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24 September 2014

Dear Mr Floyd

Update to our Audit Completion Report

I am writing to update matters included within our Audit Completion Report provided to you on 16 September 2014.

Assurances from the Pension Fund auditor

We have now received a letter of assurance from Deloitte, the Pension Fund auditor.

Matter outstanding from Audit Completion Report	Conclusion reached
<p>We have not yet received and reviewed the required assurance from the auditors of North Yorkshire Pension Fund (Deloitte LLP) over IAS 19 (pensions) related entries in the financial statements.</p>	<p>We received a letter from Deloitte on 18 September 2014. This provided us with the assurance we sought for our audit. Their work did identify an issue which we need to report to you.</p> <p>Deloitte have highlighted the fact that an overstatement of £6 million was identified between the extrapolated value of assets shown in the IAS 19 reports from the actuary and the actual value of the pension fund assets at 31 March 2014. This was calculated using a total scheme membership of 78,659 members as at 31 March 2014. For City of York Council the share of this difference equates to £962k.</p> <p>In addition, year end testing by Deloitte LLP showed that the actual value of pension fund assets at 31 March 2014 was overstated by £5.3 million. The effect of this would be to increase the overstatement of the Council's share of pension fund assets. The cumulative impact of these overstatements is not material and the Council has decided not to adjust its accounts in relation to these issues.</p>

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This impacts on the letter of representation we require from you.

I would be grateful if you could include this or similar wording in the Appendix to your letter of representation which records unadjusted misstatements:

The auditor of North Yorkshire Pension Fund (Deloitte LLP), highlighted an overstatement of £6 million between the extrapolated value of assets shown in the IAS 19 reports from the actuary and the actual value of the pension fund assets at 31 March 2014. This was calculated using a total scheme membership of 78,659 members as at 31 March 2014. For City of York Council the share of this difference equates to £962k.

In addition, Deloitte LLP identified that the actual value of pension fund assets at 31 March 2014 was overstated by £5.3 million. The effect of this would be to increase the overstatement of the Council's share of pension fund assets.

The cumulative impact of these overstatements is not material and the Council has decided not to adjust its accounts in relation to these issues.

Correction to error in the Adjusted Misstatements table

The table on page 12 of our Audit Completion Report included an error in that the accounting entries to the Capital Adjustment Account and the Revaluation Reserve were transposed. This is corrected in the table below.

Adjusted misstatements 2013/14

	CIES		Balance Sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
1 Revaluation of Council Dwellings				
Dr. Property, Plant & Equipment				
- HRA (Upward Revaluations)			407	
Cr. Property, Plant & Equipment				
- HRA (Impairment & Depreciation)				10,376
Dr. Capital Adjustment Account			10,352	
Cr. Revaluation Reserve				383

Error in reflecting the revaluation of Council dwellings in the accounts. The correction of this led to a net reduction of £9,968k in Property, Plant & Equipment Values in the Balance Sheet with the opposite entries to the Revaluation Reserve and Capital Adjustment Account.

Amendment to wording of the Auditor's Report

The wording of our report has changed slightly, on page 25 of our Audit Completion Report. The section with the sub heading 'Certificate' will now read, as follows with the amended words highlighted in yellow:

"The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local electors. We are satisfied that these matters do not have a material effect on the financial statements **or on our VFM conclusion.**"

I would be grateful if this letter could be tabled at the meeting on 24 September 2014, and included in the official record of the Audit and Governance Committee for completeness.

If you wish to discuss these or any other points further then please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink that reads "Gareth Davies". The signature is written in a cursive, slightly slanted style.

Gareth Davies

Partner and Engagement Lead