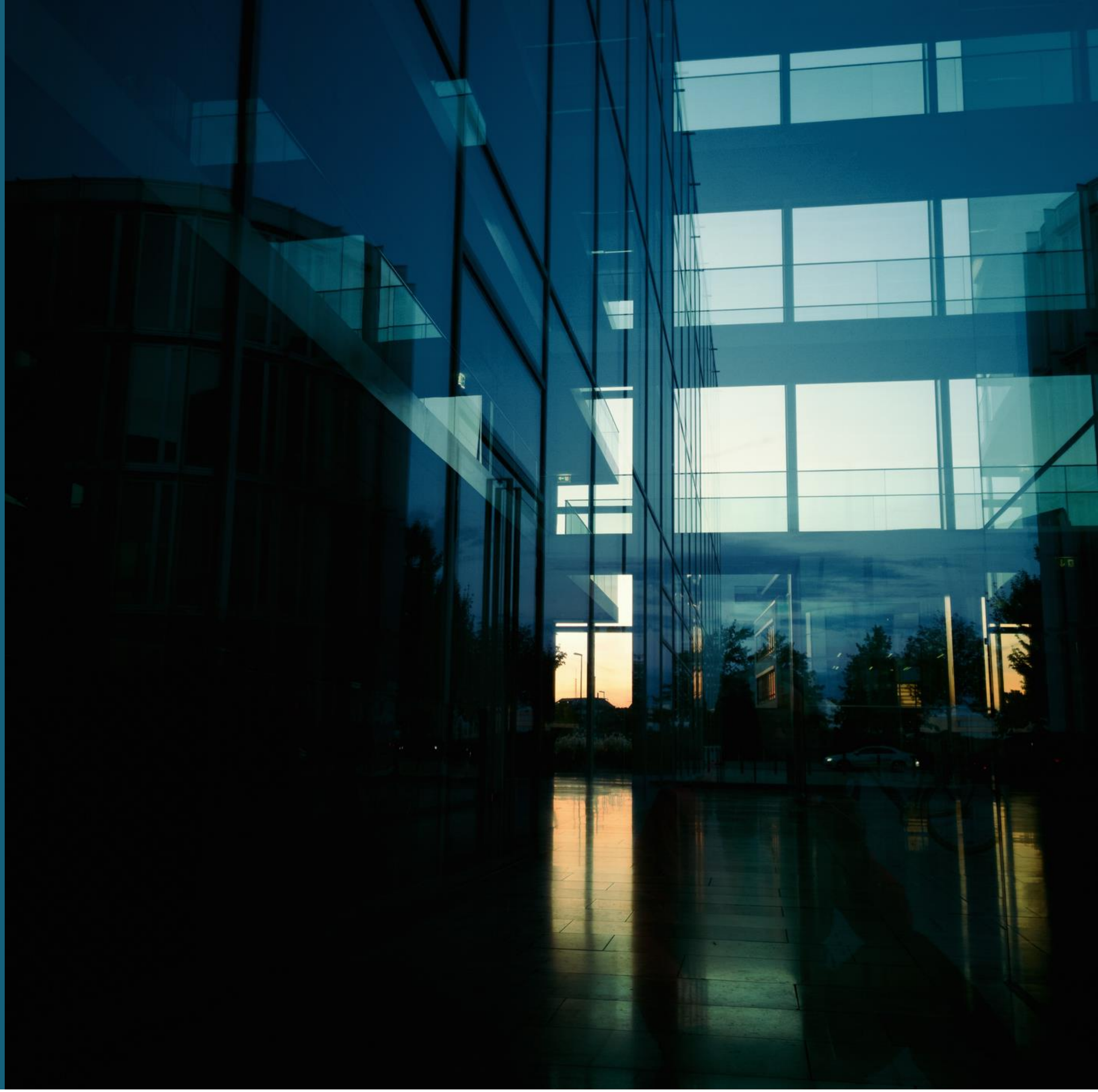
Auditor’s Annual Report

City of York Council – year ending 31 March 2022 and draft commentary for year ending 31 March 2023

April 2024



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Contents

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Section 01:

Introduction

1. 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 years ending 31 March 2022 and 2023. 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 2021/22
We issued our audit report on 17 January 2024. Our opinion on the financial statements was unqualified.

Opinion on the financial statements 2022/23
As reported to the 31 January 2024 Audit and Governance Committee, our work is substantially complete, except for receipt of the North Yorkshire Pension Fund Auditor's assurance. Once our work in this area is complete, we can finalise the audit and issue our audit report. We expect to issue an unqualified opinion.

Value for money arrangements
In our 2021/22 audit report issued January 2024, we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources but had identified a significant weakness. As a result of the Council's response to our recommendations, we have not identified significant weaknesses in arrangements for 2022/23.

Section 3 provides our commentary on the Council's arrangements..

Whole of Government Accounts
At the time of preparing this report the group audit instructions have been issued by the National Audit Office (NAO) but the NAO has not confirmed which entities will be sampled components. As a result, our Whole of Government Accounts work has not yet been concluded and we are unable to issue our audit certificate which will formally close the audits for 2021/22 or 2022/23.

Public Interest Report
We issued a Public Interest Report on 19 April 2021 including recommendations to address significant weaknesses in the Council's arrangements in respect of the severance of the former Chief Executive.

Wider reporting responsibilities
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. While we did receive information from members of the public for each audit year, we did not receive any statutory questions or objections.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinions

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 2022 and 2023 and of its financial performance for the years then ended.

Our 2021/22 audit report, issued on 17 January 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

We have not issued our audit report for 2022/23. As reported to the 31 January 2024 Audit and Governance Committee, our work is substantially complete, except for the receipt of the North Yorkshire Pension Fund Auditor's assurance. Once our work in this area is complete, we can finalise the audit and issue our audit report. We expect to issue an unqualified opinion.

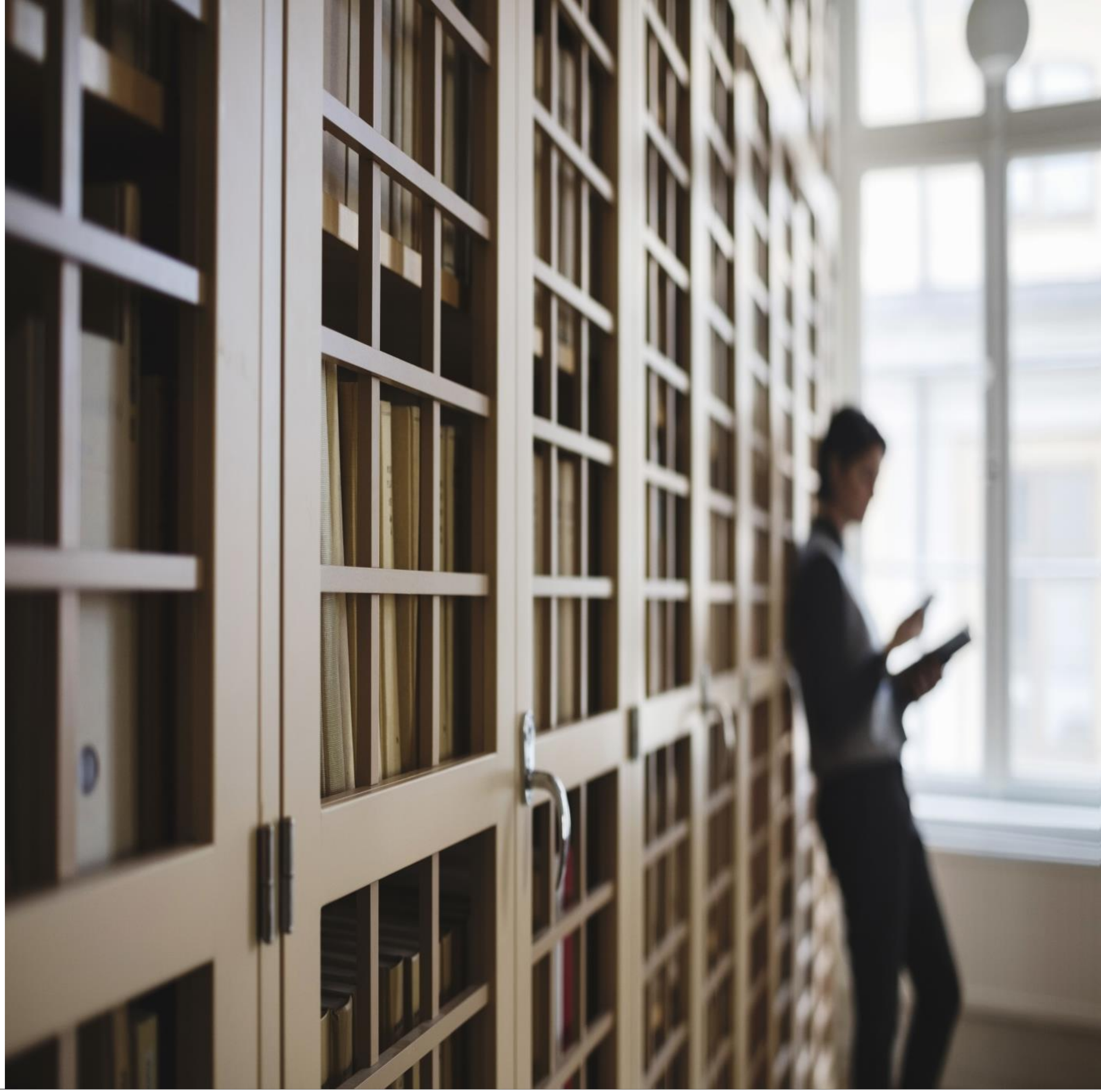
A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made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

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements



Overall summary

3. 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; and
- interviews and discussions with officers and Members.

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.

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 outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

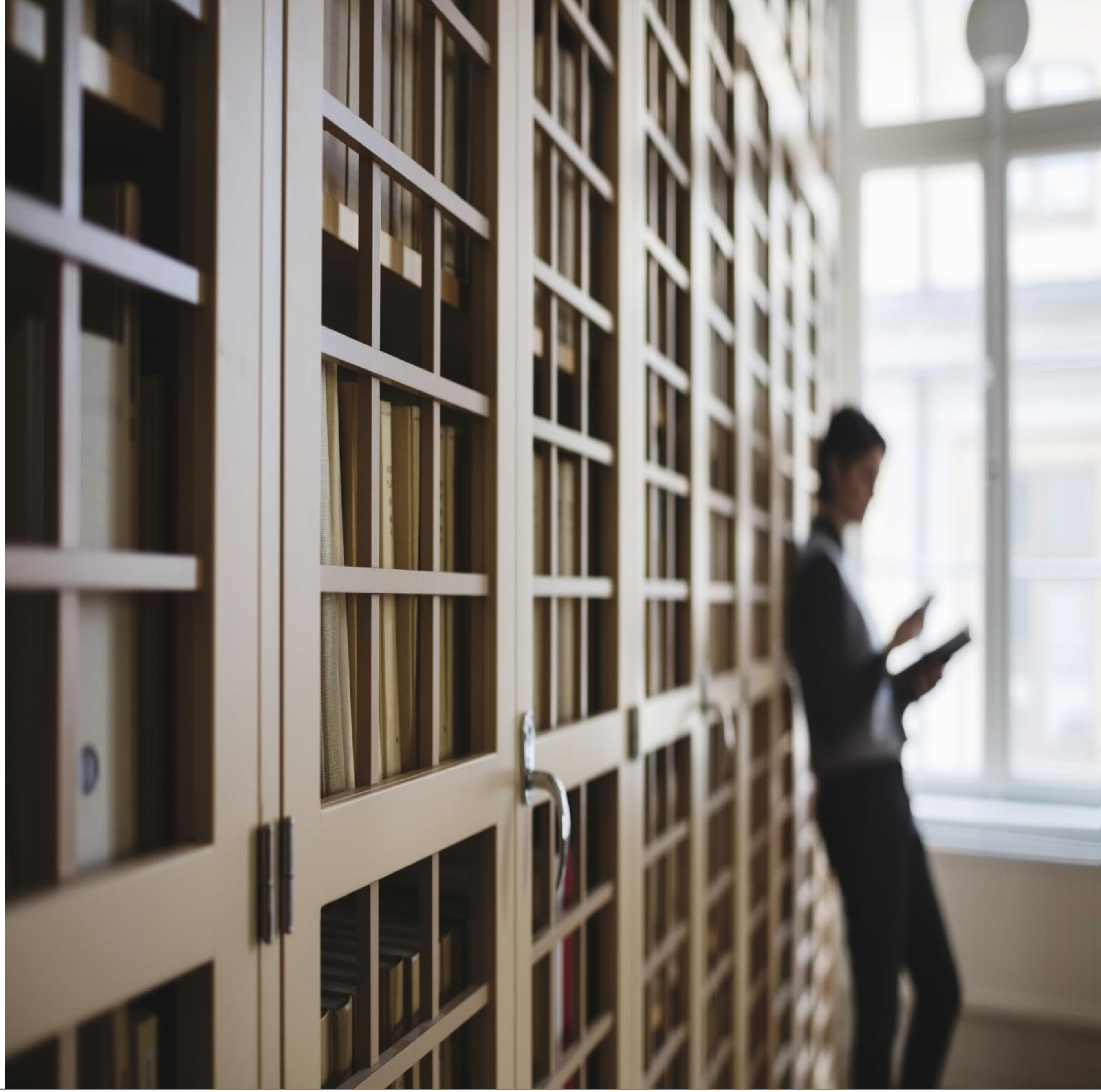
Overall summary by reporting criteria

Reporting criteria		Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
	Financial sustainability	11	No	No	Yes – see recommendations 1 to 6 on pages 12 to 14
	Governance	16	See progress against significant weaknesses and recommendations on page 22		Yes – see recommendation 7 on page 18
	Improving economy, efficiency and effectiveness	19	See progress against significant weaknesses and recommendations on page 22		Yes – see recommendations 8 to 9 on page 20

3. Commentary on VFM arrangements

Financial Sustainability

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



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

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 reports/papers confirms that financial planning arrangements have remained in place throughout 2021/22 and 2022/23. As our assessment covers two years, we have considered the Medium-Term Financial Strategies (MTFS) covering the periods 2021/22 to 2025/26 and 2023/24 to 2027/28, the latter being approved in November 2023. Both include 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 MTFS is refreshed annually to ensure decisions are based on the latest information. The November 2023 update reflects on the impact of the 2022/23 budget, the continued challenges from Covid-19 and funding cuts, as well as changes to local taxation.

The Council's capital investment plan for 2022/23 to 2026/27 sets out the long-term programme which is underpinned by the Council's annual capital financing investment strategy (2022/23) and treasury management strategy (2022/23 to 2026/27).

Quarterly budget position statements are considered by the Executive and are underpinned by budget monitoring arrangements at a service level which are reported to the Council Management Team. These reports provide a summary of the projected outturn and the actuals, along with supporting narrative to explain significant changes and pressures. Implications of overspends and non-delivery of planned savings and efficiencies are set out in each report. Budget Panels are also held with each Executive portfolio holder to ensure that all budget pressures are recognised in the strategy.

In 2021/22 and 2022/23, in common with other local authorities, the Council experienced significant cost pressures linked to the war in Ukraine and Consumer Price Inflation which reached 11.1% in October 2022. In 2023/24, the Council continues to report significant financial pressures stemming from both demand pressures and cost increases. As in previous years, our work confirms that there has been regular monitoring of the financial position throughout the year, which included arrangements to update the Financial Strategy, enabling the Council to respond to newly identified financial challenges throughout the life of the plan.

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

Our review of the financial strategy updated in 2021/22 and 2022/23, provides assurance that forecasts are based on assumptions including the Council's up to date assessment of funding available, service demand and other cost pressures. The overarching MTFS includes the identification of savings and efficiencies up to 2026/27 after considering estimated funding. The MTFS highlights a potential budget gap of £24.8m over the life of the MTFS which the Council plans to mitigate by identifying savings, increasing income or using reserves.

We have considered the Council's performance in delivering its savings targets within the context of the MTFS and we recognise saving plans are an ongoing and iterative process, developed by officers and agreed by Members based on the latest information. The savings target for 2022/23 was £6.47m, equivalent to 4.7% of the net budget. Of this, £4.01m was achieved, which is 62% of the target. The 2023/24 budget includes a saving target of £5.5m, which is 3.9% of the £141.6m budgeted expenditure requirement.

While we have not identified evidence of a significant weakness in arrangements, we recognise the continued challenges involved in delivering savings throughout the life of the MTFS and make the following 'other recommendations':

Recommendations 1, 2, 3 and 4

The financial strategy for the period 2023/24 – 2027/28 highlights a saving requirement of £35.4m over the life of the plan. A saving target of £5.5m has been set for 2023/24. Given the growing risks around the Council's financial sustainability, there is an increased need for clear reporting and accurate forecasting of saving targets, linked to the MTFS.	The Council should ensure it applies its arrangements with sufficient rigour to identify how it will deliver savings to balance the MTFS. It should also review its reporting and scrutiny arrangements of saving targets to ensure plans are delivered and and risks to the savings programme are clearly reported to Members. Recurrent and non-recurrent savings should be clearly identified to provide additional detail for Members when considering costed policy options and financial pressure. The MTFS should also provide greater clarity on how it aligns with the Council's annual budget and supports both the Corporate Plan and Service Plans. Corporate priorities and staff performance objectives should be clearly linked.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

The Minimum Revenue Provision (MRP) is an annual charge to the general fund in respect of capital expenditure that has not been financed through the application of grants, contributions or capital receipts. In effect, the MRP acts as a replacement for depreciation and aims to make sure that a local authority can repay borrowing.

In 2021/22 the Council's MRP was significantly lower than the previous year's charge and led to a planned budget saving predicated by a change in the calculation method from an equal instalment basis to an annuity basis. Members were made aware of the change during the meeting of the Finance and Performance Committee in February 2022.

The change was also included in the Executive report that was considered by the Audit and Governance Committee when the Treasury Management strategy for 2022/23 was presented. We have highlighted the impact of this change in the table below.

Table 1 – MRP

	2020/21	2021/22	2022/23
MRP charge (£m)	7.95	4.73	5.45
MRP as a percentage of the capital financing requirement (%)	1.8	1.0	1.1

We carried out a benchmarking exercise for our local government audits, comparing your data to eleven other unitary authorities (all from the North of England). For 2022/23, our analysis shows that the average MRP as a percentage of capital financing requirement is 2.8%, over an average of 42 years. For comparison, the City of York Council's was 1.1% and 88 years.

Recommendation 5	
Regulations require councils to determine their MRP charge annually, and to ensure it is sufficiently prudent.	Members should consider whether the MRP charge is prudent and reflects the Council's capital financing requirements.

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.

Our work confirms that the MTFS continues to be based on updated assumptions based on relevant information. The MTFS is regularly reviewed and reported, including where changes in assumptions affect the forecast financial position. There is regular budget monitoring including quarterly performance reports which support the identification of in-year pressures, whether savings are being achieved and if resources need to be re-directed to areas in need. We have reviewed the outturns which span 2021/22 and 2022/23 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 reported to the Executive and the Corporate Services, Climate Change and Scrutiny Management Committee periodically throughout the year. These reports focus on high-risk material issues and mitigating actions, along with performance and outcomes data.

The MTFS is updated every 4 years to reflect budget changes, as part of the budget setting process. We confirmed a review of the MTFS was undertaken by the Executive board in 2022/23 to ensure that the budget remains in line with the strategic priorities of the Council.

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

The Council Plan is part of a Strategic Planning Framework. The MTFS is part of this Framework, and our work confirms that arrangements were in place that: link the financial plan to the Council's objectives to ensure the priorities are delivered; scrutinise the MTFS; and record key assumptions with each savings plan being risk assessed.

In line with the Prudential Code and the Council's Capital Strategy, the revenue implications of capital investment decisions are considered and form part of the MTFS planning and budget setting process. This is designed to ensure that investments are fully funded. Quarterly capital monitoring reports are considered by the Executive and reflect changes in resourcing, delivery and any new capital programmes. These reports also enable the Council to monitor the delivery and overall funding of the programme. We have confirmed that regular reports to the Executive were made throughout the reporting periods. As part of ensuring the consistency of the MTFP and annual budget with other plans, significant consultation is also undertaken on the budget, both with internal and external stakeholders.

Overall commentary on the Financial Sustainability reporting criteria - continued

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 S151 Officer sets out an assessment of the adequacy of reserves and the robustness of budget estimates. For 2022/23, this was included alongside the Revenue Budget and reported to the Executive Committee in February 2023. Risk factors were considered as part of this assessment, including the level of reserves, prudential and treasury indicators, and the reliability of inflation estimates. This is underpinned by the review of reserves set out in the annual update of the Council's MTFS, which includes an estimate of projected earmarked reserves.

The budget is monitored on a regular basis at department level ahead of quarterly reporting to the Executive Board and Scrutiny Committees. We have reviewed the outturn reports throughout 2021/22 and 2022/23 and noted that they reflect in-year changes, allowing the Council to manage its financial position and mitigate the medium-term impact of budget pressures.

In June 2023, the 2022/23 Outturn Report highlighted a net overspend of £4.8 against the net budget of £135m, which is 3.6% of the net budget. The overspend was mitigated by applying contingency and earmarked reserves to bridge the gap. In September 2023, the net overspend was revised upwards to £6.8m (5.04% of the net budget). Consistent with the prior year and other local authorities, Children and Education, and Adult Social Care continue to be the overspending services, with an aggregated £7.9m overspend in 2022/23. Partly, because of these overspends, earmarked reserves have fallen from £69.1m at 31 March 22 to £48.6m at 31 March 2023.

The CIPFA Code confirms that the revenue reserve, known as the General Fund (GF) balance, and the level of the unallocated general reserves should take account of strategic, operational and financial risks. Reserves can be held for three main purposes:

- a working balance to manage cash flows and avoid unnecessary temporary borrowing – (general reserves).
- a contingency to mitigate the impact of unexpected events (general reserves).
- earmarked reserves, to meet known or highly likely future requirements. These are earmarked reserves and can be reported separately but remain part of the General Fund.

We have completed a benchmarking exercise for our local government clients, and we compared your data to our eleven other unitary authority clients (all from the North of England). For 2022/23, our analysis shows the following:

Table 2 – General Fund Reserves

	City of York Council	Mazars UA population
GF as a proportion (%) of Gross Revenue Expenditure	2.2	2.3
Total reserves as a proportion (%) of GRE	11.8	13.4

This indicates that the Council's reserve levels are at a similar level to other Councils. We note, however, that the Council's GF balance also includes its school reserves, which may not be included in the GF reserves of other Councils in the population.

Other recommendation 6

CIPFA recommends that the annual budget report should include a statement explaining the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the authority's MTFS and complete an annual review of earmarked reserves (including schools' reserves) listing the various earmarked reserves, the purposes for which they are held and advice on the appropriate levels, estimated opening balances for the year, planned additions/withdrawals and the estimated closing balances.	Due to ongoing financial uncertainty, the Council should continue to consider the adequacy of its reserves (including the General Fund Reserve) to ensure they are adequate to mitigate and unforeseen events. The Council should ensure its annual budget report adopts CIPFA's recommendations, regarding its annual budget and reserves. Members should ensure they have sufficient assurance that the Council's reserves are appropriate and based on the latest financial circumstances of the Council.

Our review of committee reports and attendance at meetings of the Audit and Governance Committee, provides audit assurance that the Council continues to monitor and identify mitigations to manage any changes in demand and assumptions in the MTFS.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

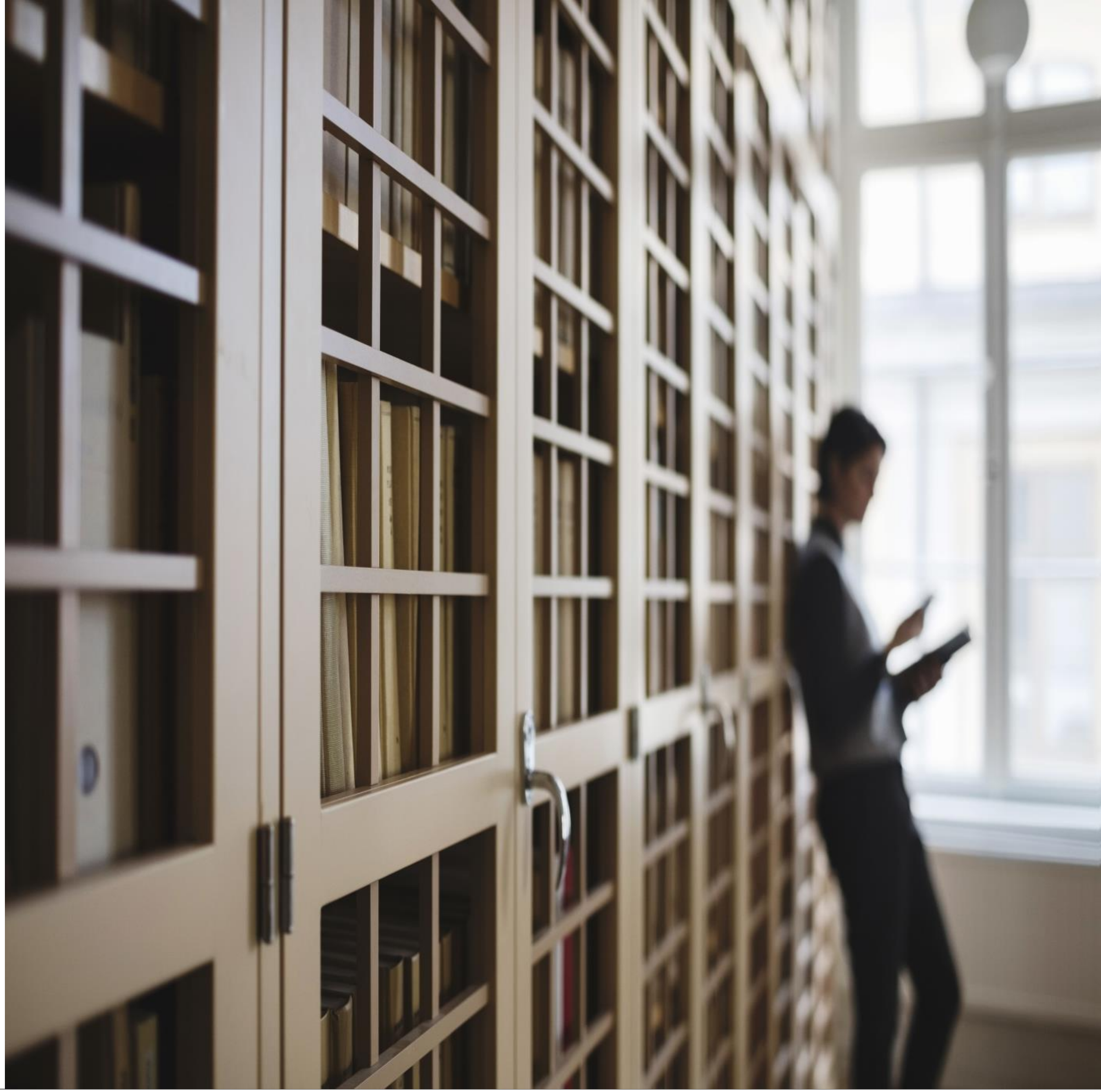
With the current financial uncertainty, the Council is experiencing rising costs across most services, especially in relation to energy prices and staff costs. This, along with the ongoing cost of living crisis has put further pressure on the Council's finances. In its January 2024 'Finance and Monitor 3' report, the Council is projecting an £11m overspend, against its net budget of £141m, which it expects to reduce to £0.8m after mitigations. To respond to this, the Council has developed and reported mitigation plans, along with a further in-depth review of the earmarked reserves, to identify where funds can be released.

While we have reported 'other recommendations', overall, our work did not identify any evidence to indicate a significant weakness in arrangements in the financial sustainability criteria.

3. Commentary on VFM arrangements

Governance

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



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

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 (A&G) Committee considers the adequacy of the Council's risk management framework and associated control environment. Internal Audit Services were provided for both 2021/22 and 2022/23 by Veritau Ltd. Veritau is jointly owned by both North Yorkshire County Council and City of York Council. The Internal Audit Plan and Head of Internal Audit Report is reviewed by the Council's Audit Committee to determine the priorities, consistent with the Council's goals. The plan is discussed with Service leads before being finalised.

The 2021/22 and 2022/23 plans were both presented to the A&G Committee in February 2021 and January 2022 respectively. We have observed that progress against the Plan was reported at each meeting. The Head of Internal Audit Opinions were presented to the June 2022 and July 2023 A&G Committee meetings and provided the following levels of assurance:

	2021/22	2022/23
Head of internal audit opinion	Reasonable Assurance	Reasonable Assurance

As reported in the Head of Internal Audit Opinion, there were no limited assurance reviews in 2022/23, which is down from 2 in 2021/22. Internal Audit Reports have been presented to Members of the A&G Committee via the Part B section of the meetings. We considered each review to obtain assurance that the matters identified in these reviews were not indicative of a significant weakness in arrangements, none have been identified.

Our attendance at A&G Committee confirms that Members challenge management where recommendations are not implemented within the agreed timeframe. We also observed scrutiny of matters raised in Internal Audit reviews. Veritau Ltd also provided dedicated Counter Fraud services to the Council throughout both 21/22 and 22/23. Veritau undertake proactive work to identify possible fraud and investigate all suspected cases of fraud which are identified. We confirmed that outcomes of investigations into suspected fraud are reported to the A&G Committee via the Counter Fraud Annual Reports.

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

The Council's MTFS arrangement includes the identification and evaluation of risks to the Council's finances. The MTFS (2022/23 to 2026/27) was presented to the Executive Committee and was updated in November 2023. Although this is at a high level, it illustrates the regular monitoring and refinement of the MTFS after Member input.

Financial Procedure Rules are in place and detail the requirements for setting the budget over a period of four years. Financial Management Standards support the Council's Financial procedure Rules set out in the Council's Constitution. Financial Procedure Rules provide the overall high-level framework for managing the Council's financial affairs and Financial Management Standards set out in more detail how these procedures are implemented to embed financial management across 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 2021/22 and 2022/23 financial years. Quarterly forecasts of outturn reports were presented to both the Executive and the Scrutiny Committees. The reports included details of movements in the budget between quarters and remedial measures taken. The quarterly and year-end positions have not highlighted any weaknesses in the Council's monitoring and reporting arrangements. As already reported, the key areas of pressure consistent with other local authorities are Children and Education, and Adult Social Care.

In both years, the financial statements preparation timetable was approved by the A&G Committee and was achieved. Our audits of the financial statements for each reporting period 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.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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 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 independent members. The Terms of Reference of the Audit and Governance Committee are detailed in the Constitution, and we have identified no evidence to indicate they are not being delivered. The Council publishes on its website notice of key decisions and all officer decisions made under the Officer Scheme of Delegations. The website also includes details on how decisions are made in Council.

The Council has scrutiny committees which are able to challenge decisions. We reviewed meetings held in both 2021/22 and 2022/23 and identified no evidence to suggest this function has not been delivered. A Scrutiny Committee Structure and Operational Task Group is also in place to oversee and coordinate the work.

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)

On page 22 of this report, we have commented on the Council's progress in addressing a previously reported significant weakness and our recommendations relating to the former Chief Executive's severance package. As a result, the Council's Constitution was reviewed, and the revised Constitution was adopted in May 2023. The Constitution sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people.

The Constitution is supported by Codes of Conduct for Members and officers. Some officers have a legal duty to ensure that the Council acts within the law and uses its resources properly. These officers are the Head of Paid Service, Monitoring Officer, S151 Officer and the Statutory Scrutiny Officer. Based on review, we are not aware of any evidence that these roles are not being delivered 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, and we have confirmed their existence in our audit procedures on related party disclosures. The annual accounts also include material related party transactions as well as senior officers' remuneration and Members' allowances.

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

The Joint Standards Committee is responsible for promoting and maintaining high standards of conduct by Councillors and co-opted members. The Committee receives updates on compliance with the Code of Conduct and produces an annual report each year. We reviewed both the 2021/22 and 2022/23 reports which evidence the committee investigates complaints and the recommendations they have made to address them.

The Council holds interests in several companies, and the Council has established the Shareholder Committee which acts as the owner or joint owner of these companies. Governance and trading arrangements can be complex and can change over time, we have therefore made the following 'other' recommendation:

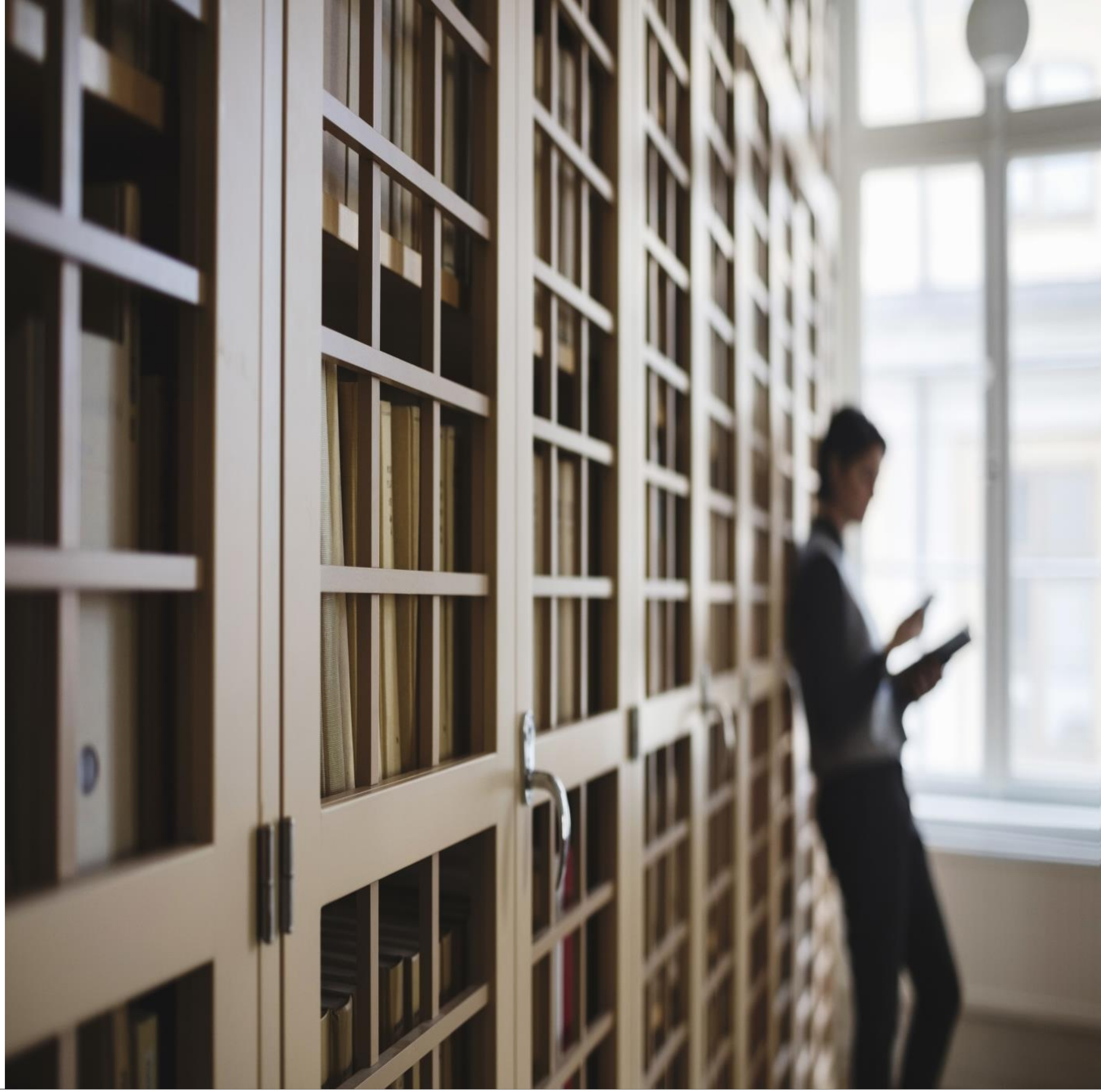
Other recommendation 7
The Council should regularly review and report trading and procurement arrangements for Council controlled companies to ensure they comply with legal requirements, including those regarding state aid and pricing regulations.

Our work has not identified any evidence of a significant weaknesses in arrangements for the governance criteria.

3. Commentary on 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



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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

As previously highlighted in this report, we have observed the Council's financial performance reporting arrangements. We have also noted that the Council has overall arrangements to measure service quality and deliver services in line with the Council's objectives and priorities. The Council's Performance Management Framework (2023-2027), which is linked to the Council Plan, is designed to enable stakeholders to understand how the Council will deliver its objectives and improvements at strategic and operational levels. Performance is routinely monitored by the Executive, including scrutiny of the full-year Performance Report. The arrangements enable scrutiny of corporate performance and the identification of areas for improvement, but management recognises the scope to improve the alignment of priorities, service plans and staff objectives.

Other recommendations 8

To ensure the Performance Management Framework is applied consistently, the Council should ensure the framework includes the alignment of corporate goals, service plans and staff objectives.

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

The Council's Customer and Corporate Services Scrutiny Management Committee received quarterly performance management reports throughout both 2021/22 and 2022/23. Reports were in a consistent format and designed to report on the direction of travel of indicators and evaluate the Council's performance.

Alongside this, the Council also considers the output from regulators to review performance. The output from regulators feeds into the Council's overall corporate risk register, which is reported to the A&G Committee. The Council's services are reviewed by several regulators, including the Care Quality Commission and Ofsted. In the most recent Ofsted review (dated May 2022), Children's Services received an overall rating of 'requires improvement to be good'.

Other recommendation 9

The Council should regularly review and update its action plan designed to mitigate the issues raised in the Ofsted report. Monitoring and reporting arrangements should assess whether delivery of the action plan is on track and highlight any issues which could jeopardise its success.

Our attendance at A&G Committee confirmed regular reporting by Internal Audit of recommendations raised and management's response.

We observed the Committee challenging management on individual reviews and the actions taken in following up on recommendations.

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 across service areas. While the plan refers to partnership working, it does not explicitly confirm how these arrangements will work, but our wider knowledge of the Council provides assurance that these arrangements are in place.

The Council's 10 Year Plan also sets out the key priorities for the Council over the next decade. Strategic partnership meetings are held to review the priorities set out, as well as design actions to achieve these.

Along with North Yorkshire County Council, the Council is a member of York and North Yorkshire Local Enterprise Partnership. The partnership overseas and makes decisions about the region's strategic economic plan.

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 leading member of the York Health and Wellbeing Board, which brings together leaders from across the district including the Council, the NHS, the Police, Fire and Rescue, social housing and the Voluntary and Community sector, to provide strategic leadership across a wide range of health and wellbeing outcomes across the local area and the wider North Yorkshire region.

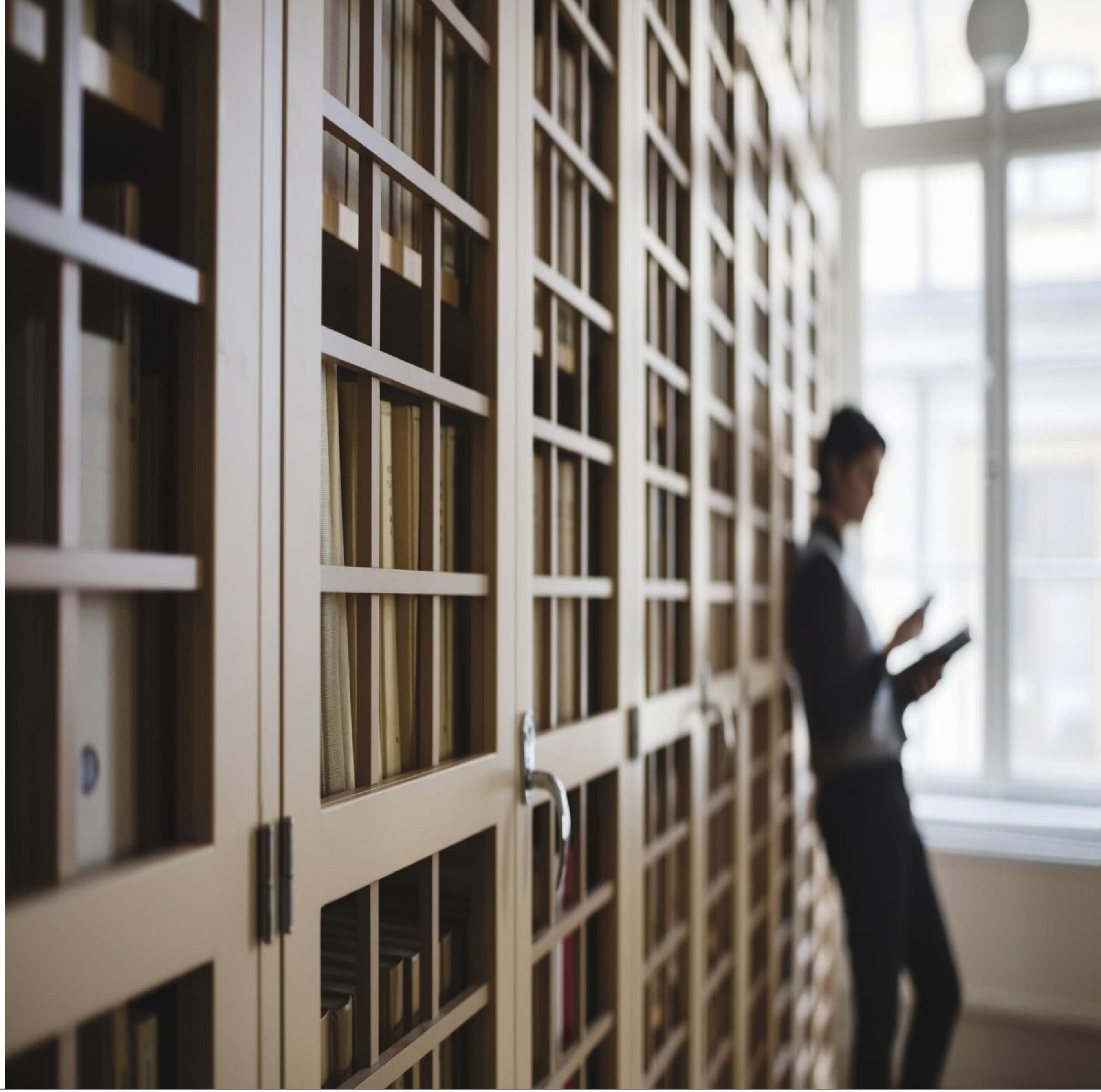
The Council works in partnership with the local NHS Integrated Care System, which brings together NHS organisations, councils, charities and the Community and social enterprise sector to improve health and wellbeing.

The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, YouTube and Instagram) to engage with and meet the needs of its communities. These channels alert the community to events taking place as well as information about the services they provide.

Except the other recommendations highlighted on this page, our work has not identified any evidence to indicate a significant weakness in arrangements for the improvement of the 3Es criteria.

3. Commentary on VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



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3. VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations

As part of our 2020/21 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources. The identified weakness has been outlined in the table below, along with our view on the Council's progress against the recommendations made, including whether the significant weakness is still relevant in 2021/22 and 2022/23.

	Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
1	We issued a Public Interest Report (PIR) on 19 April 2021 including recommendations to address the significant weaknesses we identified in the Council's arrangements in respect of the severance of the former Chief Executive: • elements of the exit package, described in both the business case considered by Members and in the financial statements as contractual, were paid at the discretion of the Council and were not contractual entitlements; • the business case considered by Members did not include sufficient facts, both in terms of financial analysis and background information, to make an informed decision; • decision records that document the use of public funds under the scheme of delegation were not maintained; and • safeguards to prevent conflicts of interest and demonstrate the Council applies the principles and values of sound governance were not applied.	Governance Improving the 3Es	• The Council should adopt and apply appropriate standards for business case preparation in relation to exit and pension discretions to improve information supporting decisions. • Decision notes should be maintained that document the factors that explain the case for the use of public funds under the scheme of delegation such as where payments exceed contractual entitlements. • The Council should review the design of its governance policies and procedures to manage conflicts of interest (including self-interest threats). This should include updating the Council's constitution and scheme of delegation. • The Council should ensure all Members fully understand the requirements of the Code of Conduct in relation to declaration of interests. • The Council should review its policies and procedures to reflect Government guidance in the use of non-disclosure agreements.	In response to the PIR, the Council implemented the following actions: • September 2021 – Code of Conduct, Conflicts of Interest, and Declarations of Interest training was delivered to officers and members. • April 2022 – the Council's Constitution (including the Scheme of Delegation) was revised and approved by the Council. • May 2022 – the revised Constitution was fully adopted. • November 2022 - A report to the Audit and Governance Committee confirmed, the PIR Implementation Plan developed to address our recommendations had been completed, addressing all the recommendations. • February 2023 – the Council received the LGA's 'PIR Assurance Final Report'. The report concluded that '*the Council responded well to the PIR and has, overall, effectively fulfilled its Action Plan'*. • May 2023 – the Council delivered Member Induction and Training which included module on the Code of Conduct, Declaration of Interest and Conflict of Interest training to the new and returning Members.	Based on the actions taken by the Council in 2021/22 and 2022/23, the recommendations have been satisfactory addressed, and the significant weakness no longer applies in 2022/23.

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Matters we report by exception (2021/22 and 2022/23)

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 did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data (2021/22 and 2022/23)

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the time of drafting this report, the NAO has not confirmed a list sampled components. As a result, our whole of government accounts work has not yet been concluded and we are unable to issue our audit certificate which will formally close the audits for 2021/22 or 2022/23 financial years.

4. Other reporting responsibilities and our fees

Fees for 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 Memorandums previously presented to the Audit and Governance Committee. Having completed our work for the 2021/22 financial year, we can confirm that our proposed fees are per the table below (noting any additional fees will need approval by the Public Sector Audit Appointments - PSAA). As previously reported our 2022/23 work has not been finalised, however we have included indicative fees in the table below.

Area of work	2021/22 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£78,237	£97,221
Additional fees in respect of pension valuations	£12,845	£9,625
Additional fees in respect of consideration and application of statutory powers	£4,221	£3,066
Additional fees in respect of property valuations	£25,655	£17,150
Additional fees in respect of quality and technical issues	£13.965	£3,929
Additional fees in respect of our VFM commentary work	£12,145	£12,600
Additional fees in respect of specific VFM risks	£8,960	£4,221
Additional fees in respect of revised ISA 540 requirements (auditing accounting estimates and related disclosures)	£4,494	£3,091

4. Other reporting responsibilities and our fees

Fees for work as the Council’s auditor - continued

Additional fees in respect of infrastructure assets	£8,150	£1,463
Additional fees in respect of revised ISA 315 requirements (identifying and assessing the risks of material misstatement)	£0	£6,286
Total fees	**£168,672**	**£158,652**

Fees for other work

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 below (note fees are exclusive of VAT):

Area of work	2021/22 fees	2022/23 fees
Other services - Housing Benefits Subsidy Assurance	£13,000	£19,500
Certification of Teachers’ Pension return	£6,600	£7,000
Total fees	**£19,600**	**£26,500**

A

Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings (2021/22)

As part of our audit, we identified significant risks to our audit opinion 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	We addressed this risk by carrying out audit work in the following areas: • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. No significant issues or material errors were noted.
Revenue recognition	We completed the following : • testing revenue items recorded around year end to ensure they have been recognised in the appropriate year; • testing year end receivables; and • obtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger. Except for one unadjusted error, we did not report any other significant issues or material errors relating to revenue recognition.

A. Further information on our audit of the financial statements

Significant risks and audit findings (2021/22) continued

Risk	Our audit response and findings
Valuation of land and buildings	We completed the following: • assessed the scope and terms of engagement with the Valuer; • assessed the competence, skills and objectivity of the Valuer; • assessed how management use the Valuer's report to value land and buildings included in the financial statements; • tested the accuracy of the data used in valuations; • challenged the Council and Valuer's assumptions and judgements applied in the valuations; • reviewed valuation methodology used, including the appropriateness of the valuation basis; • considered the reasonableness of the valuation by comparing the valuation output with market intelligence; and • we engaged the Mazars Real Estates Valuation team to assist in the valuation of the Community Stadium, Allerton Waste Recycling Centre and Depreciated Replacement Cost valuation methodology. We reported several material errors and control recommendations relating to our work on the valuation of land and buildings. Except for these issues, our work provided sufficient assurance that valuation of land and buildings was materially accurate.

A. Further information on our audit of the financial statements

Significant risks and audit findings (2021/22) continued

Risk	Our audit response and findings
Net defined benefit liability valuation	We completed the following: • critically assessed the competency, objectivity and independence of the North Yorkshire Pension Fund's Actuary; • liaised 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; • reviewed 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 • agreed 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. Except for a material adjustment relating to the updated actuary report to reflect the 31 March 2022 triennial actuarial valuation, our work provided sufficient assurance that the pension valuation was materially accurate.

A. Further information on our audit of the financial statements

Significant risks and audit findings (2022/23)

As part of our audit, we identified significant risks to our audit opinion 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	We addressed this risk by carrying out work in the following areas: • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. Our work did not highlight any significant issues to bring to your attention.
Revenue recognition	We have addressed this risk by: • testing fees, charges and other revenue items recorded around year end to ensure they have been recognised in the appropriate year; • testing year end receivables; and • obtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger. Our work did not highlight any significant issues to bring to your attention.

A. Further information on our audit of the financial statements

Significant risks and audit findings (2022/23) continued

Risk	Our audit response and findings
Net defined benefit liability valuation	We have: • critically assessed the competency, objectivity and independence of the North Yorkshire Pension Fund's Actuary; • liaised 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; • reviewed 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 from the consulting actuary, as engaged by the National Audit Office; and • agreed 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. As at the time of drafting our report, we have substantially completed our procedures in this area, but we have not received the assurance requested from the auditor of the Pension Fund. We cannot conclude our work until this assurance is received.

A. Further information on our audit of the financial statements

Significant risks and audit findings (2022/23) continued

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Risk	Our audit response and findings
Valuation of land, buildings and surplus assets	We have: • critically assessed the Council's arrangements for ensuring that land and buildings and surplus assets valuations are reasonable and not materially misstated; • critically assessed 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; • considered the competence, skills and experience of the valuers and the instructions issued to the valuers; • substantively tested revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated; • where necessary, performed further audit procedures on individual assets to ensure the basis of valuations is appropriate; and • we have engaged the Mazars Real Estates Valuation team to review higher risk property values. Except for the audit adjustments included in our Audit Completion Report, our work has not highlighted any significant issues to bring to your attention.

A. Further information on our audit of the financial statements

Uncorrected misstatements

We reported six uncorrected misstatements arising from our 2021/22 audit work. They were included in our Audit Completion Report (ACR) Follow Letter 2021/22 (January 2024) and were also included in the Council's Management Representation Letter (January 2024).

As at the time of drafting this report, we have reported two uncorrected misstatements arising from our 2022/23 audit work. These were reported in our ACR 2022/23 (January 2024). As highlighted in section 2 of the ACR 2022/23, while our audit work is substantially complete, we have not finalised our audit work. Any additional uncorrected errors resulting from the outstanding work, will be included in an Audit Completion Report Follow Letter.

A. Further information on our audit of the financial statements

Deficiencies in internal control (2022/23)

Description of deficiency

When testing heritage assets, we noted incorrect schedules were sent to the Council's insurer. The resulted in the Council's art collection (insurance value £65m) being under-insured during 2022/23. We noted the correct value had been insured in the prior and proceeding years.

Potential effects

In the event of a disaster, the Council may be compensated for less than the true value of its assets. This would result in a shortfall in the insurance payout and would result in significant financial and reputational damage for the Council.

Recommendations

1. The Council should ensure it implements controls and checks, to ensure accurate, complete and timely information is provided to its insurers and to ensure there are no breaks in insurance cover for heritage assets.

2. The Council should obtain regular valuations, from appropriate experts, to ensure the insurance value is materially accurate, as at the time of the balance sheet date.

3. For heritage assets, as part of the financial statements' closedown process, the Council should ensure it has corroborative evidence to support an insurance value as at the balance sheet date, which can be easily made available to the audit team.

Management response

Since the issue with the heritage asset schedule took place, additional supervision and checks have been put in place to ensure that the correct asset schedules are issued to the broker. This includes a manager check that the documents issued are in line with the previous year's asset schedules.

Valuations are sought from external experts which are undertaken usually at a cost to the local authority. These normally focus on the highest valued assets to ensure value for money from the expert. Where possible in future we will ensure that these are scheduled to cover a wider range of assets and on a more frequent basis. We will work with the Museums Trust to ensure this work is completed.

A. Further information on our audit of the financial statements

Deficiencies in internal control (2022/23)

Description of deficiency

As part of our work on Housing Revenue Account (HRA) property valuations, we noted the Council completed a revaluation of its HRA properties 1 April 2023. We consulted with the Mazars valuation team, who confirmed that as most of the information used to value the assets, related to the prior year, this could be indicative of an error   Additional work was therefore completed by the Council's valuations team, which resulted material amendments to both the 2021/22 and 2022/23 financial statements.

Potential effects

There is a risk that valuations performed at the 1 April, using prior year data, are indicative of a material change in value in the prior financial year.

Recommendation

The Council should:

- ensure valuations are completed at the 31 March, or as near as this date as possible; and
- if the valuation cannot be completed as at 31 March, the Council should complete an assessment (based on relevant, corroborative and timely data), to confirm valuations are materially accurate as at the balance sheet date and document why there is no risk of prior year misstatements.

Management response

We have agreed with Property Services that the HRA assets will now be revalued at 31 January each year, in line with other asset valuations. This will start from 2023/24 (current year).   This reduces the risk of material misstatement between the valuation being undertaken and the balance sheet date.

A. Further information on our audit of the financial statements

Deficiencies in internal control (2022/23)

Description of deficiency

As part of our work on property additions, we identified two additions recognised in 2022/23 which related to works completed in 2021/22 and therefore were incorrectly capitalised in 2022/23.

Potential effects

Capital additions could be materially misstated if they are not recognised when the work was completed.

Recommendations

1. Controls should be implemented to ensure that capital expenditure, resulting in capital additions is capital in nature and relates to the correct year.
2. As part of the final accounts process, a review of capitalised expenditure and capital additions should be completed and documented and provided to the audit team.

Management response

For 2023/24, as part of the internal closedown process, we will be reinforcing the rules around capital recognition timing and we will also undertake a review, as suggested, of capitalised transactions in period 13 and period 1 of the new year. An exercise is also underway to reinforce the No PO No Pay policy and therefore where POs are raised correctly, and goods received where appropriate in time for year end this will limit the risk of incorrect additions.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

In 2019/20 and 2020/21, we recommend that the Council improved its arrangement to review, challenge and document the output of management's valuation experts relied upon in the production of its financial statements. In 2021/22 our expert valuer completed a review of the Council's Depreciated Replacement Cost (DRC) valuation methodology and noted a departure from RICS DRC guidance note (2018) regarding the correct application of Modern Equivalent Asset (MEA) valuation guidance, including componentisation, physical, functional and economic adjustments.

As part of our work on Allerton Waste Recycling Centre (the Council's largest property value), as part of the early discussion with the Mazars valuation team we recommended that management should complete its own independent indexation checks to assess if the value as at 31 March 2022, was materially accurate since the last valuation date, however this was not completed.

Potential effects

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

Recommendation

1. Management should implement procedures to ensure RICS valuation guidance and methodology has been applied by the valuer; and

2. For valuations where the Council does not have relevant expertise, it should consider other options to gain sufficient assurance for the valuation assertion.

2022/23 update

No significant issues were noted, relating to recommendation 1, however the Council did not obtain a full valuation for Allerton Waste Recycling Centre in 2022/23, therefore recommendation 2 remains. The Mazars valuation team worked with the Council's valuations team, resulting in an audit adjustment totalling £9.5m.

Management Response

The Allerton Waste Recovery Plant is a complex asset which requires specialist valuation expertise. We are working with North Yorkshire Council (who account for 79% of the value of the asset) to undertake a full valuation of the asset in the 2023/24 accounts. That review will also provide recommendations of how to consider changes to the asset valuation in between full valuations.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

As part of our review of the Council's application of CIPFA's "Update to the Code and Specifications for Future Codes for Infrastructure Assets (Code update)" we considered the Council's asset lives per accounting policy XX and Note 12 (property, plant, and equipment) for infrastructure assets.

We considered CIPFA Bulletin 12, which includes a commentary on the useful lives of the components of the highways network by the "UK Roads Leadership Group Asset Management Board". This guidance includes a range of reasonable useful lives for different parts of the highways network which we compared to those applied by the Council.

As part of this analysis, we noted divergence from CIPFA's range of asset lives, for example the Council applies a 40-year asset life for carriage ways, compared to CIPFA's range of 20 to 30 years.

Potential effects

Asset lives may not be based on up-to-date information and may not accurately reflect the remaining life of the asset. This could result in depreciation being misstated, both in year and cumulatively.

Recommendation

While our work has not highlighted a material difference when applying the current asset lives, we recommend that the Council reviews and benchmarks its infrastructure asset lives for 2022/23 onwards by considering data provided by CIPFA and other relevant information, to ensure asset lives reflect sector standards. If management's assessment significantly diverges from the range provided by CIPFA, management should clearly document and provide relevant data to substantiate the reasons.

2022/23 update

No issues relating to this control recommendation have been noted in 2022/23.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

As part of our property valuations, we noted that the RICS' Modern Equivalent Asset (MEA) guidance had not been followed, regarding how the Gross Internal Area (GIA) has been applied. From our review of school valuations, we noted it is currently based on the actual floor areas and does not consider the Department for Education's Toolkit (April 2022) or service potential of the asset. In 2021-22 the valuer updated the schools' valuation because of this finding.

We also noted that for one item tested, evidence to support its asset life was not available.

Potential effects

Potential material misstatement relating to Depreciated Replacement Cost (DRC) valuations and depreciation calculations.

Recommendation

It is recommended that the Council ensures that its valuations are compliant with underlying guidance and documents consideration and support for the valuation including for determining asset lives and obsolescence.

2022/23 update

No significant issues relating to this control recommendation have been noted in 2022/23.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

As part of our review of grant income and creditors we reported a disclosure error totalling £18.8m relating to incorrect classification of Section 31 Collection Fund grant income.

Potential effects

Potential material misstatement, regarding and incorrect classification and accounting treatment of grant income.

Recommendations

- We recommend Collection Fund working papers are refreshed, to clearly demonstrate the link between source data, tax received, the collection fund surplus/deficit and all other entries recorded in the Collection Fund income and expenditure account
- We also recommend grant audit working papers are updated to provide a clear link to a grant income register for grants received in year (on an individual grant basis) and an analysis of any unspent amounts brought forward or unspent at year-end. This should also document consideration of the grant conditions which determine whether amounts should be treated as creditor payments or grants received in advance.

2022/23 update

No significant issues relating to this control recommendation have been noted in 2022/23.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

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.

2022/23 update

We noted the same issue in 2022/23; therefore, the recommendation remains outstanding and will be carried forward into 2023/24.

Management response

The comments were noted in 2022/23 and we have demonstrated that there is no risk that financial data is omitted. We will continue to review all the working papers in relation to this to provide assurance that all codes are included, and manual adjustments are kept to an absolute minimum and show where they have come from.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

As part of our work on journals we noted several re-code journals which did not have a description.

Potential effects

A lack of a description can be indicative of management override of controls when processing journals and increases the risk of misstatement.

Recommendation

All items should have a description or narrative against them.

2022/23 update

We noted the same issue in 2022/23; therefore, the recommendation remains outstanding and will be carried forward into 2023/24.

Management response

It was ascertained that the journals which did not have a description were a limited number of re-code journals from system created entries, that themselves had no description. At no point were any controls overridden and there was no risk of misstatement.

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

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