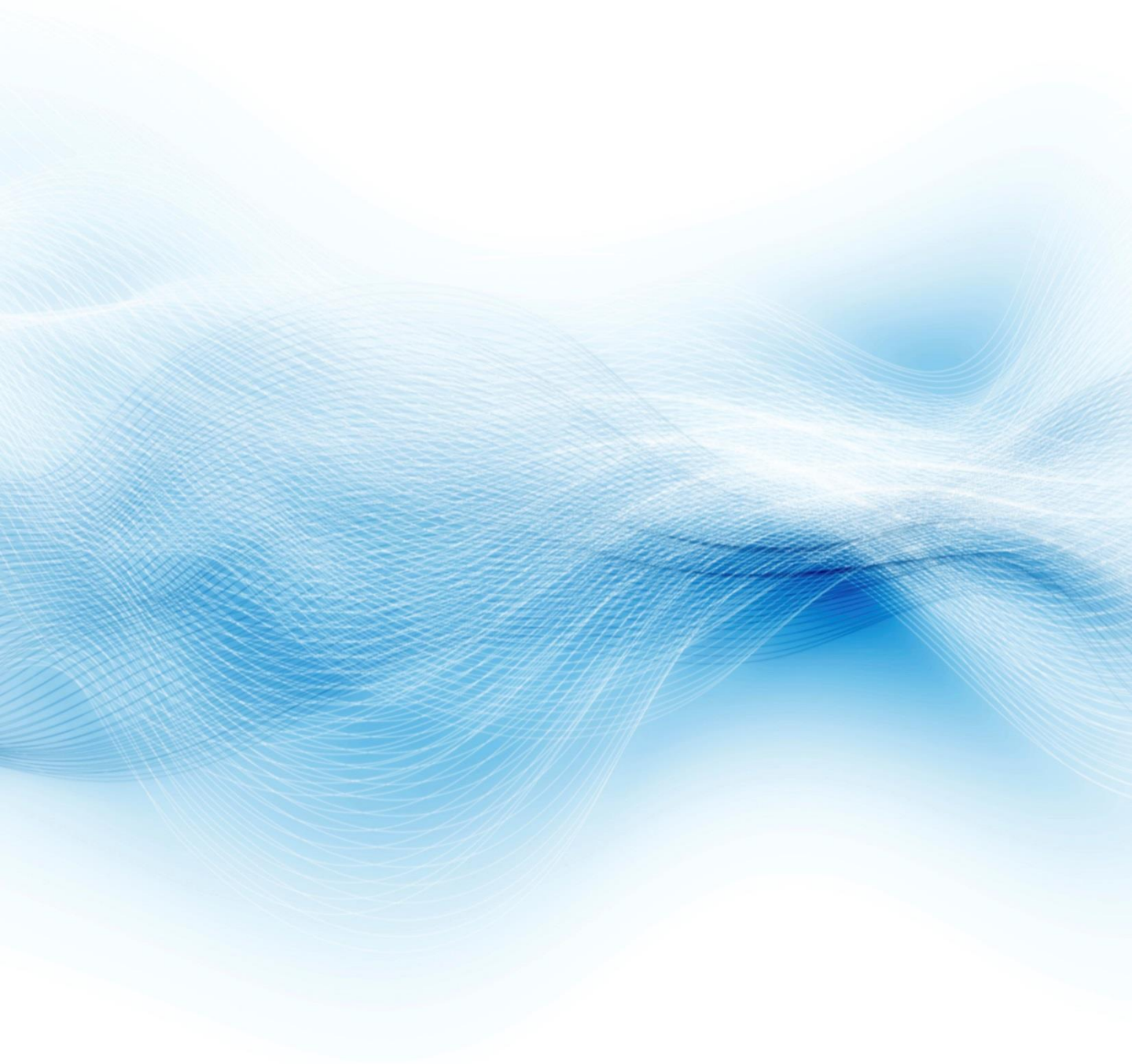


# Audit Completion Report

City of York Council

Year ending 31 March 2018



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the '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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Dear Members

### **Audit Completion Report – Year ended 31 March 2018**

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions. At the time of writing, our audit work is substantially complete and on page 4 of the report we set out those areas of work remaining outstanding. Any additional matters arising from the outstanding audit work will be reported to you in a follow-up letter before we sign our audit report.

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 in April 2018. 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 Council officers during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 020 7063 4310.

Yours faithfully

**Gareth Davies**  
Mazars LLP

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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of the City of York Council ('the Council') for the year ended 31 March 2018, and forms the basis for discussion at the Audit and Governance Committee meeting on 26<sup>th</sup> July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 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.

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. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report 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 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 31 August 2018. We anticipate reporting that the WGA submission is consistent with the audited financial statements .

### 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 consider any objection made to the accounts. We provide more information on correspondence with local electors in section 2.

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

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 as part of our follow-up letter.

# 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 2018. At the time of preparing this report the following areas of work remain outstanding:

Audit area	Description of outstanding matters
<b>Property, plant and equipment (PPE), and Investment Properties</b>	We are completing our procedures on the valuation of the Council's PPE and Investment Property portfolios.
<b>Pensions</b>	We are awaiting assurance from the auditor of North Yorkshire Pension Fund, KPMG, in respect of the Council's defined benefit liability.
<b>PFI and PPP</b>	We are finalising our work on: - the restatement carried out in respect of the Council's schools PFI scheme; and - the accounting treatment adopted for the Allerton Park waste scheme.
<b>Leases</b>	We are undertaking final substantive procedures on the Council's lease portfolio.
<b>Cash and Bank, loans and borrowing</b>	We are awaiting direct confirmation of year end balances from a small number of the Council's lenders.
<b>Related party disclosures</b>	We are completing our procedures on the Council's related party disclosures.

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

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in April 2018. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum and have not identified any additional significant risks.

## Materiality

We set materiality at the planning stage of the audit at £7.7m using a benchmark of 2% of Gross Operating Expenditure from the 2016/17 audited financial statements. Our final assessment of materiality, based on the final financial statements and qualitative factors is £8.2m using the same benchmark from the 2017/18 financial statements. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee) at £0.247m based on 3% of overall materiality.

## 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 7 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

Management override of controls

#### Description of the risk

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. Due to 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.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- 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.

#### Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to members' attention, in relation to management override of control.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Valuation of property, plant and equipment

### Description of the risk

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment (PPE), with the majority of property assets required to be carried at valuation. Due to the high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.

### How we addressed this risk

We have carried out a range of procedures designed to address the risk. These include:

- assessing the skill, competence and experience of the Council's valuer;
- considering the accuracy of source data used by the Council's valuer;
- using our own valuation expert to provide information on regional valuation trends; and
- testing the valuations of a sample of properties.

### Audit conclusion

As outlined in section 1 of this report, we have not yet fully completed our work in this area, although our work is substantially complete. The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to members' attention, in relation to the valuation of the Council's property portfolio.

### Significant risk

Valuation of the defined benefit liability

### Description of the risk

The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

### How we addressed this risk

We have carried out a range of procedures designed to address the risk. These included:

- assessing the skill, competence and experience of the Fund's actuary;
- challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation;
- Seeking assurance from the Fund's auditor in relation to asset valuations and other core elements of the IAS 19 valuation;
- carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.

### Audit conclusion

As outlined in section 1 of this report, we have not yet fully completed our work in this area, although our work is substantially complete. The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to members' attention, in relation to the valuation of the Council's defined benefit liability.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the entity'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.

As noted in section 1, we are still considering the Council's accounting treatment in respect of the Allerton Park waste scheme, under which a significant proportion of the operator's costs are being met from unguaranteed third party income. The Council's proposed accounting treatment, in line with the accounting model prepared by advisors, is to recognise a deferred income liability in respect of the unguaranteed third party income, which is written down over the life of the scheme. At the time of drafting this report, we are yet to conclude on the appropriateness of this treatment.

Draft accounts were received from the Council on 31 May in line with the earlier deadlines for 2017/18 and were of good quality. This represents a significant achievement by the finance team.

### 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.

### 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.

The 2014 Act also gives rights to local electors and other parties, to ask questions of the auditor and to make an objection to an item of account. The deadline for the receipt of such correspondence was 12 July and by this date we had received correspondence from two local electors. At the time of drafting this report we had yet to determine whether any of the matters brought to our attention constituted valid objections to items of account or may require us to exercise any of the wider powers outlined above.



### 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.

We have not identified any new internal control deficiencies in the year but have noted similar issues to those identified in 2016/17 in respect of member declarations. The tables on the following pages outline our follow-up to previous in internal control points.



# 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED) ANNEX A

## Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

### Description of deficiency

#### Related party disclosures

As part of our audit procedures on related party disclosures, we noted a small number of omissions that management corrected in the final financial statements. We noted:

- One instance of a Councillor failing to declare an interest as a Director of City of York Trading Ltd; and
- One instance of a Director failing to declare an interest as a Director of a company with which the Council traded in 2016/17, although the relationship with this company ended in August 2016

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### Potential effects

Failure to properly declare and disclose interests in related parties can erode public trust.

We recommended that the Council:

- Reminded relevant officers and members of the need to make appropriate declarations in line with its internal policies; and
- Considered whether any checks can be carried out in the preparation of the financial statements to identify potential missing declarations (for example, checks of Companies House records).

---

### 2017/18 update

We have carried out a full check of officer and member interests in the year, including checks to Companies House records. We have noted two instances of members not declaring directorships in line with the Council's policies. Both of these occurred after the year end so do not relate to this year of account, but are still instances of non-compliance with Council policies by members. The circumstances are outlined below:

- One instance of a Councillor failing to declare an interest as a Council appointee Director of York BID; and
- One instance of a Councillor failing to declare an interest as a Director of a company which has no relationship to the Council.

We have confirmed that there are no errors in the related party disclosures as a result of these missing declarations. Members should be reminded again of the need to declare interests in line with the Council's policies.

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### Management response

As identified from a detailed review of all member interests, two issues have been identified. One relates to a Council appointment (as did the single member instance the previous year), so it is fully known and details clearly accessible on the internet, whilst another relates to a relatively new issue and the details have now been received mid July.

Reminders are sent to members, twice this year and most recently on 28th June, and this will continue. Whilst these two instances are disappointing, the detailed review has also identified that fundamentally the system of member declarations works well as all other members interests were up to date. Ultimately it is for members to ensure that they have declared all relevant interests, however officers will continue to remind members regularly on this matter, and the matter will be discussed with the chair of Standards Committee.

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# 3. INTERNAL CONTROL RECOMMENDATIONS ANNEX A (CONTINUED)

## Description of deficiency

### Accounting for PFI liabilities

In 2016/17 we reported that the Council's accounting treatment in respect of its schools PFI was not in line with the requirements of the Code and that there was nobody at the Council with a detailed knowledge of the accounting treatment applied, which was based on a model produced by an external advisor in 2008/09.

## Potential effects

As a result of the lack of retained knowledge in relation to the accounting treatment being applied to the PFI scheme, there was a risk that:

- The statement of accounts was misstated; and
- The Council may not always be able to respond fully to auditor queries relating to the accounting treatment.

## 2017/18 update

The Council appointed an external advisor to support them to review the accounting treatment applied in prior years and to correct this to ensure that it is compliant with the Code. Although we have not yet fully completed our audit procedures on the revised accounting treatment, at this stage, we believe that it is in line with the requirements of the Code.

## Description of deficiency

### Impact of converting academies upon the valuation of the Council's pension liabilities

In 2016/17 we noted that there were opportunities to improve arrangements in place to ensure that the actuary was informed of, and had taken into account, the impact of converting academies when valuing the Council's defined benefit liability.

## Potential effects

Failure to ensure that the actuary takes account of academy conversion may lead to a material overstatement of the Council's pension liabilities.

## 2017/18 update

The Council has responded to our recommendations and instructed the actuary to take account of academy transfers in the year.

## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified during the course of the audit, above the level of trivial threshold of £0.274m.

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 2017/18

We have not identified any unadjusted misstatements at the time of issuing this report. Where, on completion of the outstanding areas of the audit, we identify unadjusted misstatements, these will be reported to the Audit and Governance Committee as part of our follow-up letter.

### Adjusted misstatements 2017/18

We have not identified any adjusted misstatements at the time of issuing this report. Where, on completion of the outstanding areas of the audit, we identify adjusted misstatements, these will be reported to the Audit and Governance Committee as part of our follow-up letter.

### Disclosure amendments

We have identified a small number of misstatements in the disclosure notes that fall below our materiality threshold, that management has agreed to amend in the final financial statements. These includes amendments to:

- Note 11 – Taxation and non-specific grant income
- Note 16 – Financial instruments
- Note 29 – Cash Flow Statement – Financing activities
- Note 40 – Grant income
- Note 49 – Defined benefit pension schemes

## 5. VALUE FOR MONEY CONCLUSION

### Our approach to Value for Money

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
- 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?
<b>Informed decision making</b>	<p><b>Acting in the public interest, through demonstrating and applying the principles and values of sound governance</b></p> <p>The Council's internal auditor carries out an annual review of the effectiveness of the Council's system of internal control. In 2017/8 this was a 'substantial assurance' opinion.</p> <p>As those charged with governance, the Audit and Governance Committee is responsible for the oversight of the Council's governance framework. There have been a number of high-profile reports considered by the Committee over the last 18 months and on occasion the relationship between officers and members of the Committee has appeared strained.</p> <p><b>Reliable and timely financial reporting that supports the delivery of strategic priorities</b></p> <p>The Council has again delivered an outturn within budget in 2017/18. Financial forecasts are provided to senior officers and members on a quarterly basis, allowing for appropriate levels of scrutiny and challenge of the Council's financial performance and its ability to deliver strategic priorities.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
<b>Sustainable resource deployment</b>	<p><b>Planning finances to support the sustainable delivery of strategic priorities and maintain statutory functions</b></p> <p>As we have reported consistently for a number of years, the Council has continued to respond to the challenges it faces in respect of reductions in central funding. Savings plans have been largely delivered and where individual savings have not been delivered, additional savings have been identified to compensate.</p> <p>The Council, like most local authorities, will face particular challenges in respect of expenditure on social care in the coming years but appears to be well placed to respond to these challenges.</p> <p>The Council's strategic plans, particularly those that will require capital investment, are forecast to lead to an increase in the Council's level of net external debt up to 2022/23. We believe the Council has arrangements in place to appropriately manage this while continuing to fund statutory services over the medium term.</p> <p><b>Managing and utilising assets effectively to support the delivery of strategic priorities</b></p> <p>The Council has made good progress in 2017/18 on its programmes to improve the return achieved from its relatively large investment property portfolio. In addition, third party income associated with the rental of space at West Offices has yielded planned net savings in 2017/18.</p>	Yes
<b>Working with partners and other third parties</b>	<p><b>Working with third parties effectively to deliver strategic priorities</b></p> <p>The local health economy in York has experienced significant strain in recent years and there is little indication that this situation will abate any time in the near future.</p> <p>The Council has a Better Care Fund arrangement in place with Vale of York Clinical Commissioning Group ('the CCG'). 2017/18 has seen a change in the governance arrangements for the Fund as well as the development of the Fund plan for the period 2017-2019 which was approved by NHS England following a national assurance and escalation process that saw the partners challenged on the plan.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
	<p><b>Commissioning services effectively to support the delivery of strategic priorities</b></p> <p>We have considered the information in VFM profiles published by the Local Government Association, in relation to commissioning activity. These provide data that compares the Council's performance against a range of metrics with those of its statistical nearest neighbours or other comparative groups.</p> <p>Although there are variations in the costs within and between services, overall, the Council's performance against relevant metrics indicates that arrangements are in place to efficiently commission services when compared to its comparator group.</p>	Yes

### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money 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 not identified any significant Value for Money risks. We have subsequently refreshed our risk assessment and can confirm that this has not brought any significant Value for Money risks.

### Our reality check

Having gathered evidence of the Council's arrangements for each of the sub-criteria and responded to the identified significant risks, we have also conducted a reality check that builds on our existing knowledge of the Council and considers whether or not there are any other indications that arrangements are not in place to meet the overall criterion. In doing so, we have considered the following:

- All relevant minutes and minutes from our discussions with senior management;
- Correspondence from electors and other parties that may be relevant to our conclusion;
- The work of inspectorates and regulators; and
- Information from other local authorities that we audit and the NAO's Value for Money Technical Network, to ensure common issues are being dealt with on a consistent basis.

### Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2017/18 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

ANNEX A

### City of York Council - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for City of York Council ('the Council') for the year ended 31 March 2018 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 2017/18 ('the Code').

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 Code.

#### 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 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 the Code 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 Code.

#### 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.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

#### 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.

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Appendices



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 Code.

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. An 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 Code 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 and uncertainties as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

s151 officer

Date.....

### Opinion on the financial statements

We have audited the financial statements of City of York Council ('the Council') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, and notes to the financial statements, including the 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of City of York Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

### 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, 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' 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.

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

As explained more fully in the Statement of Responsibilities, 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 2017/18, 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 2017/18 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **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 2018.

### **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 2018.

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 in relation to 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 issued by the Comptroller and Auditor General 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.

### **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.

### **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 43 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.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed our work on an objection raised in relation to the Council's financial statements for the year ended 31 March 2018. We are satisfied that these matters do not have a material effect on the financial statements or on our value for money conclusion.

Gareth Davies  
For and on behalf of Mazars LLP

Salvus House  
Aykley Heads  
Durham  
DH1 5TS

26 July 2018

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.

## CONTACT

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