

# Audit Completion Report

City of York Council – Year ended 31  
March 2021

January 2022



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Dear Committee Members

## **Audit Completion Report – Year ended 31 March 2021**

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

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 on 16 June 2021. 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 your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 387 8850.

Yours faithfully

Mark Kirkham  
Mazars LLP

# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 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 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of controls;
- revenue recognition;
- valuation of land and buildings; and
- net defined benefit pension liability.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements and unadjusted misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

With the exception of the standard audit closure procedures highlighted on page 7, we have completed our audit in respect of the financial statements for the year ended 31 March 2021.

We plan to report the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, on the financial statements. Our report will be modified in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our proposed opinion is included at appendix B to this report.



### Value for money arrangements

We are yet to complete our work in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. We have reported a significant weaknesses in arrangements and make recommendations with regard to the Public Interest Report published on 19 April 2021. This is explained in section 7 of this report.



### Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



### 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 to consider any objection made to the accounts. We have received no statutory objections or questions from local electors.

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# 02


Section 02:


**Status of the audit**


# 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below. The following standard closure procedures need to be completed before signing the auditor’s report

Audit area	Status	Description of the outstanding matters
Final versions of the Annual Report and Annual Governance Statement		We will review the final versions of the Annual Report and Annual Governance Statement. This includes our technical and final review of the financial statements.
Letter of Representation		Receipt, and review, of signed letter of management representation.
Post balance sheet events		Review of post balance sheet events up to the point at which we sign our audit report.
Whole of government accounts		Completion of audit procedures supporting the WGA return to the NAO.
Audit review and quality control		Completion of Manager and Partner review and Mazars quality control processes in respect of the audit.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.



# 03

## Section 03: **Audit approach**



# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £8.8 million using a benchmark of circa 2% of gross operating expenditure. Our assessment of materiality, based on the draft financial statements was £11.5 million using the same benchmark. As a result of audit adjustments, however, the gross operating expenditure has been revised, resulting in materiality being set at £8.95m.

As part of our closure procedures, we will revise materiality based on the final version of the financial statements.

## Use of experts

As detailed in our Audit Strategy Memorandum, management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. There are no changes to our or management's use of experts:

Item of account	Management's expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt)	NAO's consulting actuary (PWC)
Property, plant and equipment valuation	In-house valuer	We take into account any relevant information which is available from third parties
Financial instrument disclosures	Link Asset Services (formerly Capita)	No expert required

## Service organisation

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

As set out in our Audit Strategy Memorandum, we are not aware of any such arrangement at the Council.



# 04

## Section 04: **Significant findings**

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other 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 16 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;
- modifications required to our audit report; and
- any significant difficulties we experienced during the audit.

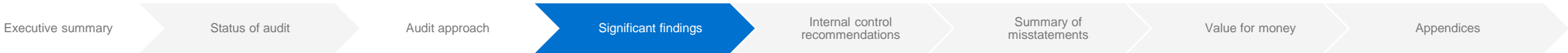
## Significant risks

<b>Management override of controls</b>	<p><b>Description of the risk</b> This is a mandatory significant risk on all audits because of the unpredictable way in which such override could occur.</p> <p>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. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p> <hr/> <p><b>How we addressed this risk</b> We addressed this risk by carrying out audit work in the following areas:</p> <ul style="list-style-type: none"> <li>• accounting estimates impacting amounts included in the financial statements;</li> <li>• consideration of identified significant transactions outside the normal course of business; and</li> <li>• journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul> <hr/> <p><b>Audit conclusion</b> We have no matters to report in respect of management override of controls.</p>
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# 4. Significant findings

## Significant risks (continued)

Revenue recognition	Description of the risk
	<p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources, we have concluded that there are insufficient grounds for rebuttal for all income streams in 2020/21. We have identified income from fees and charges, as the key area for audit testing. We will consider whether Covid-19 grant income presents and audit risk when we receive the statement of accounts.</p>
	<p>This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>
	<p><b>How we addressed this risk</b> We have addressed this audit risk by:</p> <ul style="list-style-type: none"><li>• testing revenue items recorded around year end to ensure they have been recognised in the appropriate year;</li><li>• testing year end receivables; and</li><li>• obtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger.</li></ul>
	<p><b>Audit conclusion</b> We have no matters to report in respect to revenue recognition.</p>



# 4. Significant findings

## Significant risks (continued)

### Valuation of land and buildings

#### Description of the risk

Council dwellings, infrastructure assets, other land and buildings were the Council's highest value assets totalling £983.3 million in 2020/21. The balance sheet also included investment properties totalling £65.1 million, and assets held for sale totalling at £0.79 million in 220/21.

Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate value at that date.

Management engages its own Valuer as an expert to assist in determining the value of land and buildings to be included in the financial statements, however there remains a high degree of estimation uncertainty associated with the valuation of land and buildings due to the significant judgements and number of variables involved.

#### How we addressed this risk

We evaluated the design and implementation of any controls which mitigate the risk. This included liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings. We:

- assessed the scope and terms of engagement with the Valuer;
- assessed the competence, skills and objectivity of the Valuer;
- assessed how management use the Valuer's report to value land and buildings included in the financial statements;
- tested the accuracy of the data used in valuations;
- challenged assumptions and judgements applied in the valuations;
- reviewed the valuation methodology used, including the appropriateness of the valuation basis; and
- considered the reasonableness of the valuation by comparing the valuation output with market intelligence.

In line with 2019/20 and the continuing Covid-19 pandemic, we considered the valuation approach and whether a material uncertainty disclosure should have been reported in 2020/21.

#### Audit conclusion

Our work on the valuation of the Council's land and buildings is complete, including our comparison of the Council's valuations to market data. For other land and buildings (£369.5m), this analysis indicates that values were higher than the market data we used in our analysis. Our valuer has also completed a review of the valuation of Allerton Waste Recycling Park (£47.2m), this analysis suggested the value is lower than expectation. In aggregate, our review provided assurance that valuations are not material misstated.

We have confirmed there is no material valuation uncertainty disclosure required for 2020/21.

# 4. Significant findings

## Significant risks (continued)

Net defined pension liability valuation	Description of the risk
	<p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
	<p><b>How we addressed this risk</b> We have addressed this risk by:</p> <ul style="list-style-type: none"><li>• critically assessing the competency, objectivity and independence of the North Yorkshire Pension Fund’s Actuary, Aon Hewitt;</li><li>• liaising with the auditors of the North Yorkshire Pension Fund to gain assurance that the controls in place at the Pension have been designed and implemented appropriately. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;</li><li>• reviewing and agreeing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and</li><li>• reviewing and agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council’s financial statements.</li></ul> <p>In line with 2019/20 and the continuing Covid-19 pandemic, we monitored the valuation approach to assess if a material uncertainty disclosure will be required for 2020/21.</p>
	<p><b>Audit conclusion</b> We have completed our work on the valuation of the Council’s net pension liability valuation. We have no significant issues to report, however as part of our review of the Pension Fund Auditor’s letter, received 16 December 2021, we have reported a unadjusted misstatement in section 6 of this report.</p> <p>We have also confirmed there is no material valuation uncertainty disclosure required for 2020/21.</p>

# 4. Significant findings

## Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council 30 June 2021 and were of a good quality. However, our initial review noted that some of the key issues included in the CIPFA bulletin – 'closure of the 2020/21 financial statements' had not been actioned which have resulted in significant changes to the draft accounts.

## Significant matters discussed with management

### Covid -19 Business support

The Council administered over £83.5 million of financial assistance to local businesses and individuals on behalf of the Government. Councils were required to assess if this support, and the associated income, should be reflected in the Council's financial statements. We considered whether the Council's approach to accounting for these grants was in accordance with relevant guidance and recommended the draft accounts be updated to reflect the Council's role as an agent.

### Council Tax Collection Fund surplus/deficits for 2020/21

During 2020/21 the government has provided additional support to Councils in the form of Section 31 (S31) compensation, to cover the expansion of business rate reliefs due to the impact of the pandemic. The bulletin recommended Councils manage this type of S31 through earmarked reserves. Following our review of the draft accounts, we recommended the Council create and utilise an earmarked reserve, per CIPFA's guidance.

### Defined benefit pension liability and property valuations

As a result of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers we have increased our work on defined benefit pension schemes and valuation of property, plant and equipment. This and other issues emerging during the year have had an impact on the fee required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. As set out in our ASM all fee variation requests are subject to approval from PSAA.

### Allerton Waste Recycling Plant

Following our audit recommendation, management and North Yorkshire County Council commissioned a valuation of Allerton Waste Recycling Plant. This is the first formal valuation since it was capitalised in 2017/18. Due to the complex nature of this valuation we consulted our own valuations team to gain assurance that the value of Allerton Waste Recycling Park was materially accurate in 2020/21.

We also noted that management has made the judgement that plant and equipment, relating to the valuation, is integral to the building and has therefore classified it as 'other land and buildings' and not 'plant, vehicle and equipment' in note 12 (plant, property and equipment). However, depreciation will be calculated based on the useful economic life of the plant and equipment (25 years), not the building (30 years).

### Public Interest Report

Management has made us aware of the steps taken by the Council to address the issues raised in our Public Interest Report, issued in April 2021.

## Significant difficulties during the audit

We did not encounter any significant difficulties and we have had the co-operation of management.

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# 4. Significant findings

## 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.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

## Modifications required to our audit report

We have identified the following issue which has resulted in us proposing to issue a modified audit opinion. Our draft audit report, is included as an appendix to this report.

Issue	Impact on our audit opinion
<p>We issued a Public Interest Report on 19 April 2021 including recommendations to address the significant weaknesses we identified in the Council’s arrangements in respect of the severance of the former Chief Executive:</p> <ul style="list-style-type: none"> <li>• elements of the exit package, described in both the business case considered by Members and in the financial statements as contractual, were paid at the discretion of the Council and were not contractual entitlements;</li> <li>• the business case considered by Members did not include sufficient facts, both in terms of financial analysis and background information, to make an informed decision;</li> <li>• decision records that document the use of public funds under the scheme of delegation were not maintained; and</li> <li>• safeguards to prevent conflicts of interest and demonstrate the Council applies the principles and values of sound governance were not applied.</li> </ul>	<p>We will issue a modified audit opinion on the financial statements.</p> <p>Our audit opinion on all other matters is unqualified.</p>





# 05

Section 05:

**Internal control recommendations**

# 5. Internal control recommendations

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or 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.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1



# 5. Internal control recommendations

## Other deficiencies in internal control – Level 3

### Description of deficiency

As part of our work on IT general controls, IT auditors were unable to obtain evidence to show that there is a documented Disaster Recovery (DR) process nor that there has been a DR test performed within the period.

### Potential effects

Unavailability of systems and partial or complete loss of data, resulting in reputational damage to the Council.

### Recommendation

Management should:

- ensure that the DR plan is formalised and considers a variety of scenarios;
- ensure the document passes through version control at least once per annum; and
- ensure DR is tested and documented at least once per annum.

### Management response

In operational terms there are documented and reviewed backup/restore processes that operate hourly, daily and weekly. In terms of a corporate Disaster Recovery exercise, ICT will liaise with Emergency Planning to build into an annual exercise programme.



# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

While our work to date has not found any material errors in this area, we recommend that the Council improves its arrangement to review, challenge and document the output of management's valuation experts relied upon in the production of its financial statements.

### Potential effects

Without sufficient challenge, information relied upon in preparing the accounts could result in a material misstatement.

### Recommendation

We recommend that management's review and challenge of the valuer's work should be formalised. We suggest that management formally documents how it gains its own assurance over the data, calculations and assumptions in valuer's reports.

### 2020/21 update

While management has provided evidence to support improvements in their challenge of the work of the valuer, we have identified the following improvements that could be made:

- arrangements to complete data quality checks, to support floor areas should be introduced. Currently management assume there is no material change to floor areas, due to the static nature of the asset base;
- documentation to provide assurance that valuations completed prior to year end, are not materially misstated should be improved; and
- documentation to provide assurance that all assets have been revalued within the Council's 5 year rolling programme should be improved.

### Description of deficiency

Our work on the Members' allowances the scheme and approved rates published on the Council's website relates to previous policy. The review of the scheme and approved rates (December 2019) should be published on the Members' allowances section of the Council website.

### Potential effects

The public are not informed of the latest decisions of the Independent Remuneration Panel, relating to Members' allowances.

### Recommendation

The Council should ensure the published Members' scheme of allowances and approved rates is the most up to date version.

### 2020/21 update

We have not noted any issues in this area in 2020/21.

# 06

Section 06:

**Summary of misstatements**

# 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £0.268m.

The first section below 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.

Page 24 outlines the misstatements that have been adjusted by management during the course of the audit.

## Unadjusted misstatements

As part of our work we noted two unadjusted misstatements:

- Our post year end cut off testing noted an invoice totalling £5,633 recorded as expenditure in 2021/22. Our enquiries confirmed the invoice related to services provided in 2020/21 and an accrual was not made. The error was extrapolated based on our post year end cut off population at £0.427m. Management has not made an adjustment for this.
- As part of our review of the net pension liability, we considered responses from the Pension Fund auditor, received 16 December 2021. As part of this review the Pension Fund auditor confirmed investments were understated by £9.2m (relating pooled investment vehicles). We have estimated City of York Council's share of the pension fund assets to be 18.6%, therefore the potential impact on the net pension fund liability is £1.7m (overstated). Management has not adjusted for this.



## 6. Summary of misstatements

### Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Taxation and non-specific grant income	83,478			
	Cr: Gross expenditure		83,478		
<p>As part of our review of the draft financial statements, we noted a significant increase grant income from the previous financial year (£105.2m). Enquiries of management confirmed £83.5m of this increase related to Covid-19 business support income, paid by Central Government to the Council, to support local businesses. As the Council acted as an agent of Central Government, these grants should not have been recorded in the Council's financial statements.</p>					
2	Dr: Long term creditors - provisions			43,004	
	Cr: Earmarked reserves				43,004
<p>As part of our review of the draft financial statements, we noted a significant increase in the business rate provision from the previous year (£31.7m). Enquires of management confirmed Section 31 compensation, paid by Central Government to cover the expansion of business rate reliefs due to the impact of the pandemic had been allocated to the provision. This should have been allocated to a useable reserve, to allocate against future collection fund deficits. As the Council had accounted for 2019/20's Section 31 income in the same way, a correction has also been made for this in 2020/21. The adjustment also resulted in a £43.0m reduction in the cost of service line.</p>					
3	Dr: Unusable reserves (dedicated schools grant adjustment account)			9,940	
	Cr: Usable reserves				9,940
<p>As part of our review of the draft financial statements, we noted that note 39 (dedicated schools grant) recorded a deficit of £9.94m. These deficits arise where schools budget expenditure exceeds that of the available funding provided through the DSG. In 2019, concerns were raised that accounting practices did not permit deficits to be separated from a local authority's general fund, as there was no statutory basis to hold them separately. Regulations state local authorities must either deduct the deficit from its school budget, or carry forward the deficit to future financial years rather than fund it from other sources. For that reason Councils are required to set up a 'Dedicated Schools Grant Adjustment Account', an unusable reserve.</p>					

# 6. Summary of misstatements

## Adjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	Dr: Short-term debtors			37,638	
	Cr: Short-term creditors				37,638
<p>Our testing of short term creditors highlighted a debit balance of £37.6m had been included in the total which should have been recorded in short term debtors. Enquiries of management confirmed it related to business rates arrears reduced for prepayments, impairment allowances and appeals provisions. The balance also includes an adjustment for prior and current year collection fund deficits.</p>					
<b>Total adjusted misstatements</b>		83,478	83,478	90,582	90,582





# 6. Summary of misstatements

## Disclosure amendments

The following disclosure amendments have been agreed with management:

- Our review of the draft accounts noted, prior year comparators have been restated in the Cash Flow Statement, Comprehensive Income and Expenditure Statement and several notes. A disclosures to explain these has been added.
- Comprehensive Income and Expenditure Statement - surplus/loss arising on the revaluation of available for sale financial assets was removed and replaced with surplus or deficit from investment in equity instruments designated at fair value through other comprehensive income.
- Note 1 (accounting polices, accruals and expenditure) – the policy has been updated to reflect the current accounting standards for revenue from contracts with service recipients.
- Note 1 (accounting polices, property, plant and equipment) – the policy has been updated to confirm equipment is held at current value, being depreciated historic cost.
- Note 2 (accounting standards that have been issued but not yet adopted) – reference to IFRS16 has been removed, per the Code guidance.
- Note 3 (critical judgements in applying accounting policies) – the note has been updated to reflect management decision regarding the treatment of components for Allerton Waste Recycling Plant and the impact on depreciation. Management has classified associated plant and equipment as other land and buildings in note 12, on the basis it is integral to the building and has no impact on depreciation charged in year.
- Note 19 (debtors) – accounts have been updated to remove reference to bad and doubtful debts, as these are no longer relevant per the Code. The accounts have been updated to reference impairment and impairment allowance.
- Note 21 (cash and cash equivalents) – transposition of cash held by the Council (£6.1m) and bank current accounts (£3.1m).
- Note 37 (exit packages) – the prior year 'total number of exit packages by cost band' incorrectly totalled 54, this has been updated to 22.
- Note 44 (PFI and similar contracts) – several adjustment have been made to the tables that support the note. With the largest error totalling £2.222m for total payments.
- HRA Note 9 (summary of capital expenditure) - narrative updated to read £33.861m from £30.861m.

In addition to the above, we did identified a small number of minor presentational issues during our audit and these have been amended by the Council.

The following disclosure error was discussed with management, however the accounts have not been updated:

- Note 50 (contingent liabilities) –this disclosure does not does not meet the definition of a contingent liability per the requirements of IAS 37, i.e. a possible obligation whose existence will be confirmed by uncertain future events that are not wholly within the control of the Council or an obligations that is not recognised because their amount cannot be measured reliably or because settlement is not probable.



# 07

Section 07:

**Value for money arrangements**

# 7. Value for money arrangements

## Audit approach

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within the 3 months of issuing our audit opinion on the financial statements, consistent with NAO guidance.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. Although our work in this area of the audit is ongoing, at the time of preparing this report, we have identified a significant weakness in arrangements and have made associated recommendations. We provide further details on the identified significant weaknesses and our recommendations later in this section of our report.

Our audit report will confirmed that although we have not yet completed our work in relation to the Council's arrangements, we have significant weaknesses in arrangements to report in. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.



# 7. Value for money arrangements

## Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures.

Risk of significant weaknesses in arrangements	Financial sustainability	Governance	Improving the 3Es	Audit findings
<p><b>1 Issues which led to a qualified 'except for' VFM conclusion in the 2019/20 audit</b> Although we are no longer required to provide a qualified or unqualified conclusion, in 2019/20 we reported a weakness in decision making arrangements and processes relating to the Chief Executive's severance payment.</p> <p>We therefore consider this to be a potential weaknesses in arrangements to be followed up in 2020/21.</p>	○	●	●	<p><b>Work undertaken</b> Our Public Interest Report and recommendations were accepted by the Council during the Extraordinary Meeting on 4 May 2021 and are evidence of significant weaknesses in governance arrangements in 2020/21 (how the Council makes informed decisions and manages its risks).</p>
<p><b>2 Financial sustainability</b> In February 2021, the Council issued its Financial Strategy (2021/22 to 2025/26), which confirmed a 2020/21 net revenue budget of £131.4 million, predicated by a savings proposals of £7.9 million, equating to 6% of the total revenue budget.</p> <p>This financial challenge is not new or unique to the Council and it presents a significant area of focus in respect of the arrangements the Council has in place to deliver financial sustainability over the medium term.</p>	●	○	○	<p><b>Work undertaken</b> We are yet to complete our work in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.</p>



# 7. Value for money arrangements

## Identified significant weaknesses in arrangements and recommendations for improvement

We have identified the following significant weakness in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources.

On 19 April 2021 we issued a Public Interest Report and highlighted significant weaknesses in the Council's arrangements in respect of the severance payment of the former Chief Executive, paid in the financial year 2019/20. The Council accepted our recommendations on 4 May 2021, confirming the significant weaknesses in governance arrangements existed during the 2021/21 financial year.

Identified significant weaknesses in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendations in relation to significant weaknesses in value for money arrangements
<p>Our Public Interest Report includes recommendations to address the following significant weaknesses we identified in the Council's arrangements in respect of the severance of the former Chief Executive:</p> <ul style="list-style-type: none"> <li>elements of the exit package, described in both the business case considered by Members and in the financial statements as contractual, were paid at the discretion of the Council and were not contractual entitlements;</li> <li>the business case considered by Members did not include sufficient facts, both in terms of financial analysis and background information, to make an informed decision;</li> <li>decision records that document the use of public funds under the scheme of delegation were not maintained; and</li> <li>safeguards to prevent conflicts of interest and demonstrate the Council applies the principles and values of sound governance were not applied.</li> </ul>	○	●	●	<ul style="list-style-type: none"> <li>The Council should adopt and apply appropriate standards for business case preparation in relation to exit and pension discretions to improve information supporting decisions.</li> <li>Decision notes should be maintained that document the factors that explain the case for the use of public funds under the scheme of delegation such as where payments exceed contractual entitlements.</li> <li>The Council should review the design of its governance policies and procedures to manage conflicts of interest (including self-interest threats). This should include updating the Council's constitution and scheme of delegation.</li> <li>The Council should ensure all Members fully understand the requirements of the Code of Conduct in relation to declaration of interests.</li> <li>The Council should review its policies and procedures to reflect Government guidance in the use of non-disclosure agreements.</li> </ul>

Failure to implement the recommendations in the Public Interest Report could result in reputational damage and financial loss to the Council.



# 7. Value for money arrangements

## Identified significant weaknesses in arrangements and recommendations for improvement (continued)

### Council's response to recommendations

In response to recommendations one, two and five, the Council has revised its Guidance and the Exit Strategies: Guidance on the use of Settlement Agreements including Special Severance Payments was approved by the Staffing Matters and Urgency Committee on 18th October, 2021. As part of the approval process, the draft guidance was first considered by the Audit and Governance.

In developing the Guidance, the Council consulted with Trade Unions, external legal advisors and considered the national guidance issued by central government namely

- Cabinet Office Guidance on Settlement Agreements, Special Severance Payments on Termination of Employment and Confidentiality Clauses;
- Guidance on Public Sector Exit Payments: Use of Special Severance Payments;
- Statutory Guidance in the making and disclosure of Special Severance Payments by Local Authorities

The above are also referenced in the CYC Guidance for assistance.

During October 2021, mandatory training was delivered by the Head of HR to all senior staff (Heads of Service and Chief Officers and Statutory Officers) in respect of the contents of the Guidance and the importance of record keeping. The Guidance, in terms of its remaining fit for purpose, and the operational application of the Guidance is being monitored by Human Resources. Human Resources staff have also received training from the Head of HR on the Guidance and its operational application and their role in the process.

To comply with an existing Audit & Governance Committee recommendation and also to offer independence in its application, Internal Audit has been instructed to report on an annual basis to the Committee in respect of the application of the Guidance.

In terms of decision-making, the Guidance sets out the approval process to be followed depending on the grade of the staff member in questions. The Guidance also provides clarity as to the role of Elected Members in this process.

*The Council should review the design of its governance policies and procedures to manage conflicts of interest (including self-interest threats). This should include updating the Council's constitution and scheme of delegation; [Recommendation Three]*

The Council's constitution has been comprehensively reviewed and significantly updated. Since September 2021, the Audit & Governance Committee, with the support of a cross party group of Members, has been working through and considering the draft constitution. The Audit & Governance Committee proposes to refer the constitution for consideration, adoption and immediate implementation, by Full Council in March 2022.

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# 7. Value for money arrangements

## Identified significant weaknesses in arrangements and recommendations for improvement (continued)

### Council's response to recommendations

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The draft constitution contains greater detail and clarity in respect of the Scheme of Delegation for Elected Members and Officers and guidance on conflicts of interest. Where necessary, the terms of reference of committees has been updated and protocols have been included to offer greater transparency. Training will be delivered to Elected Members and Officers in respect of the new constitution so as to ensure it is fully understood and followed. Going forward, training in respect of the constitution will be a mandatory element of the Member Development and Induction programme.

*The Council should ensure all members full understand the requirements of the Code of Conduct in relation to declaration of interests; [Recommendation Four]*

On 21st October 2021, Full Council adopted and approved the immediate implementation of the LGA Model Code of Conduct with one amendment that the value of gifts and hospitality will be reduced to £25. The Council has commissioned Hoey Ainscough Limited to support the implementation of the Model Code of Conduct and they have provided training to Elected Members and key Officers. Hoey Ainscough Limited are also reviewing and updating the various procedures which support the operation of the Code of Conduct. The current timetable is for the revised procedures to be considered by the Joint Standards Committee in January 2022, with the intention that they are referred to Full Council for approval and immediate adoption in March 2022. The Code of Conduct and the supporting procedures will be fully incorporated into the revised constitution.

Training in respect of the Code of Conduct will be delivered on an annual basis and will be a mandatory element of the Member Development and Induction Programme.

In addition to the specific actions above, assurances are also being sought on an overarching basis from the Local Government Association who have been commissioned to report in December 2021, on the appropriateness of the actions taken to date to deliver against the Action Plan approved by Full Council. The Local Government Association has also been commissioned to provide a further report in December 2022, to advise on the embedding of the overall Action Plan.

As part of its assurance function, Internal Audit will also review, where applicable, compliance with the constitution as a theme across the Audit Plan. Any concerns will be raised in the first instance with the Council's statutory officers.

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# Appendix A: Draft management representation letter

Mark Kirkham  
5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP

X January 2022

Dear Mark

### City of York Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of City of York Council (the Council) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, 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 financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### 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 financial statements 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 Chief Finance 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.



# Appendix A: Draft management representation letter

## 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 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 the methods, significant assumptions and the data used in making the accounting estimates are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework..

## 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 un-asserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

## 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.



# Appendix A: Draft management representation letter

## Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements 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 financial statements 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 and applicable law.

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.

## Charges on assets

All the company's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

## 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.

## Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2020/21 in relation to the Council's PFI schemes that you have not been made aware of.



# Appendix A: Draft management representation letter

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, 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.

### Covid-19

I confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the accounts, including the event after the balance sheet note to the financial statements, fairly reflects that assessment.

### Going concern

To the best of my knowledge there is nothing to indicate that the Council will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Chief Finance Officer: .....

Date: .....



# Appendix B: Draft audit report

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

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of City of York Council (“the [Council]”) for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Housing Revenue Account, Collection Fund and notes to the financial statements, including a 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### 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

In auditing the financial statements, we have concluded that the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.



# Appendix B: Draft audit report

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

### Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the Annual Governance Statement and 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 Chief Financial Officer for the financial statements

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer 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 2020/21, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.



# Appendix B: Draft audit report

The Chief Financial 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, ‘the Local Government and Housing Act 1989’ and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Financial Officer’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimate and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Governance Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.



# Appendix B: Draft audit report

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance and Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance and Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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.

## Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weaknesses in arrangements for the year ended 31 March 2021.





# Appendix B: Draft audit report

Significant weakness in arrangements	Recommendations
<p>We issued a Public Interest Report on 19 April 2021 including recommendations to address the following significant weaknesses we identified in the Council's arrangements in respect of the severance of the former Chief Executive:</p> <ul style="list-style-type: none"> <li>elements of the exit package, described in both the business case considered by Members and in the financial statements as contractual, were paid at the discretion of the Council and were not contractual entitlements;</li> <li>the business case considered by Members did not include sufficient facts, both in terms of financial analysis and background information, to make an informed decision;</li> <li>decision records that document the use of public funds under the scheme of delegation were not maintained; and</li> <li>safeguards to prevent conflicts of interest and demonstrate the Council applies the principles and values of sound governance were not applied.</li> </ul>	<ul style="list-style-type: none"> <li>The Council should adopt and apply appropriate standards for business case preparation in relation to exit and pension discretions to improve information supporting decisions.</li> <li>Decision notes should be maintained that document the factors that explain the case for the use of public funds under the scheme of delegation such as where payments exceed contractual entitlements.</li> <li>The Council should review the design of its governance policies and procedures to manage conflicts of interest (including self-interest threats). This should include updating the Council's constitution and scheme of delegation.</li> <li>The Council should ensure all members fully understand the requirements of the Code of Conduct in relation to declaration of interests.</li> <li>The Council should review its policies and procedures to reflect Government guidance in the use of non-disclosure agreements.</li> </ul>

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any further matters which we are required to report by exception.

## 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 for the 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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021..

## 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:



# Appendix B: Draft audit report

- 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 44 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:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Kirkham  
Partner  
For and on behalf of Mazars LLP  
5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP



# Appendix C: Independence

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.



# Appendix D: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.
<b>External confirmations</b>	We did not experience any issues with respect to obtaining external confirmations.
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>Going Concern</b>	We have not identified any evidence to cause us to disagree with the Chief Financial Officer that City of York Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.

# Appendix D: Other communications

Other communication	Response
<p><b>Subsequent events</b></p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p><b>Matters related to fraud</b></p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and confirming that</p> <ul style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ul style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul>



# Mark Kirkham

## Mazars

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3 Wellington Place

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.