



Auditor's Annual Report

City of York Council – year ended 31 March 2025

February 2026

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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. This document is to be regarded as confidential to City of York Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

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 City of York 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 26 February 2026. Our opinion on the financial statements was unqualified.



Value for Money arrangements

In our audit report we reported that we were not satisfied that arrangements were in place for the Council to secure economy, efficiency and effectiveness in its use of resources, this is because we issued a recommendation in relation to a significant weakness in those arrangements that is relevant to the 2024/25 financial year. Section 3 provides our commentary on the Council’s arrangements and a summary of our recommendations and the weaknesses identified.



Reporting to the group auditor

In line with group audit instructions issued by the NAO, we have undertaken work on the Council’s Whole of Government Accounts (WGA) return in line with their instructions. 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.



Wider reporting responsibilities

We have received correspondence from electors. Our work in relation to this correspondence remains ongoing.

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, issued on 26 February 2026 gave an unqualified 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.

Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances. Draft accounts were received from the Council by 30 June 2025 and were of good quality, with good supporting working papers.

Significant difficulties during the audit

Aside from some challenges in obtaining transaction data from the trial balance, as noted in the control recommendation in section 5, we have not experienced any significant difficulties and have received full co-operation from management.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify/identified 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

Approach to Value for Money arrangements work

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
- Interviews and discussions with officers

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 18.

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'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.
- **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	Yes – see commentary on page 13
	Governance	17	Yes – see risk on page 18	Yes – see page 25	Yes – see commentary page 19
	Improving economy, efficiency and effectiveness	22	No	No	Yes – see commentary page 23

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 body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.

Our review of minutes and supporting papers has confirmed that financial planning arrangements have remained in place throughout 2024/25. In our assessment, we have considered the latest Financial Strategy which covers the period 2025/26 to 2029/30 (MTFS), which was approved in January 2025. The strategy includes financial projections, analysis and context to support the delivery for the Council's key priorities as set out in the Council Plan (2023-27).

The Council's Capital Budget for 2025/26 sets out the long-term capital programme which is underpinned by the Council's annual capital financing investment strategy (2025/26) and treasury management strategy (2025/26 to 2029/30). The capital programme outturn report for 2024/25 showed an outturn of £74m against an approved budget of £102.8m. The net variation is £28.8m, made up of the re-profiling of £31.2m of schemes from 2024/25 into future years and adjustments of £2.4m to increase expenditure in the main due to additional grant funding.

Quarterly budget position statements are considered by the Executive and are supported by service-level budget monitoring arrangements reported to the Council Management Team. These reports offer a clear summary of the projected outturn and actual figures, along with explanations for significant changes and pressures. Each report outlines the implications of overspending and the non-delivery of planned savings and efficiencies. Additionally, Budget Panels are held with each Executive portfolio holder to ensure all budget pressures are acknowledged in the strategy.

In the prior year (2023/24), in common with other local authorities, the Council experienced significant cost pressures, including significant demand pressures and cost increases in service. As a result of this, and the elevated Public Works Loan Board (PWLB) rates, the Council part funded the capital programme by internal borrowing and used their cash balances where available. This resulted in a significantly lower cash balance of £1.8m as at 31 March 2024 in comparison to £13.2m in the year prior. The Council's liquidity risk was therefore heightened in the short-term. As a result, new borrowing was required in the first and last quarter of 2024/25. The Council has taken six new short-term loans from the PWLB which will require refinancing in 2025/26. The decision to refinance maturing loans on short maturity durations was considered a better option for the longer-term Treasury Management budget as it means that higher interest rate loans mature sooner. This has increased the Council's refinancing interest rate risk as a greater proportion of its overall debt will

mature in 2025/26. However, this is still within the approved maturity limits set out as part of the Prudential indicators. As at 31 March 2025 the cash balance had increased to £8.9m.

As in previous years, we have confirmed that there has been regular monitoring of the Council's financial position and treasury management throughout the year, which included arrangements to update the Financial Strategy, enabling the Council to respond to any identified financial challenges throughout the life of the plan.

Following a review by internal audit, the Council have also been investigating control issues around the 'No Purchase Order No Pay' policy and regular updates have been taken to the Audit and Governance Committee, the latest one being in July 2025. The Council committed to implementing stronger cost controls and improving compliance with the policy, this is seen from the reduction in retrospective orders across the Council from 38% in February 2024 to 23% in July 2025. An action plan is in place to drive improvement, and the Council should continue to monitor delivery of the actions set out within the plan.

How the body plans to bridge its funding gaps and identified achievable savings

Our review of the MTFS's issued over the 2024/25 period, provides assurance that forecasts are based on prudent assumptions including the Council's latest understanding of overall funding available, service demand and other cost pressures.

We have considered the Council's performance in delivering its MTFS, including any identified savings targets. The savings target for 2024/25 was £14.3m, with £12.5m being delivered, a variance of £1.8m. This is largely due to the full effect of prior year savings being less than anticipated due to delays in delivery. The financial strategy delivers a balanced budget for 2025/26, equivalent to 4% of the net budget. The MTFS includes a savings proposal equal to the target with savings planned from transformation of services, increased fees and charges and reduced spending through identified efficiencies.

The funding gap and therefore savings required in future years are set out within the MTFS as £9.8m in 2026/27, £6.4m in 2027/28 and £6.6m in 2028/29. The MTFS sets out the scale of the challenge the Council faces to deliver the funding gap of £22.8m over the life of the strategy. The Council plans to deliver the savings through use of digital services and its assets, efficient cost control, developing new sources of income, securing grant funding and reviewing the method of delivery across services areas. However, as at November 2025 there was no comprehensive savings plan in place to meet the funding gap over the MTFS. This continues to be a work in progress as the MTFS is revisited in light of the Fair Funding Review consultation.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

The Council recognises the scale of the savings target and the MTFS highlights the need to downsize the organisation and consider the level of spending across a range of services. In 2025/26 the focus will be on changing the way the Council works through a comprehensive and wide-ranging transformation programme. The programme initially covers the period to the end of March 2027 and aims to deliver £1.8m of savings across a number of the Council’s directorates in 2025/26. Savings targets will then increase in future years as the full impact of the programme is realised. There is regular reporting of the financial position to the Executive and Council.

It is evident that meeting this savings requirement presents a significant challenge for the Council and they will need to consider the appropriate balance of savings, adjustments to council tax, and potential changes in funding following the Spending Review in 2025.

In the context of 2024/25’s net spending requirement of £149m the Council has a reasonable level of reserves, and as of March 2025 usable reserves totalled £138m, including earmarked reserves of £58.6m and a General Fund reserve of £9.3m. This is above the general fund minimum requirement of £7.4m.

A review of the latest MTFS update presented to the Executive in November 2025 shows that the forecast budget gap has widened to £12.44m for 2026/27 and £11.24m for 2027/28. The primary driver of this increase is the impact of the Fair Funding Review published in June 2025. Although the Council currently holds sufficient reserves to manage the short-term pressure, the expanded gap makes it even more critical that the actions outlined above deliver the required savings to safeguard the Council’s longer-term financial sustainability.

There were no significant inconsistencies between budgetary information and the financial position reflected in the financial statements. The 2024/25 Outturn Report reported to the Executive in July 2025 highlighted an overspend of £1.1m, which is 0.7% of the revised net expenditure budget. This was mitigated with the planned use of earmarked reserves of £0.5m and a budget contingency of £0.6m. This was an improved position as forecast outturn at Q3 showed a £2.64m overspend, with a £1.1m use of earmarked reserves. This improved position was achieved through existing cost control measures. However, like many other Local Authorities overspending in Adult Social Care (£4.2m in 2024/25) continues to put pressure on the council’s overall position and as such remains an area of focus.

Whilst we are satisfied that there is no significant weakness in arrangements in 2024/25, we recognise the continued challenge associated with delivering savings throughout the life of the MTFS. In 2022/23 and

2023/24 we made an ‘other recommendation’ in relation to this issue and the recommendation will remain in place for 2024/25.

Finding	Recommendation
The MTFS for the period 2025/26 to 2029/30 highlights a saving requirement of £22.8m over the life of the plan, to reduce the funding gap. The Council is currently working with stakeholders to identify these savings.	The Council should ensure it continues its arrangements to identify how it will deliver un-costed efficiency savings included in the MTFS. It should also ensure that its scrutiny arrangements, to monitor and deliver its saving plans and transformation programme are effective throughout 2025/26, to mitigate overspends and reliance on the use of reserves.

An internal audit review of savings plans was undertaken. The review highlighted two significant findings in relation to assessing the impact of savings proposals and the availability and clarity of action plans and delivery timescales. In both cases agreed actions have put in place with timeframes and responsible officers identified for implementation.

Minimum Revenue Provision (MRP) represents the minimum amount that must be charged to the Council’s revenue account annually for financing capital expenditure, which will have initially been funded by borrowing. The charge aims to make sure that a local authority can pay off the debts it has from buying capital assets.

We have completed a benchmarking exercise for our local government clients, and we compared the Council data to our fifteen other unitary authority clients (all from the North of England). For 2024/25, our analysis shows that the average MRP as a percentage of capital financing requirement is 2.58%, over an average of 45 years. For comparison, the City of York Council’s was 1.8% and 55 years.

Finding	Recommendation
Regulations require Councils to determine their MRP charge annually, and to ensure it is sufficiently prudent.	Officers should continue to ensure the MRP policy is considered by Members as part of the budget setting process. Members should consider if the MRP charge is prudent and reflective of their capital financing requirements.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

The Council has a DSG earmarked reserve of £10.5m as at 31 March 2025 and a DSG deficit of £9.9m, net position £0.6m. During 2021/22 the Council gained financial support from the DfE Safety Valve Programme. This resulted in an additional payment of £7.6m of DSG on the 31 March 2022 with further payments of £4.5m during 2022/23, £2.04m during 2023/24 and £1.46m during 2024/25, as a result of the Council meeting the financial targets set out in the Management Plan for these financial years, despite significant financial challenges.

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

As in the previous year, the Council's MTFS aligns with the Council's Plan for 2023-2027 which sets out the Council's strategic direction and ambitions for the city.

Our review confirms that the Medium-Term Financial Strategy (MTFS) is grounded in reasonable assumptions available at the time of its approval. The MTFS undergoes regular reviews, including its main assumptions, and is frequently reported on, especially when changes in assumptions affect the forecasted financial position. Regular budget monitoring, including quarterly performance reports, helps identify in-year pressures, assess whether savings are being achieved, and determine if resources need to be redirected to areas in need.

We have reviewed the outturn for 2024/25 and identified no evidence of significant short-term measures. In-year pressures, such as those in the Adult Social Care service, were clearly reported and have been reflected in the MTFS.

The quarterly combined finance and performance reports are presented to the Executive and the Corporate Services, Climate Change, and Scrutiny Management Committee (latterly the Corporate Scrutiny Committee) throughout the year. These reports emphasize high-risk material issues and mitigating actions, as well as performance and outcomes data.

The MTFS includes the current year budget and a four year forward view. The MTFS is refreshed annually to reflect budget changes as part of the budget setting process, key risks and any required changes to assumptions. We confirmed a review of the MTFS was undertaken as part of the 2025/26 budget setting. It was taken to the Executive in January 2025 and approved by Full Council in February 2025.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies

as part of a wider system

At its highest level, the Council operates under a 'Council Plan,' which is part of the Strategic Planning Framework. The Medium-Term Financial Strategy (MTFS) is also a component of this Framework. We confirmed that arrangements were in place for developing the MTFS, including aligning the financial plan with the Council's objectives to ensure the delivery of its priorities. This process involves scrutinising the MTFS and documenting key assumptions, with each savings plan being risk-assessed to inform Members of the potential impacts.

In line with the Treasury Management Strategy and the Council's Capital and Investment Strategy, the revenue implications of capital investment decisions are considered and integrated into the MTFS planning and budget-setting process. This approach ensures that investments are fully funded. The Executive reviews quarterly capital monitoring reports, which set out the projected outturn position, including any under/overspends and adjustments, along with requests to re-profile budgets to/from current and future years. These reports also enable the Council to monitor the overall funding of the capital programme and the projected call on Council controlled resources e.g. capital receipts, revenue contributions, prudential borrowing and reserves over the life of the programme. We have confirmed that regular reports were submitted to the Executive throughout the reporting period. The Governance arrangements section includes further information in relation to capital monitoring, specifically in relation to the York Station Gateway Project.

To ensure the consistency of the MTFS and the annual budget with other plans, consultations are undertaken with a wide range of internal and external stakeholders. The MTRS sets out the consultation process followed, which for the current MTRS began in May 2024 and concluded in Dec 2024.

How the body identified and manages risks to financial resilience, e.g. unplanned changes in demand including challenge of the assumptions underlying its plans

As part of the annual budget setting process, the Council's Section 151 Officer sets out an assessment of the adequacy of reserves and the robustness of budget estimates. For 2024/25, it was the view of the Section 151 Officer that the general reserve should be £7.4m. This was set out in the MTRS reported to the Executive in January 2025. This assessment is based on professional judgement underpinned by local circumstances such as the budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions and other earmarked reserves and provisions.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

The revenue budget is monitored on a regular basis at department level ahead of quarterly reporting to the Executive and Corporate Scrutiny Committee. We have reviewed the finance monitor reports throughout 2024/25 and noted that they reflect in year changes. This allows the Council to manage its financial position and mitigate the medium-term impact of budget pressures.

The 2024/25 Outturn Report highlighted an overspend of £1.1m. Consistent with the prior year and other local authorities, Adult Social Care continues to be the main service contributing to the overspend, however the position was improved from 2023/24. The Council recognises this as an area of focus and a revised and updated action plan is being developed with the service, supported by finance and other business intelligence.

Our review confirms that the Medium-Term Financial Strategy (MTFS) is grounded in reasonable assumptions available at the time of its approval. The MTFS undergoes regular reviews, including its main assumptions, and is frequently reported on, especially when changes in assumptions affect the forecasted financial position. Regular budget monitoring, including quarterly performance reports, helps identify in-year pressures, assess whether savings are being achieved, and determine if resources need to be redirected to areas in need.

We have reviewed the outturn for 2024/25 and identified no evidence of significant short-term measures. In-year pressures, such as those in the Adult Social Care service, were clearly reported and have been reflected in the MTFS.

The quarterly combined finance and performance reports are presented to the Executive and the Corporate Services, Climate Change, and Scrutiny Management Committee (latterly the Corporate Scrutiny Committee) throughout the year. These reports emphasize high-risk material issues and mitigating actions, as well as performance and outcomes data.

The MTFS includes the current year budget and a four year forward view. The MTFS is refreshed annually to reflect budget changes as part of the budget setting process, key risks and any required changes to assumptions. We confirmed a review of the MTFS was undertaken as part of the 2025/26 budget setting. It was taken to the Executive in January 2025 and approved by Full Council in February 2025.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

At its highest level, the Council operates under a 'Council Plan,' which is part of the Strategic Planning Framework. The Medium-Term Financial Strategy (MTFS) is also a component of this Framework. We confirmed that arrangements were in place for developing the MTFS, including aligning the financial plan with the Council's objectives to ensure the delivery of its priorities. This process involves scrutinising the MTFS and documenting key assumptions, with each savings plan being risk-assessed to inform Members of the potential impacts.

In line with the Treasury Management Strategy and the Council's Capital and Investment Strategy, the revenue implications of capital investment decisions are considered and integrated into the MTFS planning and budget-setting process. This approach ensures that investments are fully funded. The Executive reviews quarterly capital monitoring reports, which set out the projected outturn position, including any under/overspends and adjustments, along with requests to re-profile budgets to/from current and future years. These reports also enable the Council to monitor the overall funding of the capital programme and the projected call on Council controlled resources e.g. capital receipts, revenue contributions, prudential borrowing and reserves over the life of the programme. We have confirmed that regular reports were submitted to the Executive throughout the reporting period. The Governance arrangements section includes further information in relation to capital monitoring, specifically in relation to the York Station Gateway Project.

To ensure the consistency of the MTFS and the annual budget with other plans, consultations are undertaken with a wide range of internal and external stakeholders. The MTRS sets out the consultation process followed, which for the current MTRS began in May 2024 and concluded in Dec 2024.

How the body identified and manages risks to financial resilience, e.g. unplanned changes in demand including challenge of the assumptions underlying its plans

As part of the annual budget setting process, the Council's Section 151 Officer sets out an assessment of the adequacy of reserves and the robustness of budget estimates. For 2024/25, it was the view of the Section 151 Officer that the general reserve should be £7.4m. This was set out in the MTRS reported to the Executive in January 2025. This assessment is based on professional judgement underpinned by local circumstances such as the budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions and other earmarked reserves and provisions.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

The revenue budget is monitored on a regular basis at department level ahead of quarterly reporting to the Executive and Corporate Scrutiny Committee. We have reviewed the finance monitor reports throughout 2024/25 and noted that they reflect in year changes. This allows the Council to manage its financial position and mitigate the medium-term impact of budget pressures.

The 2024/25 Outturn Report highlighted an overspend of £1.1m. Consistent with the prior year and other local authorities, Adult Social Care continues to be the main service contributing to the overspend, however the position was improved from 2023/24. The Council recognises this as an area of focus and a savings action plan is being developed with the service, supported by finance and other business intelligence.

Overall, the Outturn Report highlights that it is vital the Council continue to reduce expenditure down to a sustainable level and maximise income. Since 2023/24 Members have approved the maximum Council Tax increase of 4.99%. It also highlights that delivery of savings plans continues to be a clear priority, with a target of £6.4m set for 2025/26.

Our review of the committee reports and attendance at Audit and Governance Committee, provides assurance that the Council monitors and identifies mitigations to manage any changes in demand and assumptions in the MTFS.

We have reported two ‘other recommendations.’ However, overall, our work did not identify any evidence to indicate a significant weakness in arrangements in the financial sustainability criteria.

VFM arrangements

Governance

How the body 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 outlined below a risk of significant weakness in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
Capital project management and governance The York Station Gateway project is to redevelop the front of the train station in order to improve access for vehicles, cyclists and pedestrians. The capital scheme was approved in 2020 and commenced in late 2023. It is due to be completed by early 2027. The scheme had an original budget of £26m. During 2024-25 internal audit undertook a review of the contract management arrangements for delivery of major projects, which included the York Station Gateway project. This was requested by the Section 151 Officer and Monitoring Officer following an internal review, with Internal Audit being asked to undertake further work to identify the key messages. The review highlighted that the potential for a significant overspend in relation to the York Station Gateway project was not reported for two years, with monthly update reporting for major contracts not highlighting any significant issues over the life of the project. The review identified significant weaknesses in the project management of the York Station Gateway project which has resulted in significant overspend and delay. The current overspend of £18.5m (71% of planned budget) has required the diversion of funding from other capital projects to allow it to be completed satisfactorily. Given the delays in reporting the potential overspend and weaknesses identified in the project management arrangements we have raised this as a risk of significant weakness in arrangements.	Work undertaken Our procedures included: - discussions with Internal Audit; - reviewing the Internal Audit report; - discussions with key members of management including the Section 151 Officer and Monitoring Officer; and - reviewing relevant documentation provided by management. Results of our work We have concluded that a significant weakness in arrangements has been identified. For further details see page 25.

VFM arrangements – Governance

Overall commentary on Governance

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

The Audit and Governance Committee provide independent assurance on the Council's arrangements for governance, risk management and internal control and oversees the financial reporting and annual governance processes. The committee also oversees the Council's arrangements for internal and external audit and assists in ensuring that efficient and effective assurance arrangements are in place.

Internal Audit Services were provided to the Council for 2024/25 by Veritau Public Sector Ltd. Veritau Public Sector Ltd is jointly owned by six member Council's which include City of York Council. The Council's Audit and Governance Committee review the Internal Audit Plan and the Head of Internal Audit Annual Report to establish the priorities for internal audit activities and ensure alignment with the Council's goals. The Internal Audit Plan is determined on a risk basis, to ensure assurance is targeted towards priority areas. The draft plan is discussed with officers to obtain their views on priorities, prior to being approved by the Audit and Governance Committee.

The 2024/25 plan was presented to the Audit and Governance Committee in May 2024. We attended all Audit and Governance Committee meetings and confirmed that progress against the Internal Audit Plan was reported throughout the year. The opinion of the Head of Internal Audit was presented to the May 2025 Audit and Governance Committee meeting and provided an overall 'reasonable' level of assurance. As stated in the Audit Opinion, there were only two limited assurance reviews in 2024/25, these related to health and safety and foster carer payments, in both cases management actions have been agreed to address the internal control weaknesses identified. We have considered each review conducted by Internal Audit to obtain assurance that the matters identified were not indicative of a significant weakness in arrangements, none have been identified.

In May 2025, the Director of Finance and Director of Housing and Communities requested that IA undertake an independent fact-finding review of the governance and operations of YorHome. This followed identification of an issue with an agreement relating to a multiple occupancy property. The review carried out identified weaknesses in the arrangements in place for entering into leases and management and repair agreements and assured shorthold tenancies. Action has been taken to address the issues highlighted in the review and remediation work is underway. A report was due to be taken to the Audit and Governance Committee in Jan

2026, to respond to the points raised in the audit report with revised arrangements being subject to further internal review before the service resumes work with new landlords. The report was deferred to the March 2026 meeting as work is still ongoing. We have made an other recommendation in relation to this issue.

Finding	Recommendation
In May 2025, the Director of Finance and Director of Housing and Communities requested that IA undertake an independent fact-finding review of the governance and operations of YorHome. The review carried out identified weaknesses in the arrangements in place for entering into leases and management and repair agreements and assured shorthold tenancies.	The Council should continue to respond to the findings of the internal audit report and ensure that members have appropriate oversight of the remediation work undertaken. The Council should ensure similar issues are not present within other service areas.

During 2024/25 Internal Audit have undertaken a review of contract management in relation to delivery of major capital projects. The review examined three projects, including York Station Gateway, which has a forecast £18.5m overspend (approximately 71% of the planned budget). The report which remains at the draft stage provides an indicative limited assurance opinion and included a critical finding in relation to the management of the York Station Gateway contract and overall project. A further significant finding was reported in respect of delays in reporting overspends. Given the nature of the findings and the significant delay in reporting the potential overspend on the project we have identified a significant weakness in arrangements – see page 25.

We have confirmed through our attendance at Audit and Governance Committee that Members challenge management where recommendations are not implemented within the agreed timeframe. We have observed Member scrutiny of matters raised in Internal Audit reviews.

Veritau Public Sector Ltd provided dedicated Counter Fraud services to the Council throughout 2024/25. They work to identify potential fraud and investigate all suspected cases of fraud that are identified. We confirmed that any outcomes of investigations into suspected fraud are reported to the Audit and Governance Committee via periodic Progress Reports and the Counter Fraud Annual Report.

VFM arrangements – Governance

Overall commentary on Governance (continued)

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

The Council's Medium Term Financial Strategy (MTFS) arrangement includes the identification and evaluation of risks to the Council's finances. The MTFS (2025/26 to 2029/30) was presented to the Executive Committee in January 2025.

Financial Regulations are established to outline the requirements for setting an annual revenue budget in the context of a medium-term financial strategy, which covers a five-year period. These rules are supported by Financial Management Standards which set out the roles and responsibilities of members, the Chief Finance Officer, Chief Internal Auditor and Corporate Directors, as detailed in the Council's Constitution. The Financial Procedure Rules provide a high-level governance framework for managing the Council's financial affairs, while the Financial Management Standards offer detailed guidance on implementing these procedures to ensure sound financial management throughout the Council.

How the body 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); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We noted that regular reporting of the financial position took place throughout the 2024/25 financial year. Quarterly forecasts of outturn reports were presented to both the Executive and the Corporate Services, Climate Change and Scrutiny Management Scrutiny Committee (which later became the Corporate Scrutiny Committee). The reports provide details on budget movements between quarters and the remedial measures taken. Both the quarterly and year-end positions have not revealed any weaknesses in the Council's monitoring and reporting arrangements, with the final outturn position being in line with the forecast reported during the financial year. The reports highlight the Council's key area of pressure, which similar to other local authorities is Adult Social Care.

The financial statements timetable for 2024/25 was achieved. Our audit of the financial statements in 2024/25 did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

We have reviewed Council reports and minutes throughout the year and have not identified any evidence of weaknesses in arrangements.

Membership of the Audit and Governance Committee includes Councillors and an independent member. We have attended all the meetings held in the reporting periods and deem them to be effective and well represented. The Terms of Reference of the Audit Committee are detailed in the Constitution, and we have identified no evidence to indicate they are not being delivered.

The Council publishes notice of key decisions and all officer decisions made under the Officer Scheme of Delegations on its website. The Scheme requires all decisions to be recorded and published by Democratic Services, with the notice of any key decisions to be made available for inspection by the public at least 28 days before the decision is made and published within 2 days of it being made. For example, for the key decision regarding the Homeless and Rough Sleeper Strategy 2024-29, notice was given on 2 Sept 2024, and the decision was made by the Executive Committee on 12 Dec 2024 and published on 13 Dec 2024, in line with the Council's policy.

The Council has several scrutiny committees which provide an opportunity to challenge decisions. We reviewed meetings held in 2024/25 and identified no evidence to suggest this function has not been fulfilled. Task Groups are formed within the membership of individual Scrutiny Committees to undertake specific scrutiny reviews.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The Council's constitution is reviewed annually and was last reviewed in May 2025. The Constitution outlines the Council's operations, decision-making processes, and the rules and procedures followed to ensure efficiency and transparency for local residents.

The Constitution is supported by Codes of Conduct for Members and Officers. Some officers have, by law, a specific duty to ensure that the Council acts within the law and uses its resources wisely. These Officers are the Head of Paid Service, Monitoring Officer and Section 151 Officer. Based on review, we are not aware of any evidence that these roles are not being fulfilled throughout the reporting periods.

Registers of gifts and hospitality and registers of interest are maintained for Members and Officers and are available on the Council's website. September 2024. The Statement of Accounts also detail material related party transactions as well as senior officers' remuneration and members allowances. Our work on these areas in 2024/25 identified no matters to indicate a significant weakness in arrangements.

VFM arrangements – Governance

Overall commentary on Governance (continued)

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards.

The Joint Standards Committee is tasked with promoting and maintaining high standards of conduct among councillors and co-opted members. The Committee receives regular monitoring reports in respect of complaints received and publishes an annual report. We reviewed the reports for 2024/25, which demonstrates the Committee's role in investigating complaints and the developments made to address them.

One significant weakness in the Council's arrangements in relation to the governance reporting criteria has been identified. See page 25 for more detail. We have also reported one 'other recommendation.'

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.

As detailed in the previous sections, we have confirmed there was regular financial reporting during the year. Arrangements are place to assess the quality of services, ensuring they align with the Council's objectives and priorities, and deliver value for money. A Performance Management Framework is in place to ensure delivery of the ambitions of the Council Plan and enable forward planning, risk management and continuous improvement. A performance management culture is well-established across all directorates, featuring regular cost control boards and departmental management team performance clinics and reporting to Corporate Management Team (CMT).

Performance is monitored by the Executive, through the quarterly finance and performance monitor, as well as scrutiny of the Annual Performance Report. The arrangements enable scrutiny of corporate performance and the identification of areas for improvement.

As discussed in Financial Sustainability, quarterly reports are also considered by the Executive in relation to the capital programme and overall budget. These reports enable the Council to monitor the capital budget and the completion of capital schemes. In addition, monthly Major Projects Highlight Reports are produced. These are produced throughout the project lifecycle and provide the Executive and other stakeholders with a high-level summary of key information on current projects. They communicate progress since the last report, any actual or potential issues arising, upcoming milestones and any key decisions required.

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

Performance assessment arrangements have been embedded for a number of years in the budget and service planning processes. Quarterly reports to the Corporate Services, Climate Change and Scrutiny Management Committee/Corporate Scrutiny Committee set out Council performance based upon the city outcome and council delivery indicators included in the Performance Framework for the Council Plan 2023-27. The reports highlight current year performance and a comparison to the previous three years providing an overall direction of travel. Our review of Committee minutes confirms these reports were taken every quarter throughout 2024/25 and that they are presented in a consistent format and designed to evaluate the Council's performance.

Alongside this, the Council also considers the output from regulators to review performance. The Council

recognises a failed statutory inspection as a potential risk as part of its wider key corporate safeguarding risk, included within the Corporate Risk Register.

The Council's services are reviewed by several regulators, including the Care Quality Commission and Ofsted.

In the most recent Ofsted review (dated April 2025), Children's Services received an overall rating of 'outstanding'. This is an improvement on the previous review (dated May 2022) which graded the Council as 'Requires improvement to be good'. The report states 'A relentless drive by senior leaders has led to significant improvements, on a considerable scale, in the standard and quality of services to children. There has been a determined focus and emphasis on improving practice, through the implementation and embedding of a bespoke practice framework, which has improved support, services and interventions.' Whilst largely very positive the report does include some areas of improvement, although it was noted that leaders were aware of the improvements needed and had credible plans in place.

In December 2025, the Care Quality published its Local Authority Assessment, which rated the Council as 'Requires Improvement'. Of the 9 areas rated, the Council received a score of 'Inadequate in 4 areas and requires improvement in the remaining 5 areas. The report highlighted a number of positive practices the Council had developed, but highlighted areas where improvement was required. Since the publication of the report, the Council have developed an improvement programme to address the findings. We have made an 'other recommendation' in relation to this issue.

Finding	Recommendation
In December 2025, the Care Quality published its Local Authority Assessment on the Council, which rate the Council as 'Requires Improvement'. The Council have developed an improvement programme to address the findings.	The Council should implement actions to address the areas identified in the CQC report.

Our attendance at Audit and Governance Committee confirmed regular reporting by Internal Audit of findings from their reviews, recommendations raised and management's response. We observed the committee challenging management on individual reviews and the actions taken in following up on recommendations.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness (continued)

The Council have updated their Workforce Development Strategy for 2024-27. The strategy sets out the priorities for the next 3 years focusing on organisational development and transformation. There are annual workforce development strategy action plans that support the strategy and these are shared quarterly at Corporate Management Team. The plans are designed to embed good practice into the Council's workforce in order to effectively deliver services to the community and promote improvement.

How the body 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 2023-2027 sets out the long-term ambitions and priorities for the Council across its service areas. While the plan refers to partnership working, it does not explicitly confirm how these arrangements will work. The Corporate Improvement Action Plan sets out the detailed Council wide actions in response to the Corporate Improvement Framework and encompasses a number of actions in relation to partnership working.

The Council manages relationships with partners and stakeholders within a strategic framework that includes regular city-wide meetings. For specific partnerships meeting terms of reference are agreed by the partnership and cover the membership and frequency of meetings as well as the publication of actions.

In February 2024, the Council launched the York and North Yorkshire Combined Authority in conjunction with North Yorkshire Council. following an inaugural meeting on 22nd January 2024. The Combined Authority will work with local leaders and communities and invest in the York and North Yorkshire regions. The Council has two councillors on the Combined Authority Board.

The Council is also a non-constituent member of West Yorkshire Combined Authority which, in conjunction with other councils across the city region, is responsible for economic development, regeneration and transport decisions in an area.

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

Where the body commissions or procures services, how the body ensures that this is done in

accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Council has in place a Procurement Strategy and a Social Value Policy. The Procurement Strategy sets out the procurement processes for goods and services, whilst the Social Value Policy sets out how the Council intends to develop effective procurement solutions that deliver quality, value for money goods and services, as well as positive economic, social and environmental outcomes. The Procurement Strategy covers the period 2021 to 2024 and is currently in the process of being reviewed and updated. The updated strategy is scheduled to be taken to Full Council for approval in December 2025. The Constitution includes Contract Procedure Rules (CPR) which set out the key responsibilities and actions that Members, Officers and Directors must follow when undertaking procurement. The scheme of delegated authority determines the financial approval limits of officers.

Processes are in place to monitor activity and report any breaches. A CPR waiver process is in place. However, during 2024/25 CPR breaches and waivers were not reported to the Governance, Risk and Assurance Group (GRAG) or CMT, but reviewed by the Section 151 Officer and Head of Procurement. The formal reporting process has been reinstated for 2025/26.

In 2023/24 we noted the Council had terminated a high-profile contract. Following this termination, the Council published a report in August 2024 setting out the lessons learnt and focus areas moving forward. As part of the 2024/25 Internal Audit, Veritau completed a follow up audit on the contract management of major projects, including the termination of the Council's significant partnership with the Salvation Army. This report, which was finalised in October 2025 concluded that there is generally a sound system of governance, risk management and internal control, however some issues of non-compliance or scope for improvement were identified. An overall reasonable assurance rating was issued by Internal Audit..

We have reported one 'other recommendation.' However, overall, our work did not identify any evidence to indicate a significant weakness in arrangements in the improving economy, efficiency and effectiveness criteria.

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council’s arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
Capital project management and governance The York Station Gateway (YSG) project, approved in 2020 and started in late 2023, aims to redevelop the station frontage to improve access for all users. Originally budgeted at £26m, it is scheduled for completion in early 2027. In 2024-25 internal audit undertook a review of the contract management arrangements for delivery of major projects, which included the YSG project. This was requested by the Section 151 Officer and Monitoring Officer following an internal review that raised concerns about contract management. The internal audit review highlighted that a significant overspend in relation to the YSG project was not reported by Project Managers for two years, with monthly update briefings to Executive members for major contracts not highlighting any significant issues over the life of the project. The review identified significant weaknesses in the project management of the YSG project which has resulted in significant overspend and delay. The overspend of £18.5m as at July 2025 (71% of planned budget) required the Council to reallocate funding from the York Outer Ring Road project, which had flexibility to reduce the scope of the project as agreed with the grant funding bodies. This did not result in an increase in the Council's overall borrowing or additional financial pressure for the capital programme. The Council has carried out a review to capture lessons learned, drawing on input from finance, procurement, and legal teams, and reflecting on the YSG project alongside project managers. The review identified several significant issues in the management of major capital projects, including weaknesses in capital programme oversight, gaps in officer skills and experience, the need for a more strategic approach to procurement, and the need to strengthen internal governance arrangements. The findings were reported to the Executive in July 2025. The Council has since begun work to enhance governance arrangements for major capital project management and to improve project assurance. Major capital projects have also been acknowledged as a governance issue for 2024–25 in the Annual Governance Statement. The value of the projected overspend of £18.5m, the potential for reputational risk coupled with the weaknesses highlighted in the overall project and contract management, as well as the delays in reporting the significance of the overspend, highlights a significant weakness in the governance arrangements (specifically how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information) in place at the Council.				The Council should continue to implement the actions identified through the review of lessons learned and the Internal Audit review to strengthen the project management, governance and scrutiny arrangements in place for major contracts. This will ensure that potential project overspends and/or overruns are identified and reported at the earliest opportunity and ensure emerging risks to project delivery can be mitigated effectively.	The Council has undertaken a review to capture lessons learned and has begun to work to enhance governance arrangements for major capital project management and to improve project assurance. We will review the implementation progress as part of our VFM arrangements work for 2025-26.

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 have received correspondence from electors. Our work in relation to this correspondence remains ongoing.

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.

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 and Governance Committee in July 2025. Having completed our work for the 2024/25 financial year, we can confirm that our fees are as follows:

Area of work	2024/25 fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	£309,913	£284,032
Additional fees in respect of ISA 315	N/A – incorporated into the above scale fee for 2024/25	£15,690
Additional fees in respect of letters received from the public	TBC	£10,440
IFRS 16 Accounting for Leases – implemented from 1 April 2024	TBC	N/A
Total fees	TBC	£310,162

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section ‘Confirmation of our independence’.

Area of work	2024/25 fees	2023/24 fees
Other services – Housing Benefits Subsidy Assurance	Indicative fee £32,000	£29,000
Other services – Teachers’ Pensions Assurance	£10,000	£9,500
Total fees	£42,000	£38,500

Appendices

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

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

Significant risks and audit findings

As part of our audit, 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
Management Override of Controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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 instruments by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We addressed this risk through performing audit work over: • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. We have no matters to report regarding management override of controls.
Valuations of land, buildings, surplus assets and investment property Council Dwellings £585m, other land and buildings £408m are the Council's highest value assets. The balance sheet also includes investment properties totalling £72m and surplus assets totalling £23m. Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate value at that date. Management engages its own valuer as an expert to assist in determining the fair value of land and buildings to be included in the financial statements but there remains a high degree of estimation uncertainty associated with the valuation of land and buildings because of the significant judgments and number of variables involved.	We addressed this risk through: • critically assessing the Council's arrangements for ensuring that land and buildings, investment property and surplus asset valuations are reasonable and not materially misstated; • critically assessing the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers; • considering the competence, skills and experience of the valuers and the instructions to the valuers; • substantively testing a sample of revaluations; • critically reviewing the Council's own considerations of assets not revalued in the year and why they are not materially misstated; and • where necessary, performing further audit procedures on individual assets to ensure that the basis of valuations is appropriate. We identified one unadjusted misstatement in relation to the valuation of property, plant and equipment. Further details can be found on page 33.

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

Significant risks and audit findings

As part of our audit, 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
Net defined benefit asset/liability 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.	We addressed this risk through: - critically assessing the competency, objectivity and independence of the North Yorkshire Pension Fund's Actuary; - liaising with the auditors of the North Yorkshire Pension Fund to gain assurance over the design and implementation of controls in place at the Pension Fund. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; - reviewing the appropriateness of the pension asset and liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and - agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. We identified one unadjusted disclosure misstatement in relation to the understatement of level 3 assets reported by the Pension Fund auditor. Further details can be found on page 35.

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

Summary of uncorrected misstatements

Description	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Creditors classification				
Dr: Current creditors			379	
Cr: Non-current creditors				379
Our sample testing of creditors identified one item (value £44k) that had been classified as a current creditor, however the payment was not due until June 2026, more than one year following the Balance Sheet date of 31 March 2025. As such the balance should have been classified as a non current creditor. The value of £379k represents the error extrapolated over the sampled population.				
Prepayment				
Dr: Debtors – prepayments			4,444	
Cr: Other expenditure		4,444		
As part of our testing of expenditure, we identified an item of £54k that had been recognised as expenditure in 2024-25 but was a pre-payment and therefore related to 2025-26 and 2026-27. In line with our audit approach, we have extrapolated this against the rest of the untested population. The calculated extrapolated error is £4,444k.				
PPE valuation				
Dr: Property, plant and equipment – other land and buildings			1,326	
Cr: Revaluation Reserve				1,326
As part of our testing of PPE we identified one asset where the area of asset used in the valuation calculation did not agree with the area of the asset held in the Councils property management system. The value used in the valuation was lower than that held in the system and as such the value of the asset was understated by £451k. The calculated extrapolated error is £1,326k. As				

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

Summary of uncorrected misstatements

Description	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Expenditure				
Dr: Income	228			
Cr: Expenditure		228		
As part of our testing of expenditure, we identified an item totally £108k that related to spend in relation to a grant, received under an agency arrangement. The expenditure therefore should not have been included within the CI&ES. The total value of expenditure in relation to this grant in 2024-25 was £228k. We undertook further testing and concluded that the error was isolated, as such both income and expenditure are overstated by £228k.				
Right of use asset valuation				
Dr: Donated assets - leases	1,748			1,748
Cr: Right of use assets				
Dr: Capital adjustment account			1,748	
Cr: Movement in reserves		1,748		
As part of our testing of the valuation of right use assets we identified an overstatement of the value of one asset. The overstatement related to the inclusion of a school in the right of use asset valuation, for a lease liability that related to land only. The lease related to land on which a PFI school was built. The school had previously not been recognised on the Balance Sheet as it is a VA school.				
Aggregate effect of unadjusted misstatements	1,976	6,420	7,897	3,453

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

Summary of uncorrected disclosure misstatements

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

- The Pension Fund auditor identified an understatement of level 3 assets of £13.849m in the pension fund's assets. We have calculated the Council's share of this error as 18.17% and therefore the potential impact would be that the Council's pension assets are understated by £2,516k. While this would not impact the Council's balance sheet due to the effect of the asset ceiling, it would have an impact on the disclosure in Note 40.
- **Note 8 Transfers from Earmarked Reserves** – the disclosure does not include comparator values for the transfers into and out of earmarked reserves. Management have agreed to add this to future year accounts.
- **Note 36 Leases** - IFRS 16 requires authorities to meet the disclosure requirements of IAS 16 in respect of PPE that is subject to an operating lease where the Council is the lessor, that is to provide information about the gross book value, accumulated depreciation and net book value of assets leased out. Management have agreed to add this to future year accounts.
- **Note 41 Contingent Liabilities** – the disclosure is general in nature and not specific to the circumstances of the Council. As such, it is our opinion that there is insufficient information disclosed to assist the understanding of the reader of the accounts.

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

Other deficiencies in internal control

Payroll Leavers – Implementation

Description of deficiency

Our walkthrough of the payroll key business process identified a leaver that had been notified to the payroll department on the 25 Feb 2025. However, the employee had notified of their intention to leave on a letter dated 12 Aug 2024, with a leave date of 8 Sept 2024. The delay in notifying payroll resulted in the payment of salary for a period in excess of 5 months after the employees’ leave date with a value of £11k. The failure to promptly notify the payroll department of a leaver is an internal control weakness.

Potential effects

Payments are made to individuals who have ceased to work for the Council, resulting in potential financial loss to the Council, if the overpayments cannot be recovered.

Recommendation

Notification of leavers should be submitted to the payroll department in a timely manner to ensure the leaver is removed from the payroll system prior to their leave date and to ensure there is no overpayment of salary.

Management response

This was picked up with the individual manager and head of service at the time citing the impact. When the manager realised that this was outstanding it was immediately actioned. It was an oversight based on a number of operational circumstances and full recovery of the overpayment has been undertaken. There was HR Advisory Circular issued in November 2023 (HR Advisory Number 20/2023) which covers leavers payroll processing and the impacts of late submissions. This will be reissued again as a timely reminder for all managers in February 2026.

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

Payroll Control Account – Implementation

Description of deficiency

Our walkthrough of the payroll key business process identified that the monthly payroll control account reconciliations are being prepared, however there is no documented review and approval by a second officer.

Potential effects

Discrepancies may not be investigated and resolved in a timely manner.

Recommendation

The monthly payroll control accounts should be reviewed and approved by a second officer. Evidence of this review should be retained.

Management response

Payroll control account reconciliations are regularly reviewed and evidence of this is held with the Financial Management System. We will give consideration to creating a separate log if required.

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

Exit Packages – Implementation

Description of deficiency

Our testing of exit packages highlighted one exit package that had not been approved by the Section 151 officer in accordance with the Council's procedures. We have reviewed the exit package and are content that it is appropriate and has been paid in accordance with the employee's terms and conditions of employment. The exit package was subject to approval by the Chief Officer for Education.

Potential effects

Lack of Section151 approval increases the risk of an inappropriate exit package payment being made.

Recommendation

All exit packages to be approved by the Section 151 officer in accordance with the Council's procedures.

Management response

There is a form and guidance which outlines the signatures and authorisation processes required for an exit payment, which includes as a final stage approval from the S151 Officer / Director of Finance. This particular case was a school and all other signatures were sought. The oversight of this particular case was highlighted with the school and as part of a wider piece of work, maintained schools are to receive guidance on what must be authorised by the Council as the employer. This guidance includes HR processes, policy and regulations and Health and Safety matters. It is anticipated that this will be sent to schools early March 2026. Discussions have also taken place with North Yorkshire Council to ensure that this is reinforced for those schools who receive HR / employment advisory services from outside of City of York Council services.

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

Reconciliation of the Trial Balance

Description of deficiency

As in previous years, the reconciliation of the Trial Balance (TB) to the Comprehensive Income and Expenditure Account has been difficult for the audit team to reperform, relying on several reports and took a long time for the audit team to complete. There was also no evidence to support second review of the reconciliation.

Potential effects

Use of several reports and manual adjustments, has an inherent risk that financial data is omitted from the financial statements.

Recommendation

We recommend that management provides a streamlined working paper which shows how the TB and underlying system reports reconcile through to the CIES, which:

- reduces the number of system reports used to complete the reconciliation or clearly shows how the reports reconcile to the main TB and to the financial statements;
 - provides assurance that all TB codes have been included in the reconciliation;
 - explains the manual adjustments; and
 - records evidence of a second review.
-

Management response

We acknowledge that generating a TB in the format that Audit require is complex and are happy to discuss how we could improve the understandability of our method, within the limitations of the system that we currently use and its reporting capabilities.

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

IT General Controls – Privilege Access

Description of deficiency

Our testing of privilege users highlighted one account where the user should have been given 'view only' access to the general ledger as per the notified request and their function. However, the user was given full access to the ledger. The impact was limited as the officer was set up with an authorisation limit of £0, meaning they would have been unable to make unauthorised changes, but they would have had access to information outside of the requirements of their role. On identification (during the audit) the access level was immediately corrected to view only.

Potential effects

Unauthorised access to the full functions of the general ledger.

Recommendation

A regular review should be undertaken of those with privilege/full access to ensure the access given is in line with the role and the request for access.

Management response

Following recommendations from an internal audit, we have recently changed procedures around user access monitoring and will undertake independent, regular reviews of all access including those with privileged access.

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

IT General Controls – User Access Review

Description of deficiency

Our testing highlighted that in a security review of users of FMS & Purchasing, one of the budget managers in the list of users that needed reviewing, had reviewed and therefore approved their own access.

Potential effects

Lack of independent review of user access, allowing users to have access levels to the system that are not required for their role.

Recommendation

All user access reviews should be undertaken by an independent officer.

Management response

Following recommendations from an internal audit, we have recently changed procedures around user access monitoring and will undertake independent, regular reviews of all access including those with privileged access.

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

Follow up on previous year recommendations.

Equity Investments

Description of deficiency

When testing the Council’s equity investments, we noted that the Council used the 2022/23 accounts of the invested entities to value their investment at 31st March 2024, as opposed to the 2023/24 accounts. In addition, no review took place to assess whether there were any circumstances that would mean the 2022/23 information was not indicative of the value as at 31 March 2024.

Potential effects

The reported investment value may be misstated and out of date.

Recommendation

The Council should ensure they perform a review of the equity investments to ensure the investment valuations are accurate and reflective of the value at 31st March 2024. This could include liaising with the entities to obtain actual figures.

Current position

Equity investments have been valued based on the latest available information (2024/25 draft accounts in most cases). Finance team knowledge of the relevant companies would mean any changes in circumstances potentially impacting the valuation would be known. This recommendation has therefore been addressed.

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

Property, plant and equipment valuations

Description of deficiency

As part of our testing on land, buildings, surplus assets and investment property valuations, we identified several arithmetic and transposition errors in the valuation certificates.

Potential effects

The valuation of land, buildings, surplus assets and investment properties could be misstated.

Recommendation

The Council’s valuation team should implement a check of the valuation certificates and subsequently technology forge to ensure the valuations have been accurately recorded.

Current Position

We identified no arithmetic errors in the valuation certificate, as such this recommendation has been implemented.

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

Property, plant and equipment valuations

Description of deficiency

As part of our testing on land, buildings, surplus assets and investment property valuations, there were instances where the Valuer could not provide the evidence used in the January 2024 valuation (such as income schedules, BCIS reports, etc.).

Potential effects

We may be unable to get sufficient, appropriate evidence to support our testing on valuations.

Recommendation

We recommend that all evidence supporting the valuation of the Council's portfolio is retained.

Current Position

All evidence required was provided, as such this recommendation has been addressed.

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

Property, plant and equipment valuations

Description of deficiency

When performing the year end valuation of the Council's portfolio, the Council's Internal Valuer produces a final covering memo, however this does not fulfil all the requirements of the RICS Red Book.

Potential effects

We are unable to confirm whether the valuation was conducted in line with the terms of reference.

Recommendation

We recommend that a covering report is produced to accompany the valuation. This report should provide sufficient detail to comply with the RICS Red Book and include the basis of the valuation, the methodology used, the nature and source(s) of information relied upon and any assumptions or limitations.

Current Position

Whilst the valuer provides all of the information we would expect, within the valuation certificates and various documents that support the valuation, an overall covering report is still not produced that summarises how the valuation has met with the requirements of the terms and reference.

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