



Auditor's Annual Report
North Yorkshire Council – year ended 31 March 2024

February 2025

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our draft 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 2024. 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 27 February 2025. Our opinion on the financial statements was disclaimed.



Value for money arrangements

We have completed our detailed work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and have not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements



Wider reporting responsibilities

We received group instructions from the National Audit Office (NAO) in July 2024. 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 three objections to the accounts and we have not yet issued our conclusions and statements of reasons.

The remaining work does not affect our audit opinion on the Council's statement of accounts, but we will not issue the certificate to formally close the audit until the NAO's work and the responses to the objections are finalised.

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Audit of the financial statements

Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (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 2024 and of its financial performance for the year then ended.

We issued our audit report on 27 February 2025. Our opinion on the financial statements was disclaimed.

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 on page [X].

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 where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - We make these recommendations for improvement where we have identified a significant weakness in the Council 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.
- **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 outcomes 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 page 22
 Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

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

The Council's first budget was agreed in February 2023 prior to the 1 April 2023 incorporation of the new Council. The Budget included a Medium Term Financial Strategy (MTFS) to 2025/26. The budget setting exercise largely involved aggregating the 8 predecessor authorities and estimating reorganisation savings based on the rationalisation of senior manager posts. Work had been carried out in 2022 as part of the Local Government Reorganisation (LGR) to prepare the ground for the new Council's priorities. 7 informal member working groups were established in 2022. Member seminars were held including a December 22 update on the autumn statement and January 2023 Budget and MTFS update including 6 Area Constituency Committees.

Consultation with tax payers included, as part of the 'Lets Talk' initiative, LGR briefings and webinars. Town and parish councils and organisations in the voluntary and community sector also had opportunities to inform priorities.

The overall budget process included a detailed analysis of the costs of operational departments and estimated pressures and short and medium term priorities.

The MTFS includes a clear articulation of the financial position and risks facing the Council in the short and medium term, with links to the Council plan in determining priorities for spending and savings. The MTFS recognises the scale of financial challenges facing the Council means there is limited scope for investment in priority areas.

Service pressures are considered by service scrutiny meetings which ultimately feed into the budget and MTFS process. In February 2023 the Council estimated it had inherited a structural deficit of £18m as well as a further in-year deficit of £12m in 2023/24. A £30m total cumulative shortfall was expected to rise to £45m in 2025/26. By February 2024 the projected financial position had not changed significantly and, in its updated MTFS, the cumulative shortfall had risen to £48m by 2026/27. The Council has sufficient reserves to cover the estimated shortfall.

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

Arrangements for setting and monitoring of savings plans are incorporated into the budget process with experience from 2023/24 budgets built into the February 2024 budget and MTFS. Progress on achieving savings targets is given prominence in budget reports to executive and service scrutiny.

The Council plans to use reserves to support the financial position from 2023/24 to 2025/26 as part of the transformation strategy of "Becoming one Council fit for the future".

The MTFS recognises that, in the first year of the Council, significant planning and preparation will be required to deliver the financial benefits from reorganisation. Work in 2023 on "structural reform" has identified savings of £46m over the 3 year period of the MTFS but this will not address all the shortfall. The plan also anticipates using a cumulative total of £77m reserves until 2026/27 until the shortfall is addressed.

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 a high confidence of success but actions require further detail; and
- stretch savings that require work to test whether or not actions will produce the expected benefit.

The February 2024 MTFS also set out detailed savings proposals by directorates totalling £23.3m in 2024/25, £12.3m in 2025/26 and £5.9m in 2026/27.

Evidence in budget reports in 2023/24 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 the Financial Sustainability reporting criteria – continued

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

The Council has processes in place to consider revenue investments, savings and capital investments to meet priorities and the desired outcomes. The Council identifies its priorities through its plan for the Future of North Yorkshire 2024 - 2028 (updated in 2024) with ambitions and priorities for services and the Council.

A clear focus in the MTFS is structural reform alongside organisational ambitions and priorities. Review of the MTFS demonstrates consistency with the organisational agenda in the Council Plan. The 5 year capital investment strategy was largely inherited from the former districts and County Council. Work started as early as 2022 on consolidating the respective capital plans and this continued into 2023/24.

The March 2024 MTFS includes the use of £77.2m of reserves to 31/3/27 to balance the position until the financial benefits of reorganisation are realised.

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

The Council's budget setting process considers the impact of other relevant plans, for example, there is clear evidence that transformation costs are built into the budget with £38m having been set aside for that purpose. We have also seen evidence that revenue budgets take account of the revenue implications of the capital programme.

external funding and capital receipts to be generated through the sale of surplus assets. The revenue cost of this borrowing, interest payments and Minimum Revenue Provision (MRP) payments are incorporated into the MTFS. Similarly, the effects on Prudential Indicators are incorporated into the Treasury Management Strategy.

How the Council identifies and manages risks to financial resilience

The MTFS sets out the financial risks facing the Council and the planned response identified through an analysis of the budget and expected commitments such as inflation or known activity pressures. Emerging financial pressures are identified through budget and performance monitoring. Reporting to Executive takes place quarterly in the integrated performance and budget monitoring report. This report is a detailed document with an executive summary highlighting key issues and detailed performance indicators and budget variances including over and under-spending budgets and progress against savings plans.

The Council's final 2023/24 financial position was reported to the Executive on 28th May 2024 with an £11.3m under-spend overall (2%). The reported position was consistent with the financial position reported during the year and we identified no indication of a weakness in the Council's budget monitoring and reporting arrangements.

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 body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

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 a leader and executive model and is governed by a Constitution including the normal features of an effective local government governance framework. The Council updated key governance documents as part of the LGR process and ensured it had the expected documentation in place 1 April 2023.

The Council has a Local Code of Corporate Governance which includes the principles the Council should apply in its corporate governance framework. It also describes key components of that framework and how they will be monitored and reviewed. It is aligned to the national guidance provided by CIPFA/ SOLACE.

The Code was approved at the March 2023 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. We have seen evidence of the Audit Committee considering relevant reports including a summary of corporate governance improvements made between April 2023 and March 2024 which was reported to the June 2024 Audit Committee.

The Council's risk management policy defines risk objectives in the policy framework and process and roles and responsibilities. The Audit Committee has a key role in providing scrutiny and challenge around the Council's corporate risk register and directorate risk registers. Directorate registers were, for example, reported to the Audit Committee in June 2024 when the Children and Young People Services register was reported to and considered by the Committee. The officer Risk Management Group reviews the policy and procedures annually and plans to report to the Corporate Management Team.

The Council's Internal Audit team provides assurance in line with a risk-based audit plan. It produces an annual report to the Audit Committee, which includes an opinion on the Council's control environment. The Head of Internal Audit Opinion for 2023/24 provided "reasonable assurance" but noted significant control weaknesses in some areas of: creditor payments, asset management, housing repairs and information security.

The weaknesses reported include reorganisation related issues which have been addressed by management and, based on our work to-date, do not constitute evidence of a significant weakness in arrangements.

The Council has Counter Fraud and Corruption and Anti Money Laundering policies. The Audit Committee is kept informed of anti-fraud activities in interim and annual reports.

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

The Council has a budget timetable and process to ensure the views of Members and residents are taken into account. The Council sets the budget based on a comprehensive assessment of the financial position, identification of the risks to the financial position, the service and wider financial pressures.

The revenue budgets and MTFs are reported and approved by Council. The documents are detailed and contain an executive summary covering the revenue budget and treasury management. Detailed information includes overall budgets, key assumptions, views on the robustness of estimates, risks to the budget, savings targets, and adequacy of reserves. The section 151 officer records his view on the realism of the plan and environmental considerations. The budget was subject to scrutiny and public consultations which are set out in the plan. The report sets out a series of recommendation to Members supported by detailed appendices..

VFM arrangements – Governance

Overall commentary on Governance

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 include monthly updates focusing on the financial outturn position for revenue, treasury management and capital. Each quarter a formal report is taken to Executive with performance information setting out the latest forecast and any corrective action required. The report is detailed and timely and allows Members to assess and challenge the financial position.

Our review of Council minutes confirms there was regular reporting of the financial position in 2023/24. The reports include summaries of the in-year pressures and progress on achieving planned savings. The 2023/24 revenue outturn position of a £11.3m underspending is not significantly different to that reported to Members during the year. We noted the underspend increased from £3.9m at Quarter 3 to £11.3m (2%) at outturn and that this was largely because savings had been achieved earlier than expected.

At 1 April 2023 the Council took on responsibility for the completion of the predecessor councils' accounts. The Council produced most of the 2022/23 statements in the Summer of 2023. Craven District Council, however, had not produced accounts for 2021/22, and the 2021/22 and 2022/23 statements were published 30 August 2024. Although external audits are yet to be completed for the 8 predecessor bodies, the Council produced its own draft 2023/24 accounts on 27 August 2024 some 3 months after the 31 May 2024 deadline. This workload and the capacity available before the proposed statutory backstop date for 2023/24 audits (28 February 2025 rather than 31 May) means our audit of the Council's accounts may not be completed in time to issue an unmodified opinion.

One ledger is being used (the former County Council's system) which has helped simplify budget monitoring, but the new Council faced some significant challenges in drafting its first financial statements. The financial accounting team's workload has been exceptional and involved amalgamating 8 former councils' financial arrangements, with multiple open audits and working with 4 audit suppliers during a significant internal reorganisation.

In 2023/24 and during 2024/25, the Council has been using separate revenues (council tax, business rates and housing benefits) systems from each of the 7 former district councils. Reporting the collection fund was a significant challenge and was a key reason for the late production of the draft statements. In the circumstances we do not consider the delay in producing the first financial statements for the Council as a significant weakness in arrangements, but we make this recommendation to the Council:

- The financial statements are a key accountability document and the Council should consider whether it has sufficient capacity and capability to deliver a reliable draft statement of accounts in line with the statutory timetable for the current financial year.

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

The foundation of the Council's decision-making process is its Constitution and Scheme of Delegation which makes it clear where the responsibility for any given decision lies. 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.

We noted that new decisions are supported by reports that outline options and relevant considerations, including references to financial, legal, HR, property and IT where appropriate, to ensure recommendations are supported by relevant information.

Our review of Council minutes did not identify any evidence of a significant weakness in arrangements. The reports we reviewed support informed decision-making and were clear about the decision Members were asked to make.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How the Council monitors and ensures appropriate standards are maintained

The Council has nominated Assistant Chief Executive Legal and Democratic services as its Monitoring Officer. The Council's Monitoring Officer provides a framework to ensure compliance with relevant statutory requirements. Our review of meeting papers confirms that legal considerations are routinely considered in reports to Members.

The Code of Conduct sets out a series of requirements of Councillors and also requires compliance with the General Principles of Public Life following the Nolan principles. The Code sets out who it applies to, standards of conduct and disclosable interests.

The Standards and Governance Committee deals with issues relating to the conduct of Members and applies terms of reference which define its role. Complaints about elected Members of the Council and parish councils in the area are considered in the first instance by the Monitoring Officer or Deputy Monitoring Officer in consultation with the Independent Person for standards. The Monitoring Officer will not refer matters for investigation which are, after consultation with the independent person, considered to be matters which are, in their opinion, vexatious, offensive, trivial, disproportionate, politically motivated or where it is not in the public interest to take any action. In September 2024, a report to the Standards and Governance Committee noted that out of 214 assessments by the Monitoring Officer and Deputy Monitoring Officer, 180 did not require formal investigation and a summary of some reasons was reported along with a summary of the investigations and determinations of the Hearing Panel.

While we do not consider the statistics and aspects we have considered include evidence of a significant weakness, providing Members with more detailed assurance on the effectiveness of the Council's arrangements, including the Jurisdiction and Assessment Criteria, would allow Members transparently to consider whether processes are operating in a satisfactory way. We recommend:

- Members of the Standards and Governance Committee and full Council should receive an annual report setting out the nature of complaints received, the outcomes and the timescales taken in respect of them.

There is a Standards of Conduct Policy and Code of Practice for employees. The policy sets out expectations and rules including professional relationships, contractors, gifts and hospitality, personal and financial interests, social media and political neutrality.

Contract procedure rules were in place from the commencement of the Council in April 2023 and require procurement decisions to comply with appropriate standards. The Council updated its procurement strategy in June 2024 indicating its importance in delivering the savings planned from reorganisation in transformation plans and the MTFS.

There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the financial year and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances. A quarterly update is sent 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 body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

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

The Council has a comprehensive set of approximately 150 performance indicators covering all service areas and reports performance and financial information in the same quarterly report to the Executive. The report includes a summary of key performance issues in its executive summary and then a detailed service assessment and comments on performance of individual performance indicators and trends in performance.

The Council can demonstrate a focus on improvement as part of its reporting and response to poor performance highlighted by the indicators across all services in the report. Wider service improvement is also evident, for example, the seven action plans for adult social care match the CQC assurance framework and are underpinned by performance information.

The Council uses financial and performance data to inform budget decisions such as investments to support the transformation process and to address increasing demand in Children & Young People Services and Health and Adult Services in the 2024/25 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 system used many of the indicators inherited from the County Council for strategic services and has developed a series of indicators for former district services in areas such as planning, housing, leisure and culture.

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 yearly 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.

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's website sets out details of the governance arrangements for all key partnerships by service ranging from statutory partnerships to arrangements with community or user groups.

Partnership performance is monitored in a variety of ways. There are a series of key performance outcomes for services like, for example, children and adult care which are reported as part of the quarterly performance report to the executive. Many of the key performance indicators rely on partnership working with NHS and private partners and the report includes a detailed commentary on overall performance.

Detailed scrutiny of performance includes:

- the Scrutiny of Health Committee considering performance such as waiting list data and progress on addressing health inequalities; and
- the Corporate and Partnerships Overview and Scrutiny Committee considering partnership performance of the Community Safety Partnership.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

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

On establishment of the new Council a refresh of the NYCC strategy was undertaken to enable focus to remain on ensuring the new Council would be safe, legal and compliant. In April 2024, an update of the strategy from 2024 to 2029 was published including a clear vision for contracting or working collaboratively to deliver efficiencies and value for money in commissioning and procurement. The strategy includes five key strategic themes: technology; policy and process; contract management; people and skills; and social value.

The intention of the strategy is to set a series of performance indicators which will be reported quarterly to the Corporate Procurement Board alongside the existing comprehensive performance report considered quarterly by the Executive.

The strategy is supported by the procurement and contract procedure rules at section 14 of the Constitution (updated in January 2024). The Council's website includes a contracts register which is updated quarterly and details of forthcoming tenders and links to the online tendering system 'YORtender'.

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

Other Recommendation



VFM arrangements - Identified recommendation

Recommendation for improvement

Recommendation for improvement	Governance	Management Response
<p>1</p> <p>Annual statement of accounts drafting process</p> <p>The Financial statements are a key accountability document following the 2023/24 process the Council needs to needs to consider whether it has sufficient capacity and capability in delivering a set of statements in line with the statutory timetable.</p>	<p>●</p>	
<p>2</p> <p>Member complaints process</p> <p>Members of the Standards and Governance Committee and full Council should receive an annual report setting out the nature of complaints received, the outcomes and the timescales taken in respect of them. Key aspects of the process and broad outcomes should be reported in the Annual Governance Statement.</p>	<p>●</p>	

Other reporting responsibilities

Other reporting responsibilities and our fees

Other 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 accepted three statutory objections to the Council's draft statement of accounts. While we have not yet determined the objections and reported our conclusions we are satisfied that the matters raised do not affect the final version of the accounts or our audit opinion and do not require any additional recommendations from us.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, this work will be completed when work on the financial statements is completed.

Appendices

A: Further information on our audit of the financial statements

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

Significant financial statements audit findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are both pervasive and material, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the introduction of the backstop arrangements which require the Council to publish its audited 2023/24 financial statements by 28 February 2025.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council's in September 2024 and were published on the Council website. Several material updates were subsequently made by the Council because the draft accounts received did not include the final valuation figures and there were material errors on the face of the CIES.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- We discussed the backstop arrangements and the impact of the auditor's report on the financial statements.
- The contents of the draft Annual Governance statement were challenged by an objector and subsequent changes were discussed with and made by management.
- The accounting treatment for both the Whitby and Scarborough harbour undertakings were the subject of

objections to the accounts of the former Scarborough Borough Council. Management agreed to enhance the statement of accounts to reflect statutory financial reporting requirements.

- We discussed with management the impact of local government reorganisation and the impact on the brought forward opening balances. The lack of audited accounts for some of the former district councils has resulted in a material lack of audit assurance over the opening balances of the new Council.
- We discussed with management the reporting implications for the inclusion of draft valuation figures in the draft accounts, which subsequently resulted in material amendments.
- We also discussed the potential impact of the June 2023 High Court ruling in the case of Virgin Media Limited v NTL Pension Trustees, which stated that certain pension scheme rule amendments were invalid without the correct actuarial confirmation. A narrative disclosure has been added to Note 28 to outline the uncertainty of the impact on the 2023/24 accounts.

Significant difficulties during the audit

During the course of the audit there were some significant delays as officers were dealing with multiple auditors in relation to the predecessor councils' accounts and an unusual number of open audit years.

We noted issues around version control of the draft accounts and evidence supporting subsequent changes. We have, however, had the full co-operation of management to try and resolve these issues and deal with the exceptional workload involved.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

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

- two challenged the contents of the Annual Governance Statement; and
- one challenged the accounting arrangements for the Scarborough Harbour undertaking.

While we have not yet issued our conclusions and statements of reasons, we have not identified any matters that should lead to the use of our audit powers as part of our 2023/24 audit.

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