

**North Yorkshire County
Council**

Annual Audit Letter

On the 2008/09 Audit

December 2009

Contents

	Page
1. Key messages	2
2. Purpose, responsibilities and scope	3
3. The audit of the accounts	4
4. Value for money	5
5. Other matters	7
6. Closing remarks	8
Appendix 1: Use of resources scores (by KLOE)	9
Appendix 2: Reports issued re 2008/09 audit	10
Appendix 3: Analysis of professional fees	11

1. Key messages

The Statement of Accounts were closed and prepared in accordance with the agreed timetable. The Council maintained a high quality of financial reporting, with no material adjustments to the reported financial position. A small number of presentation and disclosure amendments were made.

We signed the audit opinion on the Statement of Accounts on 30 September 2009.

We did not identify any material weaknesses in the financial reporting systems. Control observations were reported to the Audit Committee, on 30 September 2009, as part of our report on significant matters arising from our audit.

The Whole of Government Accounts return was presented for audit by the deadline set by HM Treasury. We signed the audit opinion on the Whole of Government accounts return on 1 October 2009.

The Council scored 3 for Use of Resources which means it is “performing well”.

Action needed by the Council

The Council needs to:

- continue to focus on meeting the reporting timetable;
- consider appropriate action in respect of the control observations raised in our report to those charged with governance;
- monitor progress against the ongoing initiatives highlighted in our Use of Resources report; and
- continue its focus on International Financial Reporting Standards implementation to ensure that the required timescales are met.

2. Purpose, responsibilities and scope

The purpose of this letter

The purpose of this Annual Audit Letter is to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2009.

Although this letter is addressed to the members of North Yorkshire County Council (“the Council”), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at www.audit-commission.gov.uk and also on the Council’s website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

Responsibilities of the auditor and the Council

We are appointed as the Council’s independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including Councils.

As the Council’s appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (“the Code”). Under the Code, we have responsibilities in two main areas:

- the Council’s accounts; and
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISA plus”) as adopted by the UK Auditing Practices Board (“APB”). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Statement of Recommended Practice for Local Authorities 2008 (“SORP 2008”).

3. The audit of the accounts

Key issues arising from the audit of the accounts

We issued an unqualified opinion on the Councils 2008/09 accounts on 30 September 2009, in accordance with the deadline set for local authorities. Our opinion confirms that the accounts present fairly the financial position of the Authority and its income and expenditure for the year.

We issued an unqualified opinion on the North Yorkshire Pension Fund 2008/09 accounts on 27 November 2009, in accordance with the deadline set for pension funds. Our opinion confirms that the accounts present fairly the financial position of the Fund and its income and expenditure for the year.

Before we give our opinion on the accounts, we are required to report to those charged with governance any significant matters arising from the audit. A detailed report covering both the Authority and the Fund was discussed with the Audit Committee on 30 September 2009 and there were no key issues to report.

We received a complete set of draft accounts in advance of the agreed deadline, which were supported by working papers. The finance staff were helpful throughout the process and responded swiftly to all queries. This performance reflects well on the professionalism of the finance staff and their commitment to maintaining high-level controls over financial systems. Minor amendments were made to some of the disclosures to bring them into line with the 2008 SORP.

Audit certificate

When our audit is complete we are required to certify the closure of the audit. The audit certificate was issued on 27 November 2009.

4. Value for money

Background

Under the Code of Audit Practice, we are required to give a 'yes/no' opinion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. This is known as the value for money conclusion and is given within our audit report on the Council's Statement of Accounts.

We are also required to assess how well the Council manages and uses its financial resources by providing scored judgements on the Council's arrangements in three themes as specified by the Audit Commission. This is known as the Use of Resources ("UoR") assessment.

The UoR assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The assessment comprises three themes that focus on:

- sound and strategic financial management;
- strategic commissioning and good governance; and
- the management of natural resources, assets and people.

Value for money conclusion

Having performed our work in line with guidance received from the Audit Commission we issued an unqualified value for money conclusion for the 2008/09 financial year. This means that we are satisfied that in the areas reviewed the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during the year.



4. Value for money (continued)

Use of Resources

This year the UoR assessment has been made more demanding than previous assessments. The requirements of the KLOE under the Comprehensive Area Assessment regime are broader than under the Comprehensive Performance Assessment and focus more on value for money achievements, outputs and outcomes rather than on processes.

We assessed the Council's arrangements across three themes. The scores for each theme are based on the scores on the underlying KLOEs. Each KLOE was scored on a scale of one to four, with four being the highest.

Overall, the Council scored a 3 for UoR which classifies the Council as "performing well". The scores by theme are outlined below. The detailed KLOE scores are included in Appendix 1.

Theme	Score (out of 4)
Managing finances	3
Governing the business	3
Managing resources	3

Key issues arising from the review of the Council's use of resources

A separate report on UoR was issued on 1 December 2009. This summarised the detailed KLOE assessments and areas for development. Initiatives are already ongoing to address all areas of potential improvement identified during our assessment so the Council is in a strong position to demonstrate improved arrangements and outcomes during 2009/10.

Looking forward

The 2009/10 UoR assessment will introduce a new KLOE, (KLOE 3.3), which assesses whether the organisation plans, organises and develops its workforce effectively to support the achievement of its strategic priorities.

5. Other matters

Reports issued

A listing of the reports issued during the course of the 2008/09 audit is included in Appendix 2.

Analysis of audit fees

An analysis of audit fees is shown in Appendix 3 to this letter.

Independence and objectivity

In our professional judgement, our policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

Grants

We have undertaken work during the year on various grant claims made by the Council. All of our work on the 2008/09 grant claims is now complete and a separate report will be prepared in respect of the findings from this work.

International Financial Reporting Standards (“IFRS”)

The Council will be required to prepare IFRS compliant accounts for the year-ending 31 March 2011 and therefore comparative IFRS balances for the year from 1 April 2009 to 31 March 2010. The Whole of Government Accounts return for 2009/10 will also be required to be re-submitted under IFRS.

Finance staff will be leading on the transition to IFRS. Responsibility for the transition has been allocated, and the data capture and analysis has begun. Staff have attended various technical/professional training sessions to date. We have recently completed an Audit Commission return on the Council’s state of readiness for IFRS and concluded that the Council is broadly on track, but there remain some significant challenges ahead in particular areas for example PFI and holiday accruals. We will continue to work closely with the Council to assess progress against the required timescales.

6. Closing remarks

This letter has been discussed and agreed with the Corporate Director - Finance and Central Services (S151 Officer). A copy of the letter will be presented at the Audit and Governance Committee on 25 February 2010.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution which supports the Council's own agenda. We recognise the value of your co-operation and support.



Deloitte LLP

Chartered Accountants

Leeds, England

22 December 2009

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 and this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national use of resources study data and methodology as they are derived solely from the Audit Commission.

This report sets out those audit matters of interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the Members and this report is not necessarily a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.

Appendix 1: Use of resources scores (by KLOE)

Overall area	KLOE	KLOE score (out of 4)
Managing finances	1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	3
	1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	3
	1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	3
Theme total - Managing finances		3
Governing the business	2.1 Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	3
	2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	2
	2.3 Does the organisation promote and demonstrate the principles and values of good governance?	3
	2.4 Does the organisation manage its risks and maintain a sound system of internal control?	3
Theme total - Governing the business		3
Managing resources	3.1 Does the organisation make effective use of natural resources?	3
	3.2 Does the organisation manage its assets effectively to deliver its strategic priorities and service needs	3
Theme total - Managing resources		3

Appendix 2: Reports issued re 2008/09 audit

Report	Date issued
Audit Plan	April 2008
Report to those charged with Governance on the 2008/09 audit	September 2009
Report on Use of Resources	December 2009
Annual Audit Letter	December 2009

Appendix 3: Analysis of professional fees

	2009 £'000	2008 £'000
Statement of Accounts	127	135
Use of resources and Data Quality	86	84
Whole of Government Accounts (WGA)	4	4
Total fees for work carried out under the Code of Audit Practice	217	223
Fees payable in respect of the certification of grant claims and returns of the Council	10	17
Total	227	240

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