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23 September 2015

Dear Mr Floyd

Update to our Audit Completion Report, 2014/15 Audit

I am writing to update matters included within our Audit Completion Report dated 10 September 2015 and included on the agenda of tonight’s Audit and Governance Committee.

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 this morning. 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>Year end testing by Deloitte showed that the actual value of pension fund assets at 31 March 2015 was understated by £5.9 million. We have calculated the Council’s share of this as £1.169m, based on the proportion of fund assets relating to the Council.</p> <p>This is below our calculated materiality level of £8.085m, and the Council has decided not to adjust its accounts in relation to this issue.</p>

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

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

Unadjusted misstatements 2014/15				
	CIES		Balance Sheet	
	Dr	Cr	Dr	Cr
	£000	£000	£000	£000
Dr Pension Asset				1,169
Cr Pension Liability			1,169	
This is the estimated reduced pension fund liability arising from an understatement of assets used to calculate pension assets and liabilities relating to the Council.				

I have attached a revised letter of representation as an Appendix to this letter, incorporating this revised wording. I draw your attention to the full list of unadjusted misstatements contained within this letter, and I note that the uncorrected misstatements are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

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 second paragraph of the section with the sub heading ‘Opinion on the Council financial statements’ will now have the following sentence added:

“To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council’s members as a body, for our audit work, for this report, or for the opinions we have formed.”

This revised wording will be reflected in the final report that we issue and in the version of the approved financial statements that is published by the Council.

It is still our expectation to issue our report on 30 September 2015.

I apologise for the short notice, but I would be grateful if this letter could be tabled at the meeting later today, 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



Gareth Davies

Partner and Engagement Lead

Appendix A – Draft management representation letter

City of York Council

23 September 2015

Dear Mr Davies

City of York Council - audit for year ended 31 March 2015

This representation letter is provided in connection with your audit of the statement of accounts for City of York Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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 statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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 statement of accounts 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 the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Customer and Business Support Services 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 affect 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 Cabinet / Executive and other 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at 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 the 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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 Director of Customer and Business Support Services 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 statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the 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 the Council's statement of accounts 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. A further impairment review is therefore not considered necessary.

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.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 the 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.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the statement of accounts as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Specific representation in relation to the bank reconciliation

I confirm that I have shared with you all information in relation to the bank reconciliation, and there is no additional information which has not disclosed to you which could indicate that the unreconciled difference of £219k could mask any further errors or uncertainties or any evidence of fraud or irregularity.

Yours faithfully

Ian Floyd
Director of Customer and Business Support Services

Appendix to letter of representation
Schedule of unadjusted misstatements

Unadjusted misstatements 2014/15					
		CIES		Balance Sheet	
		Dr	Cr	Dr	Cr
		£'000	£'000	£'000	£'000
1	Dr: Bank			1,761	
	Cr: Debtors				1,375
	Cr: Creditors / Receipts in Advance				386
<p>£1,761k was received in the bank account at the end of March 2015, but was not reflected in the accounts until April 2015. £1,375k of this income was accrued in Debtors as it was recognised as 2014/15 income that was expected to be received in 2015/16. The remaining amount was not accounted for in 2014/15 and relates to 2015/16 income. The entries to correct this error would be to recognise the cash in the bank, to reverse the debtor as the cash relating to 2014/15 was actually received in the year and transfer the amount relating to 2015/16 to receipts in advance so that it can then be recognised in the next financial year.</p>					
2	Dr: Equal Pay Provision			1,337	
	Cr: Equal Pay Earmarked Reserve				1,337
<p>The Council does not have any current equal pay claims made against it and also does not expect any to be made. This does not therefore meet the definition of a provision that there is a known liability that is more likely to materialise than not and a reliable estimate can be made. Officers are of the view that they still need resources to be set aside for this, but agree that it would be more appropriate to treat this as an earmarked reserve rather than a provision. The amendments to reflect this change will be made in the 2015/16 accounts.</p>					
3	Dr: Business Rates Provision (Long term provisions)			1,800	
	Cr: Business Rates Earmarked Reserves				1,800
<p>This element of the business rates provision is a general amount in case an unexpected liability arises and does not therefore meet the definition of a provision where there is a known liability that is more likely to materialise than not and a reliable estimate can be made. Officers agree that it would be more appropriate to treat this as an earmarked reserve rather than a provision. The amendments to reflect this change will be made in the 2015/16 accounts.</p>					
4	Dr: General Fund Balance			219	
	Cr: Bank				219
<p>This is technically below the triviality threshold, but the auditor has reported this because of the importance of the bank reconciliation as part of the Council's system of internal control. To correct this position would require a charge to the General Fund Balance. However, we are still investigating this issue and are seeking to fully reconcile the bank balance in future years.</p>					

Unadjusted misstatements 2014/15 (continued)

	CIES		Balance Sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
Dr Pension Asset				1,169
Cr Pension Liability			1,169	

This is the estimated reduced pension fund liability arising from an understatement of assets used to calculate pension assets and liabilities relating to the Council.