



Auditor's Annual Report
North Yorkshire Council – year ended 31 March 2025

February 2026

Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on value for money (VFM) arrangements
- 04** Other reporting responsibilities
- 05** Audit fees and other services

- A** Appendix A: Further information on our audit of the Council’s financial statements
- B** Appendix B: Further information on our audit of the Pension Fund’s financial statements

Our reports are prepared in the context of the ‘PSAA Statement of Responsibilities of Auditors and of Audited Bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

01

Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North Yorkshire Council ('the Council') for the year ended 31 March 2025. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 24 February 2026. Our opinion on the financial statements was disclaimed.



Value for money arrangements

We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements.



Wider reporting responsibilities

We have not yet received full group instructions from the National Audit Office (NAO). We have not completed the work on the WGA return as the NAO may require further sample testing of components. We also received and considered two objections to the accounts, and we have not yet issued our conclusions and statements of reasons.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council’s financial position as at 31 March 2025 and of its financial performance for the year then ended. Our audit report, which was issued on 24 February 2026, gave a disclaimed opinion on the financial statements for the year ended 31 March 2025 .

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on value for money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Our 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.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work, we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information;
- information from internal and external sources, including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions.

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 there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks in the following sections.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations if we identify weaknesses in arrangements or other matters that require attention from the Council. Such recommendations could be either:

- **recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit; or
- **other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	Yes – see pages 15 and 17
 Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have not identified any risks of significant weaknesses in arrangements as part of our continuous planning procedures for the year ended 31 March 2025.

Overall commentary on Financial Sustainability

How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

Our review of the minutes and supporting documentation confirms that medium term financial planning arrangements were in place for 2024/25. The Council's budget for 2024/25, approved in February 2024, incorporated a Medium Term Financial Strategy (MTFS) extending to 2026/27. As part of our assessment, we examined each MTFS covering the period from 2024/25 to 2026/27. We also reviewed the proposed budget, the MTFS approach, and the associated timetable.

In considering the Council's arrangements, we took into account delivery of the MTFS, including progress on identified savings targets. Like many other local authorities, the Council faced considerable cost pressures in 2024/25, driven by demand-led services and inflation.

The overall budget-setting process involved a detailed analysis of departmental costs, anticipated financial pressures, and both short and medium-term priorities. The MTFS clearly outlines the Council's financial position and the risks it faces in the near and medium term. It also links to the Council Plan, helping to shape spending and savings priorities. The MTFS acknowledges the significant financial challenges ahead, which limit the Council's capacity to invest in priority areas.

The Capital Programme Outturn Report for 2024/25 recorded an actual spend of £178.6 million, compared to an approved budget of £232.1 million. The difference is primarily due to the re-profiling of budgets from 2024/25 into future years. This adjustment, along with the rationalisation of budgets within the capital plan, reflects a broader risk faced by many local authorities, driven by rising demand and increasing costs. The carry-forward should not affect the long-term financing of the Capital Plan, as borrowing and capital receipts can be flexibly applied across financial years. To minimise internal borrowing for non-commercial capital projects, the Council has prioritised the use of grants and contributions to fund eligible capital expenditure.

We have confirmed that the Council has consistently monitored its financial position and treasury management arrangements throughout the year. This included mechanisms to update the Financial Strategy, ensuring the Council could effectively respond to any financial challenges identified during the life of the plan.

How the Council plans to bridge funding gaps and identifies achievable savings

Our evaluation of the MTFS for the 2024/25 period confirms that the forecasts are based on prudent assumptions, reflecting the Council's current understanding of overall funding, service demand, and other cost pressures.

At the end of 2024/25 Q4, the savings indicated of £28.1m were not all delivered. There has been a £3.9m delayed achievement of some planned savings but this has been more than offset by other transformation savings being delivered early.

The MTFS presented in February 2025 indicates that £4.9 million in reserves will be required to balance the 2025/26 budget, potentially increasing to £34.4 million by the end of 2027/28. The Council intends to address this by utilising one-off reserves. From 2024/25 to 2025/26, the Council plans to continue to use reserves to support its financial position as part of the transformation strategy, 'Becoming one Council fit for the future.' Regular updates on this are provided to the Executive and Council.

In summary, the Council has financial reserves and a transformation plan that aims to maintain reasonable reserve balances.

In addition to the reorganisation benefits, the MTFS includes 3 categories of savings:

- budget savings built into the budgets;
- stretch savings proposals where there is high confidence of success, but actions require further detail; and
- stretch savings that require work to test whether actions will produce the expected benefit.

The February 2024 MTFS outlined detailed savings proposals by directorates, amounting to £24.6 million in 2025/26, £8.5 million in 2026/27, and £7.2 million in 2027/28. Our review of the minutes shows no evidence of over-reliance on uncertain income streams or the execution of unsupported plans.

Evidence in budget reports in 2024/25 shows that the progress on savings and budget targets are set out in significant detail and that there are detailed plans to support the delivery of the savings programmes.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability - continued

How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Similar to the previous year, the Council outlines its priorities through the 'Future of North Yorkshire 2024 - 2028' plan (updated in 2024), detailing ambitions and priorities for both services and the Council. The Council has established processes to evaluate revenue investments, savings, and capital investments to achieve these priorities and desired outcomes.

Our review confirms that the MTFS is based on reasonable assumptions available at the time of approval. The MTFS is regularly reviewed, including its main assumptions, and is frequently reported on, particularly when changes in assumptions impact the forecasted financial position. Regular budget monitoring, including quarterly performance reports, helps identify in-year pressures, assess the achievement of savings, and determine if resources need to be redirected to areas in need.

The review of the MTFS shows alignment with the organisational agenda outlined in the Council Plan. The five-year capital investment strategy was largely inherited from the former districts and County Council. Efforts to consolidate the respective capital plans began as early as 2022 and continued into 2024/25.

How the Council ensures that its financial plan is consistent with other plans

At its core, the Council functions under a 'Council Plan,' which is integrated into the Strategic Planning Framework. The MTFS is an essential component of this Framework. We have noted the arrangements in place for the development of the MTFS, ensuring that the financial plan is aligned with the Council's objectives to achieve its priorities. This process involves a thorough examination of the MTFS, documentation of key assumptions, and a risk assessment of each savings plan to inform Members of the potential effects.

In compliance with the Prudential Code and the Council's Capital Strategy, the revenue implications of capital investment decisions are thoroughly considered and integrated into the MTFS planning and budget-setting process. This approach ensures that all investments are fully funded.

The Executive reviews quarterly capital monitoring reports, which detail any changes in resourcing, delivery, and newly agreed programmes of work. These reports also facilitate the Council's monitoring of capital receipts and the overall funding of the programme. Regular reports were submitted to the Executive throughout the reporting periods. To ensure the consistency of the MTFS and the annual budget with other plans, extensive consultations are conducted with both internal and external stakeholders.

How the Council identifies and manages risks to financial resilience

The MTFS outlines the financial risks facing the Council and the planned responses, based on an analysis of the budget and anticipated commitments such as inflation and known service pressures. Emerging financial challenges are identified through ongoing budget and performance monitoring. The Executive receives quarterly updates through an integrated performance and budget monitoring report. This comprehensive report includes an executive summary highlighting key issues, along with detailed performance indicators, budget variances, and progress against savings targets, including areas of both over and underspending.

The Council's final financial position for 2024/25 was presented to the Executive on 27 May 2025, showing an overall underspend of £2.59 million (0.45%) against a budget of £579.401m. This outcome was consistent with the financial performance reported throughout the year, and we found no evidence of weaknesses in the Council's budget monitoring or reporting processes.

Our work did not identify a significant weakness in the Council's arrangements in relation to the financial sustainability reporting criteria.

VFM arrangements

Governance

How the Council ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have not identified any risks of significant weaknesses in arrangements as part of our continuous planning procedures for the year ended 31 March 2025.

Overall commentary on Governance

How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council operates under a leader and executive model and is governed by a constitution that encompasses the standard features of an effective local government governance framework. The Council has established a Local Code of Corporate Governance, which outlines the principles to be applied within its corporate governance framework. This Code also details the key components of the framework and the processes for their monitoring and review. It is aligned with the national guidance provided by CIPFA/SOLACE. The updated Code was approved at the June 2025 Audit Committee and sets out the role of the Committee in assessing the effectiveness of corporate governance arrangements and approving the Council's Annual Governance Statement.

The Council's risk management policy outlines risk objectives within the policy framework, processes, and roles and responsibilities. The Audit Committee plays a crucial role in scrutinising and challenging the Council's corporate risk register and directorate risk registers. For instance, directorate registers were presented to the Audit Committee in June 2025, including the Children and Young People Services register, which was reviewed and considered by the Committee. The officer Risk Management Group conducts an annual review of the policy and procedures and plans to report to the Corporate Management Team.

The Council's Internal Audit team provides assurance in accordance with a risk-based audit plan. For the 2024/25 period, Internal Audit Services were provided by Veritau Ltd, a company jointly owned by North Yorkshire Council and City of York Council. The Council's Audit Committee reviews the Internal Audit Plan and the Head of Internal Audit Report to establish priorities for internal audit activities, ensuring alignment with the Council's objectives.

The 2024/25 Plan was presented to the Audit Committee in June 2024. We attended all meetings of the Committee and confirmed that progress was reported throughout the year. The Head of Internal Audit's Opinion, presented in June 2025, provided a reasonable level of assurance, consistent with the 2023/24 assessment. Two significant control weaknesses were identified: one in capital scheme management and the other in information security with Internal Audit reporting that the Council's IT networks are not compliant with its data protection policies. This issue relates to an internal control recommendation raised as part of our 2023/24 audit concerning insufficient password controls and inadequate oversight of programme changes. As this weakness remains unresolved in 2024/25, it is highlighted again in our Audit Completion Report. The weakness in capital scheme management pointed to ineffective project management and budgeting practices, indicating a budgetary control risk over capital expenditure. Consequently, an 'other recommendation' has

been raised to address this issue. Both weaknesses are included in the Council's Annual Governance Statement.

Other recommendation

1	In June 2025, Internal Audit reported a significant control weakness in the Council's project management, decision making and budgeting over a number of capital programmes.	The Council should ensure that it undertakes the actions set out in the Internal Audit report to ensure that oversight arrangements and budgetary control of capital projects are strengthened.
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Only two limited assurance reports were issued in 2024/25, suggesting that internal control standards have been satisfactory. Our assessment identified no significant weaknesses in the current arrangements.

Through our attendance at Audit Committee meetings, we have confirmed that Members challenge management when recommendations are not implemented within the agreed timeframe. We have also observed Member scrutiny of issues raised in Internal Audit reviews.

Throughout 2024/25, Veritau Ltd provided dedicated Counter Fraud services to the Council, identifying potential fraud and investigating all suspected cases. We confirmed that the outcomes of these investigations are reported to the Audit and Governance Committee via the Counter Fraud Annual Reports. The Council maintains Counter Fraud and Corruption and Anti-Money Laundering policies. The Audit Committee is regularly informed of anti-fraud activities through interim and annual reports.

VFM arrangements – Governance

Overall commentary on Governance - continued

How the Council approaches and carries out its annual budget setting process

The Council has established a budget timetable and process designed to incorporate the perspectives of Members and residents. The budget is formulated following a thorough evaluation of the financial status, identification of potential risks, and consideration of service and broader financial pressures.

The revenue budgets and Medium Term Financial Strategy are presented to and approved by the Council. These documents are comprehensive, featuring an executive summary that addresses the revenue budget and treasury management. They provide detailed information on overall budgets, key assumptions, assessments of the robustness of estimates, budgetary risks, savings targets, and the adequacy of reserves. The Section 151 Officer provides an opinion on the feasibility of the plan and its environmental considerations. The budget underwent thorough scrutiny and public consultations, the details of which are included in the plan. The report concludes with a series of recommendations to Members, supported by detailed appendices.

How the Council ensures effective processes and systems are in place: to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); to support its statutory financial reporting requirements; and to ensure corrective action is taken

The Council's budget monitoring arrangements encompass monthly updates that focus on the financial outturn position for revenue, treasury management, and capital. Each quarter, a formal report is presented to the Executive, providing performance information that outlines the latest forecast and any necessary corrective actions. These reports are detailed and timely, enabling Members to assess and challenge the financial position effectively.

Our review of Council minutes confirms that there was consistent reporting on the financial position throughout the 2024/25 year. These reports included detailed summaries of the in-year financial pressures, and the progress made towards achieving planned savings. The Council has delivered its 24/25 budget. The Council reported an outturn of £576.811m against a budget of £579.401mm, reporting a £2.590m underspend, this was not significantly different from the figures reported to Members during the year. It was noted that the underspend increased from £0.76m at Quarter 3 to £2.6m at year-end, primarily due to the earlier than expected realisation of savings.

The Council produced financial statements in line with the statutory timetable.

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

Membership of the Audit Committee comprises Councillors and independent co-opted members. We have attended all meetings held during the reporting periods and consider them to be effective and well represented. The Terms of Reference for the Audit Committee are outlined in the Constitution, and we have found no evidence to suggest they are not being fulfilled. The Constitution was in place from the start of the new Council and is updated regularly.

Based on a review of minutes we see evidence that decisions are supported by management data and professional advice. Decisions are recorded, where appropriate, in Delegated Decision Records or Member Decision Reports which are published on the Council's website including forthcoming as well as past decisions. Notices of key decisions must be made available for public inspection at least 28 days prior to the decision being made and published within 2 days following the decision.

Our review of the minutes shows that decisions are supported by management data and professional advice. Decisions are documented in Delegated Decision Records or Member Decision Reports, published on the Council's website, including both forthcoming and past decisions. Notices of key decisions are available for public inspection at least 28 days prior and published within 2 days after the decision.

New decisions are supported by reports outlining options and relevant considerations, including financial, legal, HR, property, and IT aspects. The reports support informed decision-making and clearly state the decisions Members are asked to make.

The Council has several scrutiny committees which provide an opportunity to ensure accountability and independently monitor decisions. We reviewed meetings held in 2024/25 and identified no evidence to suggest this function has not been fulfilled. Our review of Council minutes did not identify any evidence of a significant weakness in arrangements.

VFM arrangements – Governance

Overall commentary on Governance - continued

How the Council monitors and ensures appropriate standards are maintained

The Council has appointed the Assistant Chief Executive Legal and Democratic Services as its Monitoring Officer, who ensures compliance with statutory requirements. Our review of meeting papers confirms that legal considerations are routinely addressed in reports to Members.

The Council's Constitution, last reviewed in January 2025, is updated annually. It outlines the Council's operations, decision-making processes, and the rules and procedures to ensure efficiency and transparency. The Constitution is supported by Codes of Conduct for Members and Officers. The Code of Conduct, which aligns with the Nolan principles, sets out the requirements for Councillors, including standards of conduct and disclosable interests. Recording interests so that the risks of conflicts of interest can be managed is a critically important step in maintaining public trust, transparency and integrity in decision-making.

Other recommendation

1	At the end of September 2025 our testing of related party transactions identified annual declarations of interest for 2024/25 were outstanding for 29 Members, and thirty senior officers (17 of whom have left the Council).	The Council should review the arrangements in place for obtaining assurances from Members and senior officers to ensure all potential related party interests are identified and appropriately disclosed.
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The Standards and Governance Committee addresses Member conduct issues, guided by its terms of reference. It receives updates on Code of Conduct compliance and publishes an annual report. The May 2025 report allowed Members to review process appropriateness transparently. The report included summaries of these decisions and the Hearing Panel's investigations and determinations.

Complaints about elected Members and parish councils are initially reviewed by the Monitoring Officer or Deputy Monitoring Officer, in consultation with the Independent Person for standards. Matters considered vexatious, offensive, trivial, or otherwise inappropriate for investigation are not referred.

The Council has established a Standards of Conduct Policy and Code of Practice for employees. This policy outlines expectations and rules regarding professional relationships, interactions with contractors, acceptance of gifts and hospitality, personal and financial interests, use of social media, and political neutrality.

We have confirmed that contract procedure rules are in place, ensuring that procurement decisions adhere to appropriate standards. Treasury management activities are regularly reported, detailing the Council's investments, cash, and borrowing positions. The Treasury Management Strategy, approved prior to the financial year, outlines the measures against which treasury management is assessed. These measures include risk mitigation strategies for the Council's finances. A quarterly update is provided to the Executive as part of the performance and budget report.

Our work did not identify a significant weakness in the Council's arrangements in relation to the governance reporting criteria.

VFM arrangements

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements in relation to Improving Economy, Efficiency and Effectiveness

We have not identified any risks of significant weaknesses in arrangements as part of our continuous planning procedures for the year ended 31 March 2025

Overall commentary on Improving Economy, Efficiency and Effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement

As previously detailed, regular financial reporting was maintained throughout the year. Arrangements are in place to evaluate service quality, ensuring alignment with the Council's objectives and priorities.

Performance is monitored by the Executive, a comprehensive set of performance indicators covering all service areas and reports on performance and financial information in a quarterly report. The arrangements enable scrutiny of corporate performance and the identification of areas for improvement.

In May 2025, the Quarter 4 Performance Monitoring Report introduced a Performance Management Framework designed to enhance the consistency and transparency of the Council's performance management. This framework identifies four levels of performance management across the Council, each aligned with different objectives and measured by distinct indicators. The framework is integrated with the Council's Plan.

As detailed in the Financial Sustainability section, the Executive reviews quarterly reports concerning the capital programme and overall budget. These reports facilitate the Council's monitoring of the capital budget and the progress of capital projects. Additionally, they enable the Council to prioritise capital expenditure, thereby promoting enhancements across all service areas, with a particular focus on schools, housing, and transport.

The Council utilises financial and performance data to guide budgetary decisions, including investments aimed at supporting the transformation process and addressing the rising demand in Children & Young People Services and Health and Adult Services within the 2025/26 MTFs.

How the Council evaluates the services it provides to assess performance and identify areas for improvement

The Council has a comprehensive and structured system of performance management allowing all areas of performance to be measured, evaluation and trends in performance to be assessed. The Council has recently implemented a Performance Framework, as noted above, outlining the approach to performance management and formalising the roles of the different services, teams and officers. Some elements of the planned framework are not fully in place but the Council is working towards implementing these as they continue to develop following Local Government Reorganisation.

We noted numerous examples of performance reporting using trend information with a commentary on actions taken when performance has improved or planned actions where performance is not improving.

The final annual performance report for 2023/24 reflects that while it provides a benchmark for performance as a single unitary authority as teams and functions are consolidated further developments will take place to the performance reporting framework.

In addition, the Council evaluates the output from regulators to assess performance. This output is reviewed by the Overview and Scrutiny Committee. The Council's services are subject to review by various regulators, including the Care Quality Commission and Ofsted.

The Council has formulated a People Strategy, serving as a workforce development plan for the period 2023 to 2025. This strategy delineates the Council's priorities and is intended to integrate best practices within the workforce, thereby ensuring effective service delivery to the community and fostering continuous improvement.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness - continued

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council Plan 2025-2029 sets out the Council's long-term ambitions and priorities across its service areas. Additionally, the plan outlines key partnerships formed by the Council to enhance community engagement and improve service delivery.

In February 2024, the Council, in collaboration with City of York Council, established the York and North Yorkshire Combined Authority. This Combined Authority engages with local leaders and communities to invest in the York and North Yorkshire region. The Council is represented by two councillors on the Combined Authority Board. Additionally, the Council, alongside City of York Council, is a member of the York and North Yorkshire Local Enterprise Partnership, which oversees and makes decisions regarding the region's strategic economic plan.

The Council is a key member of the North Yorkshire Health and Wellbeing Board, which unites leaders from various sectors across the district, including the Council, the NHS, the Police, Fire and Rescue, social housing, and the Voluntary and Community sector. This board provides strategic leadership on a wide range of health and wellbeing outcomes across the North Yorkshire region.

Partnership performance is monitored through various methods. Key performance outcomes for services, such as children and adult care, are reported in the quarterly performance report to the executive. Many of these key performance indicators depend on collaboration with NHS and private partners, and the report includes a detailed commentary on overall performance. Several scrutiny committees at the Council, such as the Scrutiny of Health Committee and the Corporate and Partnerships Overview and Scrutiny Committee, also consider partnership performance.

How the Council ensures that where services are commissioned or procured this is done in accordance with relevant legislation

The Council published a Procurement Strategy outlining a roadmap for 2024 to 2029, which includes a clear vision for contracting and collaborative working to achieve efficiencies and value for money in commissioning and procurement. The strategy encompasses five key strategic themes: technology; policy and process; contract management; people and skills; and social value.

The strategy aims to establish a series of performance indicators that will be reported quarterly to the Corporate Procurement Board, in addition to the existing comprehensive performance report reviewed quarterly by the Executive.

Furthermore, the Council's Constitution includes the Contract Procedure Rules (CPR), which provide the framework for procurement activities. The CPR were recently updated and amended in January 2024. The S151 Officer is responsible for ensuring compliance with the Contract Procedure Rules, Financial Regulations, and relevant legislation.

In February 2025, the Government implemented the Procurement Act 2023, leading to the adoption of a streamlined approach by the Council. Following this implementation, Internal Audit conducted a review of the management of the transition to the new regime. The review highlighted that a clear implementation action plan was in place, with defined timescales, and that key documents, such as procurement and contract procedure rules, had been appropriately updated. The review identified only one minor finding, which emphasised the need for further development of the action plan.

The Council utilises an online tendering system, YORtender, to advertise tendering opportunities, manage the procurement process electronically, and monitor contract performance. Additionally, the Council maintains a contract register that records details of all contracts with an aggregate value of £25,000 or more. This register is updated on a quarterly basis.

Our work did not identify a significant weakness in the Council's arrangements in relation to the economy, efficiency and effectiveness reporting criteria.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

Our work has not identified any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers. 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. We received statutory objections from electors who challenged entries in the accounts in respect of both the Scarborough and Whitby harbour undertakings but have not yet concluded our work.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

05

Audit fees and other services

Audit fees and other services

Fees for our work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in June 2025. We have not yet completed our work for the 2024/25 financial year, so are not yet able to confirm our final fees.

Area of work	2024/25 fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	£798,827	£765,870
Additional fees in respect of ISA315	£TBC	£15,690
Additional fees in respect objections and questions	£TBC	£30,200
Total fees	£798,827	£802,760

06

Audit of North Yorkshire Pension
Fund

Audit of North Yorkshire Pension Fund

Summary of key information

As the auditor for North Yorkshire Pension Fund ('the Pension Fund'), our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). This section of the AAR summarises how we have discharged these responsibilities and the findings from our work we have undertaken as the Pension Fund auditor for the year ended 31 March 2025.



Opinion on the Pension Fund financial statements

We have not yet issued our audit report. Our opinion on the financial statements is expected to be issued before the backstop date of 24 February 2026.



Consistency report

We concluded that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of North Yorkshire Council.



Wider reporting responsibilities

We have not exercised any of these powers as part of our North Yorkshire Pension Fund's 2024/25 audit to date.



Significant difficulties during the audit

We agreed with management that our audit work would commence on 21 July. However, working papers to support investment related transactions and balances, the trial balance and final ledger reports were not made available to audit until 18 September. The final year end journal in relation to investment transactions was not posted until mid September.



Risks, misstatements and internal control recommendations

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix B. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Fees for our work as the Pension Fund's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in June 2025. We have not yet finalised the value of additional fees.

Area of work	2024/25 fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	£107,321	£92,187
Additional fees	£TBC	£18,137
Total fees	£107,321	£110,324

Appendices

Appendix A: Further information on our audit of the Council's financial statements

Appendix B: Further information on our audit of the Pension Fund financial statements

Appendix A: Further information on our audit of the Council's financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls This is a mandatory significant risk on all audits due to 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.</p> <p>The unpredictable way in which such override could occur means there is a risk of material misstatement on all audits.</p>	<p>We plan to address the management override of controls risk by carrying out audit work on:</p> <ul style="list-style-type: none"> • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.
<p>Net defined benefit liability / (asset) valuation 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>We will:</p> <ul style="list-style-type: none"> • critically evaluate the Council's arrangements relevant controls for making estimates in relation to pension entries within the financial statements; • challenge the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, using an expert commissioned by the National Audit Office; • critically assess the competency, objectivity and independence of the Actuary; • liaise with the auditors of the Pension Fund to gain assurance that the overall IAS19 procedures and controls in place at the Pension Fund are operating effectively; and • agree data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.
<p>Valuation of property, plant and equipment The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE.</p> <p>Although the Council employs a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE as a results of the significant judgements and number of variables involved. We have therefore identified the revaluation of PPE to be an area of risk.</p>	<p>We plan to address this risk by carrying out the following procedures:</p> <ul style="list-style-type: none"> • consider the Council's arrangements for ensuring that PPE values are reasonable; • challenge the reasonableness of the valuations provided by the Council's valuer using other sources of data; • assess the competence, skills and experience of the valuer and the instructions issued to the valuer; and • where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.

Appendix A: Further information on our audit of the Council’s financial statements

Risk	Our audit response and findings
<p>Risk of fraud in revenue recognition Based on our knowledge and planning discussions we have concluded that we can rebut the presumption of the revenue recognition audit risk for the Council’s grant income.</p> <p>We see the risk of fraud in revenue recognition as being principally in relation to overstatement and specific to the cut-off assertion.</p>	<p>We will evaluate the design and implementation of any controls the Council has in place which mitigate the risk of income being recognised in the wrong year.</p> <p>In addition, we will undertake a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing year end income (March, April, May) and year end receivables to ensure they relate to 2024/25; • testing receipts in the pre and post year end period to ensure they have been recognised in the right year; • testing year end receivables to confirm they exist and are recorded at the correct value.

Appendix A: Further information on our audit of the Council's financial statements

Summary of uncorrected misstatements for the Council

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Property, plant and equipment Cr: Revaluation reserve	Council	Factual			1,216	1,216
Being: Transfers of premium to Financial Instruments Adjustment Account and write down of long-term debtors that had been excluded from other comprehensive income and expenditure.						
Dr: Revaluation reserve Cr: Property, plant and equipment	Council	Factual			5,304	5,304
Being: Misstatement in school valuations due to formula error in valuations						
Dr: Property, plant and equipment Cr: Revaluation reserve	Council	Estimated			1,279	1,279
Being: Movement in valuation from date of valuation (1 October 2024) to year-end						
Dr: Expenditure Cr: Creditors	Council	Extrapolated	8,917			8,917
Being: Actual error of £45,804.82 expenditure relating to 2024/25 expenditure for which no accruals were made, extrapolated across the population.						
Aggregate effect of unadjusted misstatements			8,917	0	7,799	16,716

Appendix A: Further information on our audit of the Council's financial statements

Summary of uncorrected misstatements for the Council (continued)

We identified the following disclosure misstatements during our audit that have not been corrected by management:

- Note 9 grant income, £1.4m understated when compared to the entries in the EFA.
- Note 19 movement in property, plant and equipment, we found one asset valued at £1.719m which had transferred on reorganisation which should have been written out and one asset, Staithe breakwater, valued at £1.317m that the Council do not own.
- Note 32 short-term debtors, the Council has calculated the expected credit loss provision at £3.32m higher than the provision included in the accounts, the Council should reconsider the calculation basis used if the amount is higher than needed.
- Note 35(d) capital grants unapplied reserve, under the provisions of the Code, capital grants where no conditions remain outstanding and the expenditure has been incurred are credited directly to the Capital Adjustment Account. The Council currently credits all capital grants on receipt to the capital grants unapplied account before the relevant balances are transferred to the Capital Adjustment Account, as the information necessary to allow the Council to follow the Code is not readily available. This means that while the year end reserves balances are correct the in-year movements between reserves are misstated.

Appendix A: Further information on our audit of the Council’s financial statements

Internal control observations for the Council

Description of deficiency
A combined total of 60 Councillors and Senior Managers had not completed signed declarations of interest at the year end by the end of September 2025.
Potential effects
There is a risk that the related parties disclosure in the Council’s financial statements is incomplete.
Recommendation
All Members and Senior Management should declare their interests on annual basis through a declaration form to ensure that any potential conflicts can be identified and necessary mitigations implemented.
Management response
Agreed.

Description of deficiency
Our IT work highlighted several areas which could be improved, these comprise of password configuration, segregation of duties to manage changes to systems, controls over the development of programme changes, privileged access, user access reviews, review of access for leavers and user access modification.
Potential effects
As a result, integrity of data and functionality provided by the application may be compromised and unauthorised changes may be made. The lack of user controls increases the risk of unauthorised access to the application and may adversely impact the integrity and confidentiality of financially significant information.
Recommendation
We recommend these IT arrangements are strengthened.
Management response
A review of password management practices, the change management policy and practices will be undertaken, and associated actions disseminated across the service. With the new structures in place since the 1 April 2024 we aim to resolve these other risks identified in our systems.

Appendix A: Further information on our audit of the Council’s financial statements

Internal control observations for the Council (continued)

Description of deficiency The Council holds material property, plant and equipment, some of which was transferred to the new Council from the predecessor Districts. On transfer, the majority of assets were added to new asset classes in the fixed asset register and revalued, eg leisure centres, but some were added to existing County asset classes which may not have been valued in-year, eg offices.
Potential effects There is a risk that some property, plant and equipment has not been revalued within the required five year cycle.
Recommendation The Council should review the five-year revaluation programme to ensure all assets are appropriately valued..
Management response Agreed.

Appendix A: Further information on our audit of the Council’s financial statements

Follow up on previous year recommendations for the Council

Description of deficiency

Officers were initially unable to provide a detailed log of the changes between the published draft financial statements and the final financial statements.

Current year update: A log of changes has been maintained for the 2024/25 audit.

Potential effects

There is a risk that the final financial statements do not accurately reflect the audited balances.

Recommendation

We recommend that management oversees the changes made to the financial statements and maintains a record of these changes.

Management response

Agree – a log was subsequently produced and this requirement will be incorporated into our future closedown procedures.

Description of deficiency

The Council did not assess the impact of the change in asset valuation between the valuation date 1st October 2024 and the year end date of 31st March 2024

Current year update: the Council provided an assessment of the impact of the change in asset valuation for the 2024/25 audit.

Potential effects

There is a risk that the asset valuations are inaccurate due to there being potential movements as a result of changes in any underlying assumptions and market conditions over this period.

Recommendation

We recommend that the Council implements a structured review process to identify any asset valuation movements over the period between the valuation date and the year end.

Management response

Agree - we will work in collaboration with Valuers to develop a structured review process to identify any asset valuation movements over the period between the valuation date and the year end.

Appendix B: Further information on our audit of the Pension Fund’s financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls (a mandatory significant risk for all entities)</p> <p>This is a mandatory significant risk on all audits due to 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. The unpredictable way in which such override could occur means there is a risk of material misstatement due to fraud on all audits.</p>	<p>Our response</p> <p>We addressed the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p> <p>Our findings</p> <p>Our audit work is complete, and we have no matters to bring to your attention.</p>
<p>Valuation of investments within level 3 of the fair value hierarchy</p> <p>As at 31 March 2025 the fair value of investments classified within level 3 of the fair value hierarchy is £706,802k.</p> <p>Level 3 assets are those assets where values are based on unobservable inputs, and consequently the estimation uncertainty for these assets is more significant than for assets valued at level 1 and 2.</p>	<p>Our response</p> <p>We addressed this risk by:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of any external valuers used by the Pension Fund; • Obtaining an understanding of the basis of valuation applied in the year, and reviewing the valuation methodologies; • Agreeing a sample of valuations to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • Reviewing management’s reconciliation of fund manager reports to the custodian’s report; and • Agreeing a sample of valuations to audited accounts or other independent supporting documentation, and considering the impact of any modified audit reports on those audited accounts. <p>Our findings</p> <p>Our work identified the valuation of investment assets was understated by an immaterial amount. The Pension Fund have amended the accounts to reflect part of this error.</p>

Appendix B: Further information on our audit of the Pension Fund's financial statements

Summary of uncorrected misstatements for the Pension Fund

Description	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
<p>Dr: Investment sales</p> <p>Cr: Profit and loss on disposal of investments and changes in market value of investments</p> <p>Our testing of investment sales identified sales were overstated by £239k. To comply with our audit approach, we extrapolated the error over the remaining untested population to estimate the impact on the balance. The extrapolated error is an overstatement in the value of assets of £5,682k.</p>	5,682	5,682		
<p>Dr: Investment assets: Private equity – level 3</p> <p>Cr: Profit and loss on disposal of investments and changes in market value of investments</p> <p>Our work on investment assets recorded in level 3 of the fair value hierarchy identified differences between the value recorded in the financial statements and the valuation provided directly to the audit team by fund managers. The value of the differences identified was an understatement of £13,849k. The pension fund have adjusted the financial statements by £7,021k, leaving a residual unadjusted actual misstatement of £6,828k.</p>		6,828	6,828	
Aggregate effect of unadjusted misstatements	5,682	12,510	6,828	-

Unadjusted disclosure misstatements

Note 17a Financial instruments – classification of financial instruments – non investment debtors included contributions due from Scheduled (Government) Bodies. Financial instruments should not include balances due from other government bodies, therefore the value of non investment debtors that are financial instruments is overstated by £12,337k.

Note 24 Related Party Transactions - The disclosure does not include interests held by members or key management personnel, where there are no transactions with the related party.

Appendix B: Further information on our audit of the Pension Fund's financial statements

Internal control observations for the Pension Fund

General ledger

Description of deficiency

Post audit adjustments have not been completely posted to the general ledger in 2022/23 and 2023/24, this has required significant adjustments to be posted to the general ledger in 2024/25 to correct opening balances. At the time of completing our reconciliation of the opening trial balance to the net asset statement, there was still a journal outstanding for £553m.

Potential effects

There is a risk that the general ledger is not an accurate representation of the financial position of the pension fund which could result in material misstatements in the financial statements.

Recommendation

Post audit adjustments be posted to the ledger and the ledger be closed down in a way that does not post balances to general working balances codes.

Management response

Our processes will be reviewed to ensure all post audit adjustments are reflected correctly in the general ledger.

Related party transactions

Description of deficiency

In determining whether there are related parties or transactions therewith to disclose in the accounts, the pension fund do not review declaration of interest forms for members of the Pension Fund Committee (PFC) or Audit Committee (AC) or those made by key management personnel. Our audit testing identified related party relationships where control exists, for these relationships management had not reviewed the general ledger to identify any material transactions with any related parties.

Potential effects

The risk of an incomplete process is the related party disclosures in the financial statements are incomplete and are not prepared in accordance with the Code. There is also a risk that the pension fund enter transactions with related parties without being aware.

Recommendation

- a) The Pension Fund should review declaration of interest forms for member of the PFC and AC and those from key management personnel to identify related parties.
 - b) The Pension Fund should review the general ledger to identify transactions with the identified related parties and disclose those that are material to either the pension fund or the related party
-

Management response

We will review declarations of interest forms for relevant members and identify material related party transactions as part of the accounts preparation.

Appendix B: Further information on our audit of the Pension Fund's financial statements

Follow up on previous year recommendations for the Pension Fund

Reconciliation of pensions paid to the general ledger

Description of deficiency

The pension fund do not perform a reconciliation between pensions paid per the pensions/payroll system and the values recorded in the general ledger.

Potential effects

There is a risk that pensions paid are not accurately and completely recorded in the general ledger.

Recommendation

A reconciliation be on a regular basis between the amounts to be paid per the pensions/payroll system and the amounts recorded in the general ledger.

Management response in 2023/24

Systems, data and accounting issues have made this reconciliation problematic. There will be a review, to deal with issues where possible and undertake reconciliations going forward. The new financial system may also help, once implemented.

Current year update

The reconciliation was performed at the year end as part of our audit deliverables request, however, regular reconciliations during the year have not been implemented.

Management response

There have been no changes to the arrangements, which are considered adequate in the circumstances. However, improvements will be made on implementation of the new finance system.

Documentation of the pension paid to bank reconciliation

Description of deficiency

As part of the pension payment processing there is a reconciliation of the pension paid per the pensions system and the payment made from the bank but this control is not documented.

Potential effects

Where a control is not documented there is a heightened risk of inconsistency or lapse which in this case could result in the incorrect payment of pensions.

Recommendation

A method of documentation be added to the reconciliation process to confirm that the reconciliation has been performed.

Management response in 2023/24

In future, reconciliations will be documented.

Current year update

The reconciliation has not been documented in year.

Management responses 2024/25

There have been no changes to the arrangements, which are considered adequate in the circumstances. However, this issue is closely related to the issue on the previous page and improvements will be considered at the same time.

Appendix B: Further information on our audit of the Pension Fund's financial statements

Follow up on previous year recommendations for the Pension Fund - continued

Quarterly custodian report review not documented

Description of deficiency

The Pension Fund review the quarterly custodian valuation report against quarterly statements received from the fund managers, however they do not document this review.

Potential effects

There is risk that the review is not completed as there is no record of it having been done. If not completed there is a risk that a mismatch in values is not identified.

Recommendation

The review should be documented.

Management response in 2023/24

In future, reviews will be documented.

Current year update

Our work in 2024/25 found that this review has not been documented.

Management response in 2024/25

Due to work pressures, the review was carried out but not documented.

Review of investment movements

Description of deficiency

The Pension Fund consider the movement in the value of investments between statement dates, but they do not document this check and they do not have a specific threshold for what is considered a significant movement.

Potential effects

There is risk that the control is not operating as it is not documented, and a risk that a significant movement is not deemed significant when there is no threshold.

Recommendation

The review should be documented and a threshold set for what constitutes significant movement.

Management response

Consideration of movements in investments occurs as part of the quarterly review process, including at Pension Fund Committee.

Current year update

The check performed by the management remains undocumented and a threshold for what is considered a significant movement has not been implemented.

Management response 2024/25

Investment values, movements and other issues are regularly reviewed in detail, including quarterly investment calls with managers (evidenced by slide packs and meeting recordings), quarterly meetings with the consultant and independent investment adviser, quarterly reviews by the Pension Fund Committee, and other meetings arranged as required.

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