

Annual Governance Report

July 2006



# Annual governance report

**City of York Council**

**Audit 2005-2006**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports to the Authority**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

### **Copies of this report**

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## Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the Authority's Audit & Governance Committee is considered to fulfil the role of those charged with governance and references to the Audit Committee should be read as such.
- 2 We are also required by professional auditing standards to report to the Audit Committee certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the Authority for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principle purposes of the report are:
  - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Audit Committee;
  - to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
  - to provide the Audit Committee with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

## Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
  - the Authority's financial statements; and
  - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work. The results of our inspection work, and our separate grant claims' certification programme, will be reported in the Annual Audit & Inspection Letter by March 2007.

- 8** We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

## Key messages

### Financial statements

- 9 Our work on the financial statements is substantially complete, although there are still some outstanding issues to be resolved. In particular, our work on debtors and creditors balances, the collection fund and the housing revenue accounts has yet to be concluded. Should any further matters arise in concluding the outstanding work that require reporting, we will raise them with the Chair of this committee.
- 10 Subject to the satisfactory conclusion of the work outstanding, we anticipate being able to issue an unqualified opinion by 30 September 2006 (a draft report is attached at Appendix 5).

### Use of resources

- 11 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We anticipate being able to issue an unqualified conclusion on the use of resources by 30 September 2006 (a draft report is attached at Appendix 5).

## Financial statements

- 12 We are required to give an opinion on whether the Authority's financial statements present fairly the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

## Status of the audit

- 13 Our work on the financial statements is substantially complete. Should any further matters arise we will raise them with the Director of Resources and the Chair of Audit & Governance Committee.

## Matters to be reported to the Audit Committee

- 14 We have the following matters to draw to the Audit Committee's attention.

### Expected modifications to the auditor's report

- 15 On the basis of our audit work, subject to the satisfactory conclusion of any work outstanding reported above, we currently propose to issue an unqualified audit report. A draft audit report is attached at Appendix 5.

### Uncorrected misstatements

Finance staff have adjusted the financial statements for all the errors that we have identified, except for those that are 'clearly trivial' (as defined in professional auditing standards).

### Adjusted misstatements

- 16 To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material. Our audit has identified that there was one material error in the accounts presented for audit.
- 17 The valuation of the housing stock in the fixed assets balance, was overstated by £61M.
- 18 The council house valuations are required to be reduced by a regional adjustment factor to recognise their status as social housing. The factor is determined by a multiplier provided by the ODPM. With effect from 1 April 2005 the multiplier changed from 0.55 to 0.47. The valuation of the housing stock was calculated using the old multiplier and this overstated the value of the assets by £61M.
- 19 Our initial review of the draft financial statements, done before the accounts were approved, highlighted that this error may have occurred. A basic 'analytical review' technique showed that the asset value had increased, where our expectation was that they would have reduced, and we informed finance staff of this.

- 20 In future, this type of error could be avoided through a formal review of the draft accounts for all known changes in regulations and accounting requirements.

**Recommendation**

*R1 Introduce a formal, robust, review of the draft financial statements to provide assurance to the Director of Resources that the accounts presented for approval are free from material misstatement.*

**Qualitative aspects of accounting practices and financial reporting**

- 21 Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements.
- 22 We wish to report the following matter to you. The Authority has included £1.5M as a provision for the liability arising from equal pay claims. Evidence provided during our audit suggested that the liability could be at least £2.5M, although the latest equal pay offer matrices, which are being discussed with the unions, shows the estimated liability to be around £1.5M.

**Recommendations**

*R2 Monitor the settlement of the equal pay claims and outstanding liabilities, and if necessary make further provision at the end of 2006-07.*

**Material weaknesses in internal control identified during the audit**

- 23 Our audit identified the following weaknesses in systems of accounting and financial control which we should report to you:
- The year end bank reconciliation was finalised on 17th July 2006, three and a half months after the end of the financial year. This identified a discrepancy of £20K in the accounts, and while this is a trivial amount (as defined by auditing standards), it highlights the importance of carrying out a prompt bank reconciliation to identify and rectify any discrepancies on a timely basis. Because of its importance in the Authority's control environment, it is important that the bank reconciliation is completed on a timely basis.



- The Authority has £22.5M of fixed assets classified as Assets under Construction. Assets under Construction should include only those assets that have not been completed and 'brought into use' by 31 March 2006. The accounts reported that £12.3M of this balance related to expenditure incurred before 1 April 2005. Based on our audit work we conclude that:
    - £2.7M of this £12.3M had been misclassified, and should have been reported as Investment Properties. This arose because the fixed assets disclosed in the accounts had not been formally and comprehensively reconciled to the fixed asset register.
    - It is likely that most of the remaining £9.6M will relate to schemes that are complete, and the assets should not be classified as Assets under Construction. Officers should analyse the schemes included in Assets under Construction, and where these have been completed, the assets should be reclassified in the asset register and the accounts. This should be a systematic exercise to ensure that the classification of assets is kept up to date through the year.
- 24 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.

<b><i>Recommendations</i></b>
<i>R3 Complete the bank reconciliation on a timely basis after the end of the financial year.</i>
<i>R4 Reconcile the accounts to the fixed asset register.</i>
<i>R5 Analyse the Assets under Construction fixed asset balance, and when schemes are completed, reclassify the assets accordingly in the accounts.</i>

### **Matters specifically required by other auditing standards**

- 25 Other auditing standards require us to communicate with you in other specific circumstances including:
- where we suspect or detect fraud;
  - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
  - non-compliance with legislative or regulatory requirements and related authorities.

There are no matters that we wish to report to you.

### **Any other matters of governance interest**

- 26 Finally, we are required to report any other matters that we believe to be of governance interest. We report these matters in Table 1 below.

### Table 1 Other matters of governance interest

There are a number of other matters that we would like to bring to the attention of those charged with governance

Area	Auditor responsibility	Impact
Statement of internal control (SIC)	The auditor reviews the SIC for compliance with the requirements of proper practice as specified by CIPFA and consistency with other information from the audit of the financial statements.	Our review of the SIC confirms that it complies with proper practice and is consistent with other information from our audit.
Whole of Government Accounts' consolidation pack	The auditor is responsible for issuing a report on the consistency of the Authority's consolidation pack with the statutory financial statements.	We have yet to receive the Whole of Government Accounts consolidation pack from the Authority.

### Letter of representation

- 27 We obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The text of the required letter of representation is included at Appendix 6.
- 28 The International Standards on Auditing (UK & Ireland), with apply from this year's audit, require the letter of representation to be signed by 'those charged with governance' in addition to being signed by officers. Given the process for receiving this report, the letter should be signed by the Chair of the Audit & Governance Committee and the Director of Resources.

### Next steps

- 29 We are drawing these matters to the Audit & Governance Committee's attention so that:
- you can consider them before the financial statements are approved and certified;
  - the representation letter can be signed on behalf of the Authority and those charged with governance before we issue our opinion on the financial statements; and

## Use of resources

### Value for money conclusion

- 30 The Code requires us to issue reach a conclusion on whether we are satisfied that the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of your resources (the value for money conclusion). In meeting this responsibility, we will review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment. The use of resources assessment is a qualitative assessment of the effectiveness of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are; financial statements, financial management, financial standing, internal control and value for money.
- 31 Our work in relation to the value for money conclusion is substantially complete, and there are no matters which we wish to draw to the attention of the Audit Committee. We report in Table 2 the value for money conclusion against each of the twelve criteria, identifying the links with the other audit work.

**Table 2 Value for money conclusion**

We expect to issue an unqualified conclusion on the Authority's arrangements to secure value for money in the use of its resources

VFM conclusion criteria	Source of assurance	VFM conclusion (Pass/Fail)
1. The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Review of previous audit reports, plus an update for any known changes to arrangements.	Work still ongoing
2. The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Review of previous audit reports, plus an update for any known changes to arrangements.	Work still ongoing
3. The body has put in place arrangements for monitoring and scrutiny of performance,	Review of previous audit reports, plus an update for any known changes to	Work still ongoing

<b>VFM conclusion criteria</b>	<b>Source of assurance</b>	<b>VFM conclusion (Pass/Fail)</b>
to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	arrangements.	
4. The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Data quality audit - stage 1.	Pass *
5. The body has put in place arrangements to maintain a sound system of internal control.	Use of resources KLOE 4.2 - The organisation has arrangements in place to maintain a sound system of internal control.	Pass
6. The body has put in place arrangements to manage its significant business risks.	Use of resources KLOE 4.1 - The organisation manages its significant business risks.	Pass
7. The body has put in place arrangements to manage and improve value for money.	Use of resources KLOE 5.2 The organisation manages and improves value for money	Pass
8. The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Use of resources KLOE 2.1 - The organisation's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	Pass
9. The body has put in place arrangements to ensure that its spending matches its available resources.	Use of resources KLOE 3.1 - The organisation manages its spending within available resources.	Pass
10. The body has put in place arrangements for managing performance against budgets.	Use of resources KLOE 2.2 - The organisation manages performance against budgets.	Pass
11. The body has put in place arrangements for the	Use of resources KLOE 2.3 - The organisation manages	Pass

<b>VFM conclusion criteria</b>	<b>Source of assurance</b>	<b>VFM conclusion (Pass/Fail)</b>
management of its asset base.	its asset base.	
12. The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Use of resources KLOE 4.3 - The organisation has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	Pass

*\* Conclusion is provisional based on work carried out to date. Work will be finalised, and the conclusion completed by 30 September 2006*

## Use of auditors' statutory powers

- 32 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 5 below.

**Table 3 Use of statutory powers**

Insert text

Issue	Auditor responsibility	Impact
Section 8 reports	Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public.	There have been no section 8 reports in respect of the financial year 2005/2006.
Section 11 recommendations	To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	There have been no s11 recommendations.
Best value	To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act.	Our work in respect of the Authority's 2005/2006 Best Value Performance Plan (BVPP) was reported in the 2005 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

## **Closing remarks**

- 33** This report has been discussed and agreed with the Director of Resources in his capacity as the Council's section 151 officer. A copy of the report will be presented to the Audit & Governance Committee before 30 September, and a subsequent Executive meeting.
- 34** The report makes a number of recommendations. An action plan is included at Appendix 7, which includes responses from management and indicative target dates for the implementation of recommendations.
- 35** The Authority has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation.

**Mark Kirkham**  
**District Auditor**

August 2006

# Appendix 1 – Audit responsibilities and approach

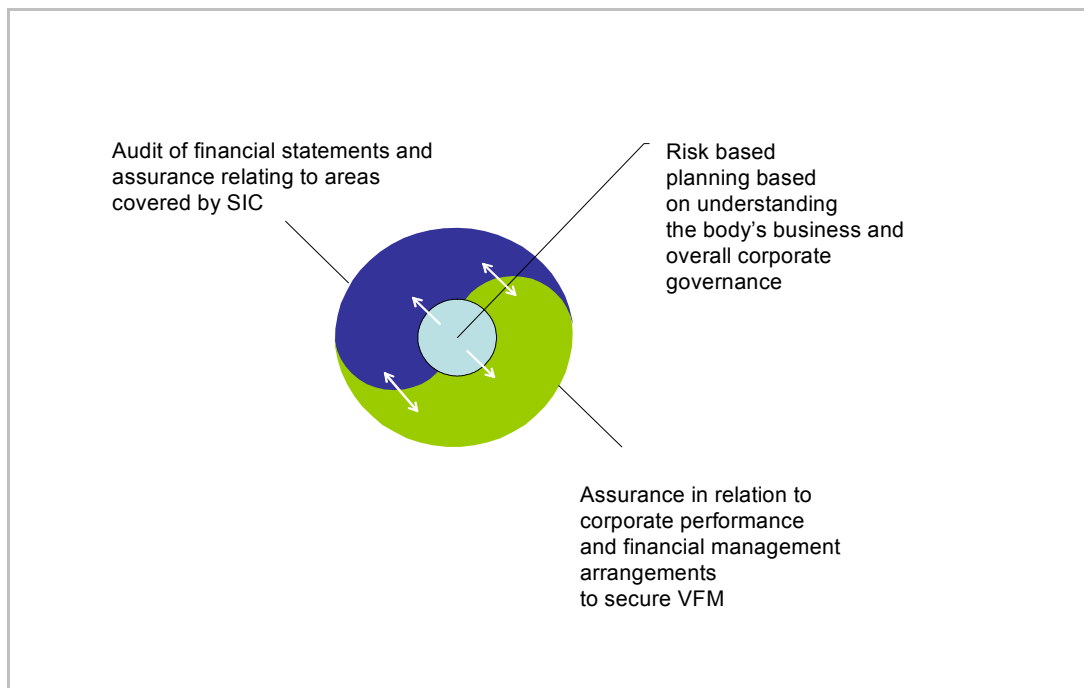
## Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

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**Figure 1 Code of Audit Practice**

Code of practice responsibilities





## Approach to the audit of the financial statements

- 2 In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Authority which had most impact on our opinion. These included:
  - the standard of the overall control environment and internal controls;
  - reliance on internal audit;
  - the likelihood of material misstatement occurring from of material information systems; or a material error failing to be detected by internal controls;
  - any changes in financial reporting requirements; and
  - the effectiveness of procedures for producing the financial statements and supporting material.
- 3 The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements.

## Approach to audit of arrangements to secure value for money

- 4 The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
  - corporate performance management; and
  - financial management arrangements.
- 5 Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.
- 6 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, considered and assessed relevant significant business risk. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 7 The potential sources of assurance when reaching the value for money conclusion include:
  - the Authority's whole system of internal control as reported in its statement on internal control;
  - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Commission or other regulators);

- work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
- links to the financial statements' audit, including review of internal audit, the SIC and budgetary control arrangements; and
- other work necessary to discharge our responsibilities.

## Appendix 2 – Audit reports issued

Planned output	Coverage	Planned date of issue	Actual date of issue	Responsible body	Reported to	Other advised parties
<b>National or mandatory audit work</b>						
Audit and inspection plan	Audit work for 2005-06	March 2005	April 2005	Executive	Executive	Audit & Governance (A&G) cttee
Annual governance report	Detailed report on the 2005-06 audit	September 2006	September 2006	A & G committee	A & G committee	Executive
Audit opinion on the accounts	Statutory report on the accounts	September 2006		Full Council	A & G committee	Executive
Value for money conclusion	Report on the value for money in the use of resources					
Final accounts memorandum	Detailed report of issues arising from audit of accounts	October 2006		Director of resources	Director of resources	
Annual audit & inspection letter <sup>1</sup>	Publicly available summary of the audit and inspection work in 2005-06	March 2007		Executive	Executive	All councillors
Use of resources	Auditors scored	February 2007		Executive	Executive	A & G

<sup>1</sup> The annual audit & inspection letter will be published by the Audit Commission on their website

Planned output	Coverage	Planned date of issue	Actual date of issue	Responsible body	Reported to	Other advised parties
score	judgement against 5 categories					committee
Direction of travel assessment	Auditors judgement of progress in implementing continuous improvement	February 2007		Executive	Executive	A & G committee
BVPP opinion	Compliance of Council Plan with statutory requirements	March 2007		Full Council	A & G committee	Executive
Data Quality report	Council's arrangements to ensure performance information is of high quality	January 2007		A & G committee	A & G committee	
<b>Local risk based audit work</b>						
Review of the service improvement programme		August 2006	August 2006	A & G committee	A & G committee	
Review of the debt recovery arrangements		July 2006	July 2006	A & G committee	Officers	
Prioritisation review		August 2006		A & G committee	A & G committee	

<b>Planned output</b>	<b>Coverage</b>	<b>Planned date of issue</b>	<b>Actual date of issue</b>	<b>Responsible body</b>	<b>Reported to</b>	<b>Other advised parties</b>
Local strategic partnership review		July 2006		A & G committee	Officers	
Review of programme management arrangements		August 2006	August 2006	A & G committee	Officers	
Easy@york review		August 2006		A & G committee	Officers	
Proposed disposal of land at Osbaldwick		February 2006	February 2006	A & G committee	A & G committee	
Arrangements for the disposal of the Barbican		August 2006	August 2006	A & G committee	A & G committee	

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## Appendix 3 – Fee information

**Table 4**

<b>Fee estimate</b>	<b>Plan 2005/06</b>	<b>Actual 2005/06</b>
Accounts	112,000	112,000
Use of resources	103,000	103,000
Total audit fees	215,000	215,000
Inspection	30,000	19,000 *
Total audit and inspection fee	245,000	234,000

\* The re-inspection of waste management was cancelled and a refund issued

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## Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required by the standard to communicate following matters to the Audit Committee:
  - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
  - any safeguards adopted and the reasons why they are considered to be effective;
  - any independent partner review;
  - the overall assessment of threats and safeguards; and
  - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.

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# Appendix 5 – Independent auditor’s report to the members of City of York Council

## Opinion on the financial statements

I have audited the financial statements of City of York Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to City of York Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer’s responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA’s guidance. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.



I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Mark Kirkham  
Audit Commission  
Kernel House  
Killingbeck Drive  
Killingbeck  
Leeds LS14 6UF

September 2006

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority’s Responsibilities**

The authority 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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor’s Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority’s best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, City of York Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

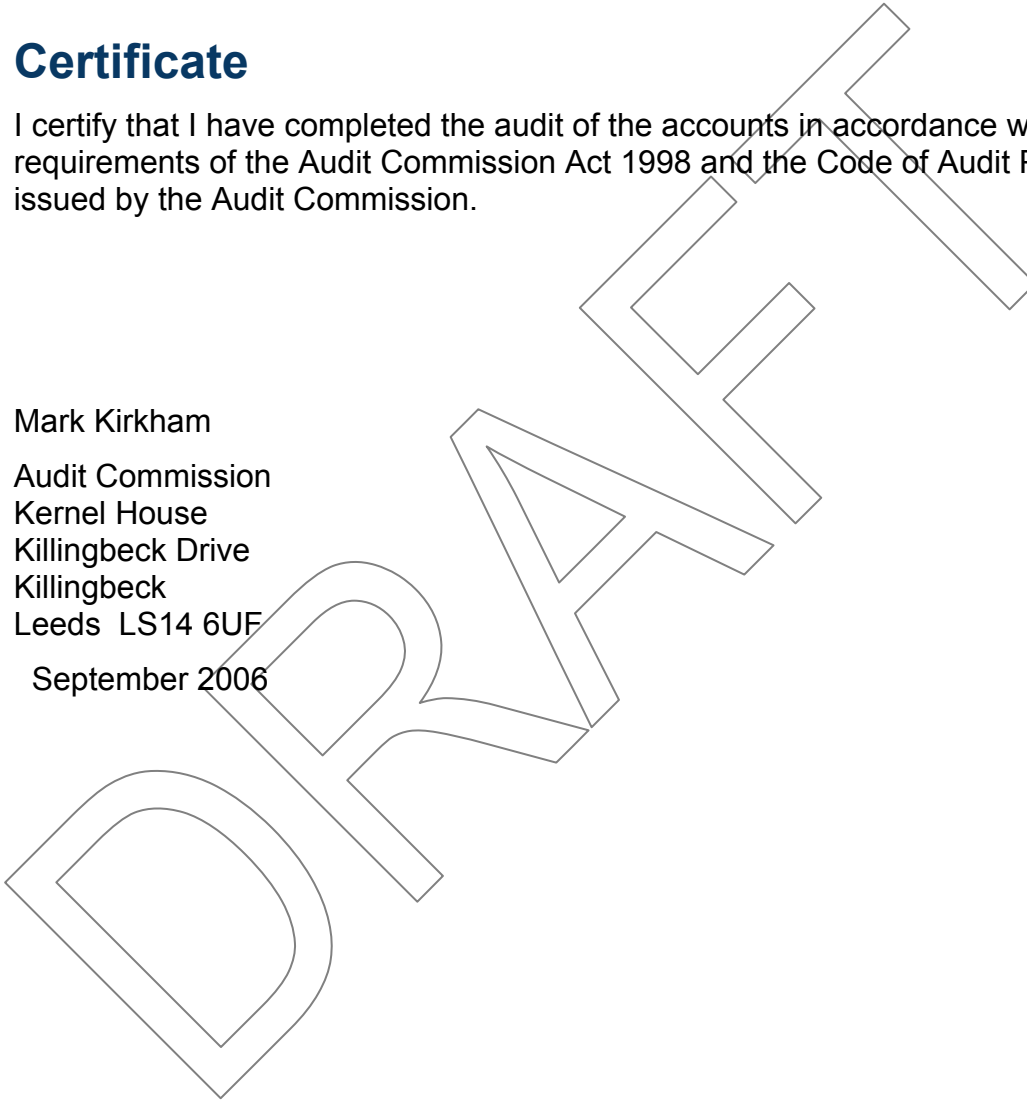
## **Best Value Performance Plan**

I issued my statutory report on the audit of the authority’s best value performance plan for the financial year 2005/06 in January 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

## **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Kirkham  
Audit Commission  
Kernel House  
Killingbeck Drive  
Killingbeck  
Leeds LS14 6UF  
September 2006



## Appendix 6 – Letter of representation

To:

Mark Kirkham, District Auditor  
The Audit Commission  
Kernel House  
Killingbeck Drive  
Killingbeck  
Leeds LS14 6UF

### **City of York Council - Audit for the year ended 31 March 2006**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and members of City of York Council, that the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2006.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which give a true and fair view and for making accurate representations to you.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council meetings, have been made available to you.

### **Related party transactions**

I confirm the completeness of the information provided regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

### **Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and,
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;

- no financial guarantees have been given to third parties.

### **Law, regulations and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the PCT.

### **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements;
- communications from regulatory agencies concerning non-compliance with or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

### **Post balance sheet events**

Since the date of approval of the financial statements by the Council no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

I confirm that the Council adopted the draft accounts at its meeting on (insert date) and that they were prepared on a going concern basis.

Signed on behalf of City of York Council

Signed

Name

Position

Date.

## Appendix 7 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R1 Introduce a formal, robust, review of the draft financial statements to provide assurance to the Director of Resources that the accounts presented for approval are free from material misstatement.	3				
8	R2 Monitor the settlement of the equal pay claims and outstanding liabilities, and if necessary make further provision at the end of 2006-07.	2				
8	R3 Analyse the Assets under Construction fixed asset balance, and when schemes are completed, reclassify the assets accordingly in the accounts.	2				
9	R4 Complete the bank reconciliation on a timely basis after the end of the financial year.	3				
9	R5 Reconcile the accounts to the fixed asset register.	2				