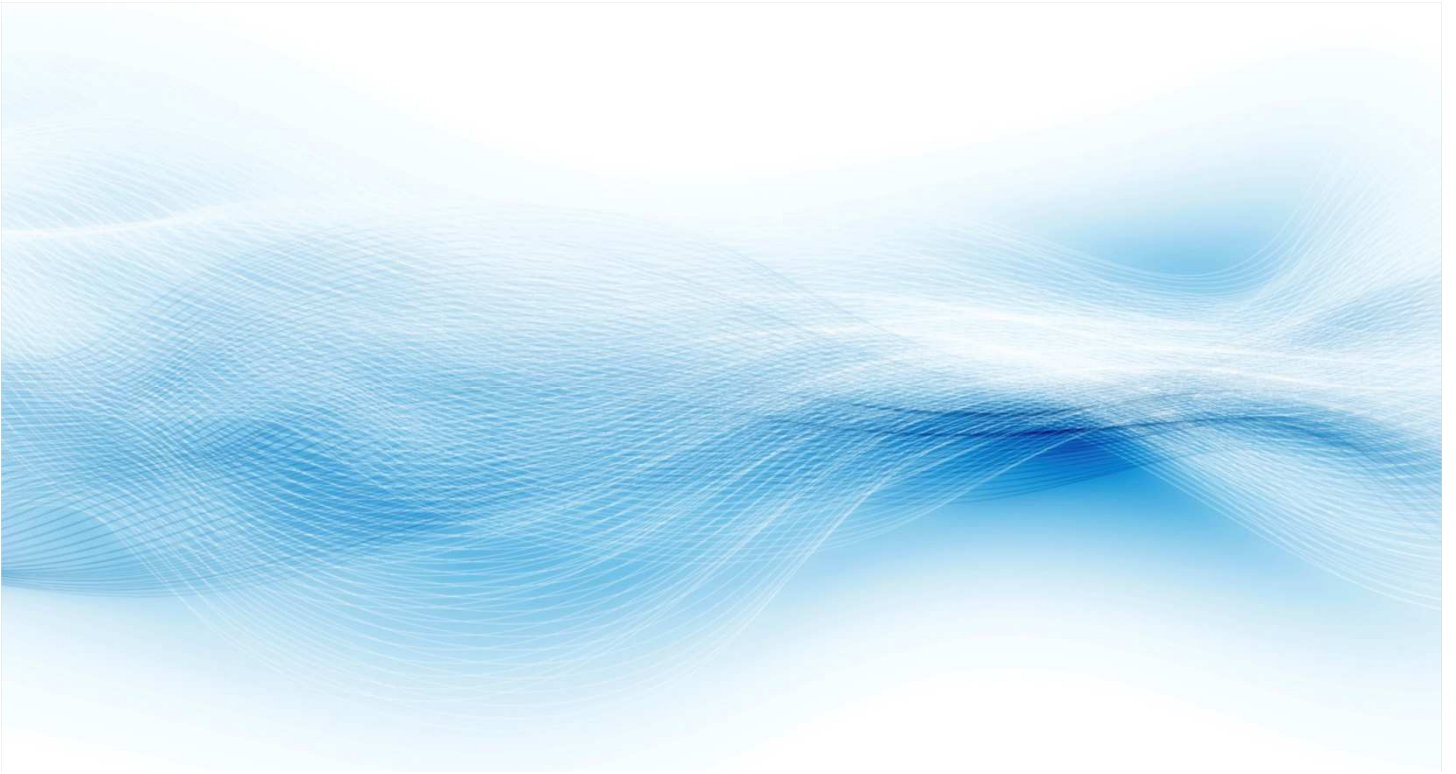
Annex A – Mazars Audit Completion Report



Audit Completion Report

City of York Council
Year ending 31 March 2019





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2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence and fees

Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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19 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 6 February 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 394 5315.

Yours faithfully

Mark Kirkham
Mazars LLP

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VAT number: 839 8356 73



1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of City of York Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit and Governance Committee meeting on 29 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of control;
- property, plant and equipment valuation; and
- valuation of the net pension liability.

Status of our work

As we outline on the following page, at the time of issuing this report our work remains in progress. Subject to the satisfactory completion of the outstanding work, and based on the areas of our work completed to date, we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including our proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We do not anticipate having any adverse matters to report in our WGA Assurance Statement to the NAO.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no objections in respect of the 2018/19 statement of accounts.

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1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and value for money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Property, Plant and Equipment (including Investment Property)	●	Our work on rights and obligations and physically verifying the existence of a sample of assets remains in progress.
Pensions	●	Our work in relation to the potential late amendment to the estimate of the pension liability arising from recent court decisions in relation to Guaranteed Minimum Pensions (GMP) equalisation and the McCloud judgment. An updated IAS19 report is expected from the actuary on the 19 July 2019. We are also awaiting responses to our queries from the auditor of the North Yorkshire Pension Fund.
Heritage Assets	●	Our work on rights and obligations and physically verifying the existence of a sample of assets remains in progress.
Housing Revenue Account	●	We have raised a small number of queries with management.
Financial Instruments	●	Our work on Financial Instruments remains in progress.
Non material notes to the financial statements	●	Our work on non material notes included in the statement of accounts remains in progress.
Whole of government accounts (WGA)	●	Completion of audit procedures supporting the WGA return to the NAO.
Final versions of the Annual Governance Statement (AGS) and amended financial statements	●	Review of the final version of the AGS and amended financial statements.
Post balance sheet events	●	Review of post balance sheet events up to the point at which we sign our audit report.
Review and closure procedures	●	Completion of audit closure procedures and final manager and partner review.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

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1. EXECUTIVE SUMMARY

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £8m using a benchmark of circa 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £8m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee, at £240k based on 3% of overall materiality).

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Governance Committee in a follow-up letter.

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2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	<p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p>Our audit methodology incorporates this risk as a standard significant risk at all audits. Based on our cumulative knowledge and planning discussions, we do not consider this risk at the Council to be unusually high or require enhanced audit procedures.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates impacting on amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>Subject to completion of the outstanding matters on page 4, there are no matters arising from our work on management override of controls.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Property, plant and equipment valuation	<p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE because of the significant judgements and number of variables involved in providing valuations.</p> <p>In addition, as a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>
	<p>How we addressed this risk</p>
	<p>We considered the Council's arrangements for ensuring that PPE values are materiality fairly stated and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's in-house valuer.</p> <p>We reviewed the scope and terms of the engagement with the Council's in-house valuer and how management used the valuers report to value land and buildings in the financial statements. We also assessed the competence, skills and experience of the Council's valuer;</p> <p>In relation to the assets which have been revalued during 2018/19, we reviewed the valuation methodology used, including testing the underlying data and assumptions. We compared the valuation output with market intelligence provided by Gerald Eve, our expert and consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations.</p> <p>We also reviewed the approach that the Council adopted to address the risk that assets not subject to valuation in 2018/19 are materially misstated and considered the robustness of that approach in light of the valuation information reported by the Council's in-house valuers. In addition, we considered movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p>
	<p>Audit conclusion</p>
	<p>Subject to completion of the outstanding work highlighted on page 4, our work has provided the assurance we sought and has not identified any matters to report in relation to property, plan and equipment valuation.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation	<p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the North Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>
	<p>How we addressed this risk</p> <p>We reviewed the controls that the Council has in place over the information sent to the Scheme Actuary, including the Council's process and controls with respect to the assumptions used in the valuation. We also:</p> <ul style="list-style-type: none"> • evaluated the competency, objectivity and independence of the scheme Actuary, AON Hewitt; • liaised with the auditors of the North Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and • agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the financial statements.
	<p>Audit conclusion</p> <p>Subject to completion of the outstanding work highlighted on page 4, our work has provided the assurance we sought in each of these areas and has not highlighted any indication of material estimation error in respect of the defined benefit liability valuation.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Significant matters discussed with management

There were no significant matters discussed with management that we need to specifically report to the Audit and Governance Committee.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Draft accounts were received from the Council on 31 May 2019, in line with the statutory deadline, and the accounts were of a good quality. We will debrief with the Finance Team to share views on the final accounts audit. We would like to thank the Finance Team for the quality of their supporting working papers and for being available throughout the audit visit to answer our queries in a prompt and timely manner. This co-operation has allowed the audit to progress smoothly and to complete within the allocated timeframe.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	none
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Deficiencies in internal control – Level 2

Description of deficiency

The Council's password policy does not comply with current best practice in the following instances:

- Password complexity: characters and numbers, 8 positions;
- User account blocked after failed attempts;
- Initial password is randomly generated (not always the same trivial password);
- Password history (a previous password cannot be used again); and

Further, password parameters set within the Council's systems (Active Directory, Civica and iTrent) do not align with the Council's password policy.

Potential effects

Passwords are not sufficiently complex reducing the level of access security of critical business systems.

Recommendation

- a) The Council should review its password policy to ensure it is in line with best practice and addresses the deficiencies highlighted above.
- b) The Council should ensure that the password parameters for the critical business systems highlighted above reflect the Council's password policy.

Management response

We are currently reviewing our password policy to ensure compliance with the National Cyber Security Centre guidance on passwords which has recently changed. The new guidance is that passwords should not be complex and should not be changed unless suspected of compromise. These changes are suggested to make password management for end users easier as complexity and constant change encourage users to find work arounds such as writing them down insecurely. It is also suggested that passwords are not locked out until between 5 and 10 incorrect attempts. This is all on the basis that the security at the network perimeter is what we should be concentrating on to stop anyone getting in. We do use, and will continue to use, two factor authentication for any access from outside the network.

We will carry out a password review of all critical systems as part of the overall password review and make amendments as required to ensure that all passwords align to the corporate password policy

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £240k. The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second section outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2018/19

We are pleased to report that there were no unadjusted audit differences.

Adjusted misstatements 2018/19

We are pleased to report that there were no audit differences with a material impact on the financial statements. During the course of the audit we did however identify a small number of audit differences to disclosure notes which are detailed below. All have been adjusted for in the final version of the financial statements.

Page 38, Note 7 Adjustments between Accounting Basis and Funding Basis Under Regulations – Pension Reserve - to ensure the figures are disclosed net rather than gross, the 'Employers contributions to pension funds and direct payments to pensioners payable in year' & 'Reversal of items relating to retirement benefits debited or credited to the CIES' required reducing by £20,473k.

Page 52, Note 16 Financial Instruments – due to an error in the PFI working paper for Allerton Park, the current and non-current PFI liabilities required restating from £315k to £653k and £47,019 to £46,681k respectively. The current and non-current PFI liabilities for schools also required restating from £0k to £356k and £6,511k to £6,155k respectively as the full liability had incorrectly been disclosed as non-current.

Page 61, Note 19 Debtors – sample audit testing (extended to cover the whole population) identified £1,369k of prepayments that require reclassifying from trade receivables to prepayments. The total debtors figure remains the same within this disclosure note.

Page 70, Note 27 Cash Flow Statement – Operating activities – linked to the above amendment to Note 7, to ensure consistency with notes elsewhere in the financial statements and to correctly show figures net (rather than gross), the 'Net Charge to the CIES' and 'Employers contributions to pension funds and direct payments to pensioners' have both been reduced by £20,473k. Prior year figures also required adjusting on a similar basis (by £21,176k).

Page 71, Note 28 Cash Flow Statement – Investing activities – to ensure consistency with notes elsewhere in the financial statements, £1,269k of payments from investment activities required inclusion within the 'purchase of short and long term investments' figure within this disclosure note.

Page 71, Note 29 Cash Flow Statement – Financing activities – to ensure consistency with notes elsewhere in the financial statements, 'other payments for financing activities' required reducing to nil (from £1,805k). An associated amendment was also required to '(increase) / decrease in creditors' within Note 27

Page 75, Note 37 Officers' Remuneration – the 'Employer's Contribution to Pension' figure for the Corporate Director Health, Housing and Adult Social Care required amendment from £2,538 to £3,584. In addition, a narrative note has been added to the foot of the prior year tables to detail a minor prior year restatement.

Page 78, Note 38 External Audit Costs – to ensure compliance with the code, the note has been simplified with all fees other than the fee in respect of statutory functions included within one line ('other services') with a narrative description providing the detail below the table.

Page 89, Note 44 PFI and Similar Contracts – to ensure compliance with the Code, additional disclosures (in relation to the total value of PFI asset and liabilities) were required in relation to the Schools and Allerton Park PFIs.

Page 91, Note 48 Pension Schemes Accounted for as Defined Contribution Schemes – the disclosure of the Council's contributions in respect of teachers' retirement benefits required amendment from £3.059m to £4.878m.

In addition to the above, we identified a small number of minor presentational issues during our audit and these have all been amended by the Authority.



5. VALUE FOR MONEY (VFM) CONCLUSION

Our approach

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making ;
- sustainable resource deployment; and
- working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Council has a Constitution in place which provides the framework within which the Executive takes decisions in exercise of Council functions. Decisions are supported by reports that outline options and relevant considerations.</p> <p>The senior management structure (including the Corporate Management Team and Corporate Leadership Group) is periodically refreshed to ensure it remains appropriate to respond to the Council's future plans and challenges.</p> <p>The Council has adopted a formal system of risk management and maintains both corporate and directorate risk registers which identify actions required to mitigate the identified risks.</p> <p>The Council uses corporate and directorate service level performance measures to report and manage service delivery. The quarterly financial and performance monitoring reports and associated outturn reports, present to the Executive the current and forecast position on performance and finance in relation to the Council's activities - supporting effective decision making.</p> <p>A set of corporate indicators is in place that focuses on key Council priorities. Performance is monitored through Directorate Management Teams, Corporate Leadership Group and Corporate Management Team with reporting to the Executive and full Council.</p> <p>The Audit and Governance Committee provides oversight of the Council's governance framework.</p> <p>The Council's internal auditor carries out an independent review of the effectiveness of the system of internal control including governance, risk management and the wider control environment operating within the Council. In 2018/19 the annual head of internal audit opinion again provided 'substantial assurance'.</p>	Yes

5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Council continues to make good progress in addressing the financial challenges it faces and has a proven track record of strong budget management and delivering planned budget reductions. The Council has monitoring and reporting arrangements in place and operational to quickly identify and tackle emerging financial issues and / or to develop compensating savings.</p> <p>The Council delivered financial outturn for 2018/19 £801k better than originally planned achieving a small budget underspend of £0.15m along with £648k of unallocated contingency. In addition, the Council successfully delivered recurrent savings of £4.9m.</p> <p>A balanced budget has been set for 2019/20 and good progress has been made in managing financial risks and identifying savings within directorates.</p> <p>A medium term financial plan (MTFP) highlighting key financial risks and pressures is updated annually and fully refreshed every four years.</p> <p>The budget and MTFP recognise the service demand pressures for adult and children's services with additional resources made available in these areas short term and a recognition that some of the more transformational savings plans will require a longer delivery period.</p> <p>The MTFP for 2019/20 to 2023/24 recognises the uncertainty around the 2019 spending review, as well as reforms to the business rates arrangements. It identifies a total funding gap from 2020/21 to 2024/25 of £18.6m and early work is underway to identify savings plans within directorates and across the Council. Developing a strong economy is seen as a key priority to maximise Council Tax and Business Rate income and help to bridge the gap between anticipated spending requirements and available resources.</p>	Yes
Working with partners and other third parties	<p>The Council continues to work with partners and other third parties to explore scope for alternative delivery models with some already in place and others being considered.</p> <p>The Council is an active member of a number of strategic delivery partnerships. Through the Health and Wellbeing Board, for example, the Council is working with local partners to create a strategic health and care economy that supports people to be healthy, well and independent. This includes a Joint Health and Wellbeing Strategy and a Mental Health Strategy.</p> <p>The Council has a Better Care Fund arrangement in place with the Vale of York Clinical Commissioning Group. This promotes the integration of health and social care and the development of transformational projects through the use of pooled budgets and integrated spending plans.</p> <p>In terms of arrangements to support effective procurement, the Council has an up to date Procurement Strategy and procurement procedures in place. The Council maintains a contracts register and seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services. The Council has a corporate procurement team to oversee procurement and along with other authorities in the area, the Council makes use of the Yortender system for the management of key procurements.</p>	Yes

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk. The work we carried out in relation to the significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p>Financial sustainability</p> <p>The Council's medium term financial plan (MTFP) sets out the financial challenges the Council faces in the medium term. The mid-year financial position for 2018/19 indicates that the Council is forecasting delivery of a balanced budget for the year. There are, however, financial pressures within Adult Social Care and Children's services such that delivering a balanced budget is likely to require the use of contingencies and non-recurrent income. Whilst this is consistent with the MTFP, this use of one-off resources to support service delivery is indicative of the financial pressures faced by the Council.</p> <p>The continuing challenges the Council faces are not new and are not unique to the City of York Council. The challenges do, however, present a significant audit risk for our consideration of the arrangements in place to manage demand in your key service areas and deliver financial sustainability.</p>	<p>Building on our work in previous years, we reviewed the arrangements the Council has in place for ensuring financial resilience. Specifically, our work included reviewing:</p> <ul style="list-style-type: none"> the Council's MTFP to ensure it takes into consideration factors such as the latest income projections, funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors; and the arrangements in place to monitor progress in delivering a balanced budget for 2018/19 and the related savings plans. 	<p>The Council has revised its MTFP for 2019/20 to 2023/24 to reflect changes in priorities agreed by the new Council Members and the financial challenges it continues to face. This is based on income, funding, pay and non-pay assumptions and recognises the risks associated with these assumptions.</p> <p>A balanced budget has been set for 2019/20 with a £4m savings target consistent with the MTFP.</p> <p>The MTFP and balanced budget for 2019/20 have been subject to scrutiny and challenge via established governance and reporting arrangements within the Council.</p> <p>Arrangements for monitoring progress in delivering a balanced budget and related savings plans have ensured that the 2018/19 budget was met, with a small underspend and unused contingency rolled forward to 2019/20. As with many other councils, demand led challenges remain in Children's and Adult Social Care services. The 2019/20 budget and MTFP recognise this, and additional resources have been allocated to these areas.</p> <p>It is noted that the Council has a good track record of achieving its financial plans and the required savings. For 2017/18 and 2018/19 the Council secured the planned savings overall.</p> <p>There are no matters which give rise to VFM reporting issues for 2018/19.</p>

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mr M Kirkham
 Mazars LLP
 5th Floor
 3 Wellington Place
 Leeds
 LS1 4AP

XX July 2019

Dear Mark

City of York Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of City of York Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- 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 material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within City of York Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on City of York Council's financial position, financial performance and cash flows.

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Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by City of York Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against City of York Council have been brought to your attention. 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 Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting City of York Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting City of York Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of City of York Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

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Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that City of York Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Director of Customer and Corporate Services (s151 Officer)

Date.....



APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of City of York Council

Report on the financial statements

Opinion

We have audited the financial statements of City of York Council ('the Council' for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of City of York Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Customer and Corporate Services's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Customer and Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Customer and Corporate Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Responsibilities of the Director of Customer and Corporate Services for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Customer and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Customer and Corporate Services is also responsible for such internal control as the Director of Customer and Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Customer and Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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. The Director of Customer and Corporate Services is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on City of York Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, City of York Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

We are required under section 20(1)(c) of 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. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. 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.

Use of the audit report

This report is made solely to the members of City of York Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of City of York Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham
For and on behalf of Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4 AP

XX July 2019

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APPENDIX C INDEPENDENCE AND FEES

Auditor independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Audit & non-audit fees

We reported our expected audit fees in our Audit Strategy Memorandum. Below we report the audit and non-audit fees at this, our Audit Completion phase.

Audit fees	2018/19 (actual)	2018/19 (planning)
Code audit work	£78,237	£78,237
Housing benefit subsidy certification	£11,500*	£11,500
Teachers' Pension return	£5,000*	£5,000

* Our work on the Housing Benefit Subsidy Claim and Teachers Pension return is not yet completed and consequently the final fee quoted above is still on an estimated basis.

Executive summary

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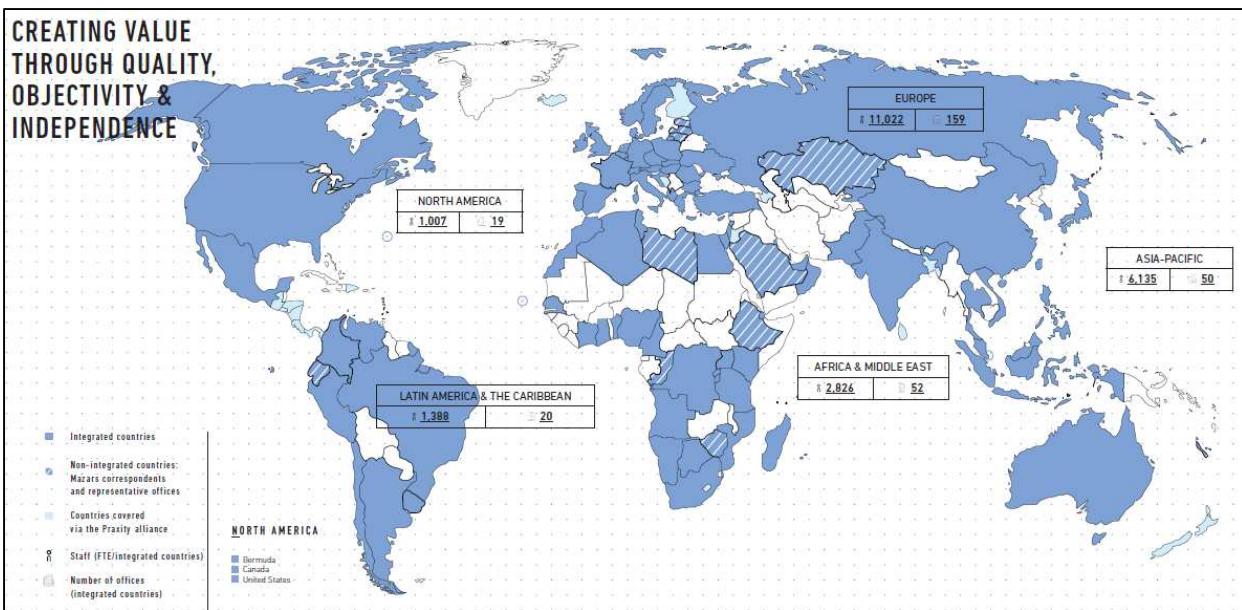
Appendices

MAZARS AT A GLANCE

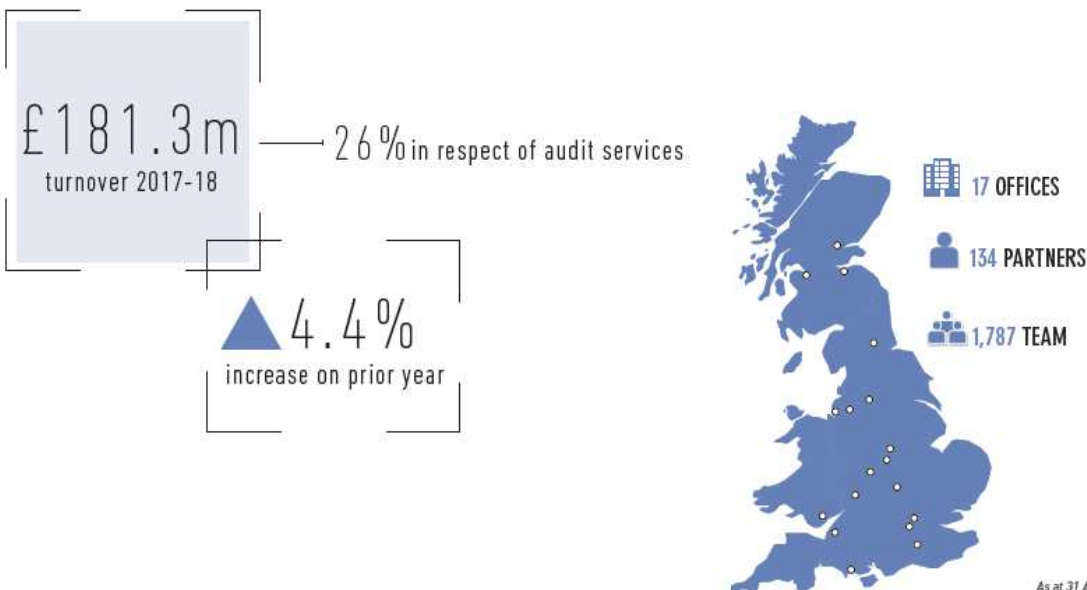
Mazars LLP

- Fee income €1.6 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally



Mazars in the UK



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Audit & Governance Committee

29 July 2019

Report of the Deputy Chief Executive / Director of Customer & Corporate Services

Annual Financial Report - Statement of Accounts 2018/19**Summary**

1. This report presents a final set of accounts for 2018/19 to reflect changes made since the draft pre-audit accounts were presented to this committee on 19 June 2019.

Recommendations

2. Members are asked to
 - (a) Note the matters set out in the Audit Completion Report presented by the external auditor in the previous agenda item and summarised in this report.

Reason

To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

- (b) Approve the amended Annual Financial Report at Annex A for signature by the chair from a resolution of this Committee in accordance with the Accounts and Audit Regulations 2015.

Reason

To ensure compliance with the International Auditing Standards and other relevant legislative requirements.

Background

3. The International Standard on Auditing (ISA) 260 requires the Council's External Auditor to report to those charged with governance any issues arising from the audit of the financial statements. It is also a statutory

requirement that the Council approves the final statement of accounts after the audit and by 31st July each year.

Analysis

4. The accounts attached at Annex A have been revised since the unaudited version was reported to the Audit & Governance Committee meeting in June 2019. A number of minor amendments have been made to the text and supporting information, mostly to try and improve the information contained within the accounts.
5. The main change that has arisen since the June committee is a national issue on public sector pensions. Within the draft accounts a contingent liability had been identified for the McCloud judgement. This outlined that a recent court of appeal hearing had determined that the transitional protection arrangements put in place when the fire fighters' and judges' pension schemes were reformed were age discriminatory and this ruling potentially had implications for all public sector pension schemes which were reformed around the same time. This was identified as a contingent liability because the Government had applied to the Supreme Court for permission to appeal this judgement and therefore the outcome was, at that time, uncertain.
6. On 27th June it was announced that the Government's application for leave to appeal had been denied. It should be noted that this does not remove all the uncertainty since we do not yet know what the remedy will be to compensate for the illegal age discrimination.
7. In light of the announcement made on the 27th June, the pension fund actuary was asked to re-calculate the council's pension liability. At the time of writing, this information has not yet been received and a verbal update will be provided at the meeting. Whilst we anticipate that the future pension liability will increase, this has no impact on the 2018/19 outturn and no impact on the council tax payer. This is because it is an estimate of future liability and therefore a technical accounting adjustment. We are simply amending the future liability figure in light of recent announcements.
8. There been no other substantive changes made to any of the core statements. All the changes made have been highlighted in the accounts attached at Annex A.

9. It should also be noted that these changes have no impact on the outturn position of the council as all the changes made are minor clarifications and technical accounting adjustments.
10. The Audit Completion Report highlights the auditor's view that the Council has made proper arrangements to secure economy, efficiency and effectiveness in our use of resources. It is anticipated both the final accounts and the Value for Money assessment will be signed off without qualification.
11. The details of all the changes made are included in appendix A of the Audit Completion Report. The 2018/19 audit is now substantially complete, and Mazars summarise their review of the accounts in their Audit Completion Report which is presented separately on the agenda for this meeting.
12. The accounts were available for public inspection between the 3rd June and 12th July. There were a number of queries from several residents during this period. The main queries received related to asset disposals, travel costs and the level of reserves held.
13. The annual production of the accounts is the subject of a continuous review and, as usual, areas for improvement will be identified as a result of any issues identified this year. Any subsequent items identified in the last few days of the audit work will be reported verbally at the meeting.

Consultation

14. The content of the report of the external auditor has been discussed with the relevant responsible officers. It is reported here for due consultation with those members charged with governance at the council.

Options

15. Not applicable.

Corporate Priorities

16. The Annual Financial Report provides a technical financial summary of the activities of the council and assists in providing the Council with a viable financial position on which to base future budget projections, as well as contributing to the overall effectiveness of the Council's governance and assurance arrangements.

Implications

17. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

Risk Management

18. Areas of risk identified throughout the annual accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met.
19. The Council will fail to comply with legislative and best practice requirements to provide for a proper audit of the Council if it does not consider this report or approve and sign the Annual Financial Report.

Authors:	Chief Officer responsible for the report:			
Debbie Mitchell Finance & Procurement Manager 01904 554161	Ian Floyd Director of Customer & Corporate Services / Deputy Chief Executive			
Emma Audrain Technical Accountant 01904 551170	Report Approved	✓	Date	19 July 2019
Wards Affected: All				
For further information please contact the author of the report				

Background Papers:

Audit & Governance Committee 19 June 2019 – Pre Audit Statement of Accounts 2018/19

Annex:

Annex A Final Statement of Accounts 2018/19 [To follow]



Audit & Governance Committee

29 July 2019

Report of the Deputy Chief Executive/Director of Customer & Corporate Services

Audit & Governance Committee Forward Plan to June 2020**Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to June 2020.

Background

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an annex is the indicative rolling forward plan for meetings up to June 2020. This may be subject to change depending on key internal control and governance developments at the time. A rolling forward plan of the Committee will be reported at every meeting reflecting any known changes.
3. Two amendments have been made to the forward plan since the last version was presented to the Committee in June. The review of the effectiveness of the Audit & Governance Committee has been deferred until September given the number of new Members of the Committee.
4. The review of the constitution has also been deferred until the next meeting in September. This is to allow time for Executive to meet to discuss and agree the parameters of the review. An update will then be brought to Audit & Governance Committee in September to allow members to discuss how the Committee can be involved.

Consultation

5. The forward plan is subject to discussion by members at each meeting, has been discussed with the Chair of the Committee and key corporate officers.

Options

6. Not relevant for the purpose of the report.

Analysis

7. Not relevant for the purpose of the report.

Council Plan

8. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

Implications

9.
 - (a) **Financial** - There are no implications
 - (b) **Human Resources (HR)** - There are no implications
 - (c) **Equalities** - There are no implications
 - (d) **Legal** - There are no implications
 - (e) **Crime and Disorder** - There are no implications
 - (f) **Information Technology (IT)** - There are no implications
 - (g) **Property** - There are no implications

Risk Management

10. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control environment and governance arrangements, and it will also fail to properly comply with legislative and best practice requirements.

Recommendations

11.

- (a) The Committee’s forward plan for the period up to June 2020 be noted.

Reason

To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.

- (b) Members identify any further items they wish to add to the Forward Plan.

Reason

To ensure the Committee can seek assurances on any aspect of the council’s internal control environment in accordance with its roles and responsibilities.

Contact Details

Author:

Emma Audrain
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Corporate Services
Telephone: 01904 551170

Chief Officer Responsible for the report:

Ian Floyd
Deputy Chief Executive/Director of
Customer & Corporate Services
Telephone: 01904 551100

**Report
Approved**



Date 19 July 2019

Specialist Implications Officers

None

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annex
Audit & Governance Committee Forward Plan to June 2020

Audit & Governance Committee Draft Forward Plan to June 2020

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

Item	Lead officers	Other contributing Organisations	Scope
Committee September 2019			
Mazars Annual Audit Letter	<u>Mazars</u> – Mark Kirkham, Mark Dalton		Report from the Councils external auditors setting out the findings of the 2018/19 Audit.
Key Corporate Risks Monitor 2	<u>CYC</u> Sarah Kirby		KCR 7 - Failure to deliver the Capital Programme, which includes high profile projects.
Internal Audit Follow up of Audit Recommendations Report	<u>Veritau</u> – Max Thomas/ Richard Smith		This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work
Internal Audit & Fraud Plan Progress Report	<u>Veritau</u> – <u>Max Thomas/</u> <u>Richard Smith</u>		An update on progress made in delivering the internal audit work plan for 2019/20 and on current counter fraud activity
Review of the effectiveness of the Audit & Governance Committee	<u>Veritau</u> – Max Thomas/ Richard Smith		Review of the effectiveness of committee - committee to determine approach.
Review of the Constitution	<u>CYC</u> Suzanne Harrington		Update on the review of the Council's constitution
Information Governance & Complaints	<u>Veritau</u> – <u>Max Thomas/</u> <u>Richard Smith</u>		To provide Members with an update on current information governance issues.

Committee December 2019			
Key Corporate Risks Monitor 3	<u>CYC</u> Sarah Kirby		. Update on Key Corporate Risks (KCRs) including: KCR 8 - LOCAL PLAN: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding
Mazars Audit Progress Report	<u>Mazars</u> – Mark Dalton/ Mark Kirkham		To present a report summarising the outcome of the 2018/19 audit and work on the value for money conclusion.
Treasury Management Mid year review 19/20 and review of prudential indicators	<u>CYC</u> Debbie Mitchell		To provide an update on treasury management activity for the first six months of 2019/20
Internal Audit & Fraud progress report	<u>Veritau</u> – Max Thomas/ Richard Smith		An update on progress made in delivering the internal audit work plan for 2019/20 and on current counter fraud activity
Information Governance & Complaints	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.
Committee February 2020			
Scrutiny of the Treasury Management strategy statement and Prudential indicators	<u>CYC</u> Debbie Mitchell		To provide an update on treasury management activity for the first six months of 2018/19
Mazars Audit Progress Report	<u>Mazars</u> – Mark Dalton/ Mark Kirkham		To present a report summarising the outcome of the 2017/18 audit and work on the value for money conclusion.
Counter Fraud: Risk Assessment & Review of policies	<u>Veritau</u> – Max Thomas/ Richard Smith		An update to the committee on counter fraud arrangements and action taken as part of the counter fraud strategy. To include a review of the fraud risk assessment and any updates to the counter fraud strategy and policy.
Audit & Counter Fraud Plan & Consultation	<u>Veritau</u> – Max Thomas/		Consultation with the committee on its priorities for internal audit and counter fraud work for 2019/20.

	<u>Richard Smith</u>		
Information Governance & Complaints	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.
Committee April 2020			
Key Corporate Risks Monitor 4	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR 9 - COMMUNITIES: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services
Mazars Audit Progress Report	<u>Mazars</u> – Mark Kirkham, Mark Dalton		To present a report summarising the outcome of the 2018/19 audit and work on the value for money conclusion.
Internal Audit Follow up of Audit Recommendations Report	<u>Veritau</u> – <u>Max Thomas/</u> <u>Richard Smith</u>		This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work
Internal Audit & Fraud Plan Progress Report	<u>Veritau</u> – <u>Max Thomas/</u> <u>Richard Smith</u>		An update on progress made in delivering the internal audit work plan for 2018/19 and on current counter fraud activity
Approval of Internal Audit Plan	<u>Veritau</u> – <u>Max Thomas/</u> <u>Richard Smith</u>		
Information Governance & Complaints	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.
Committee June 2020			
Draft Statement of Accounts incl. Annual Governance Statement	<u>CYC</u> Emma Audrain/ Debbie Mitchell		To present the draft Statement of Accounts to the Committee prior to the 2018/19 Audit including the Annual Governance Statement
Annual Report of the Audit & Governance Committee	<u>CYC</u> Emma Audrain/ Debbie Mitchell		To seek Members' views on the draft annual report of the Audit and Governance Committee for the year ended March 2020, prior to its submission to Full Council.

Treasury Management Outturn Report	<u>CYC</u> Emma Audrain/ Debbie Mitchell		To provide Members with an update on the Treasury Management Outturn position for 2018/19.
Key Corporate Risks Monitor 1	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR 10
Mazars Audit Progress Report	<u>Mazars</u> – Mark Kirkham, Mark Dalton		Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Annual Report of the Head of Internal Audit	<u>Veritau</u> – <u>Max Thomas</u> / <u>Richard Smith</u>		This report will summarise the outcome of audit and counter fraud work undertaken in 2018/19 and provide an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control
Other Items to be brought to the Committee - date			