



Audit Completion Report

City of York Council – year ended 31 March 2024

January 2025

Audit and Governance Committee

City of York Council
West Offices
Station Rise
York
YO1 6GA

20th January 2025

Forvis Mazars

Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2024

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 27th November 2024.

We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

We would like to express our thanks for the assistance of your team during our audit. If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0191 383 6339.

Yours faithfully



Mark Outterside

Forvis Mazars LLP

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01

Executive Summary

Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2023/24 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- management override of controls;
- Valuation of the net defined benefit liability / asset
- Valuation of land, buildings, surplus assets and investment property

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. There are no unadjusted misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2024.

At the time of preparing this report, the significant matters that remain outstanding are outlined in section 2.

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

While the group instructions were issued in September 2024 by the National Audit Office in respect of our work on the Council's WGA submission, we are awaiting further instruction on non-sampled components. We are unable to commence our work in this area until such instructions have been received.



Wider Powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received correspondence from electors, and as at the time of drafting this report we are finalising our consideration of the issues raised.

02

Status of the audit

Status of our audit

Our audit work is substantially complete and except for the matters set out in the section 1 of this report, there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below. We have yet to complete our work on value for money, and the areas where work remains outstanding are detailed below.

Property, Plant and Equipment

We are currently finalising our review of the evidence provided to support the valuation of other land and buildings.



Minimum Revenue Provision (MRP)

We are in the process of finalising our work in this area. Nothing further is required from management.



Post balance sheet events

Review of post balance sheet events up to the point at which we sign our audit report.



Whole of Government Accounts (WGA)

We are yet to commence our work on WGA, We anticipate reporting that the WGA submission is consistent with the audited financial statements.



Final versions of the Annual Report and Annual Governance Statement

We will review the final versions of the Annual Report and Annual Governance Statement.



Audit review and quality control

Completion of Manager, Engagement Lead and EQC review and our quality control processes in respect of the audit. The following areas of work are still subject to manager and/or Director review:

- Expenditure cut-off testing
- Journals testing
- Payroll reconciliation testing
- Valuations testing
- Investments
- Debtors testing
- Creditors testing
- Housing Revenue Account



Finalisation of our technical review of the financial statements.

Status



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



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



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



Work on value for money arrangements

Status of our audit (continued)

Our audit work is substantially complete and except for the matters set out in the section 1 of this report, there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below. We have yet to complete our work on value for money, and the areas where work remains outstanding are detailed below.

Letter of representation

Receipt, and review, of signed letter of management representation.



Value for Money (VFM)

We are finalising our work on the Council's Value for Money arrangements.



Status



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



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



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



Work on value for money arrangements

03

Audit Approach

Audit Approach

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 27th November 2024.

Materiality

Our provisional materiality at the planning stage of the audit was set at £9.9m using a benchmark of 2% of gross revenue expenditure at the surplus/deficit on provision of services level, based on the draft financial statement.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

Use of experts

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

Service organisations

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

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

04

Significant findings

Significant findings

Significant findings, including key areas of management judgement

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant Risks

Management override of controls

Description of the risk

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

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

Audit conclusion

Subject to satisfactory completion of the outstanding work noted in section 2 of this report, there are no matters to bring to your attention regarding the significant risk around management override of controls.

Significant findings

Valuation of land, buildings, surplus assets and investment properties

Description of the risk

Council dwellings (£587.9m), other land and buildings (£399.4m) are the Council's highest value assets. The balance sheet also includes investment properties totalling £72.2m.

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 fair 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 judgements and number of variables involved.

How we addressed this risk

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; and
- where necessary, performed further audit procedures on individual assets to ensure the basis of valuations is appropriate.

We also engaged the Mazars Real Estates Valuation team to assist in the above.

Audit conclusion

We have not yet finalised our work on this significant risk, however, we do not expect any significant issues to arise. Upon completion of our work, we will include any additional findings in our Audit Completion Follow Up letter.

Management undertook a review of assets not revalued in year to identify any potential material change in value as at 31 March 2024. This review identified an increase in the value of the Council's car parks of £7.3m, which has been adjusted for in the financial statements. See section 6 for further detail on this.

Significant findings

Other key areas of management judgement/ enhanced risks

Net defined benefit liability/asset valuation

Description of the management judgement

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How our audit addressed this area of management judgement

We addressed the risk by:

- 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 will include 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 will include 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.

Audit conclusion

Subject to satisfactory completion of the outstanding work noted in section 2 of this report, there are no further matters to report in respect of the net defined benefit liability/asset valuation. The Pension Fund auditor did however identify a net understatement of £12.8m in the pension fund's assets. We have calculated the Council's share of this error as 18.2% and therefore the potential impact would be that the Council's pension assets are understated by £2,330k. The pension asset for the Council is however limited by the asset ceiling calculation and no adjustment is needed.

Significant findings

Qualitative aspects of the Council's accounting practices

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

Draft accounts were received from the Council on 7th June 2024 and were of a good quality.

As in previous years, the 2023/24 accounts included several immaterial notes and accounting policies. These immaterial notes can obscure important and material information for financial statement users. Therefore, we believe the financial statements should be streamlined by removing these immaterial notes. Management has agreed to implement this and will streamline the 2024/25 financial statements.

Significant matters discussed with management

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

- We discussed with Management the significant movement in the Council's car park valuations. Management identified a £7.3m increase in the Car Parks' value since the last valuation in 2021/22 and decided to amend for this movement (see Section 6).
- We also discussed the potential impact of the June 2023 High Court ruling in the case of Virgin Media Limited v NTL Pension Trustees, which stated that certain pension scheme rule amendments were invalid without the correct actuarial confirmation. A narrative disclosure has been added to Note 49 to outline the uncertainty of the impact on the 2023/24 accounts.
- Additionally, we discussed the trial balance with Management due to a prior year control recommendation. For further details, see Section 5

Significant difficulties during the audit

During the course of the difficulties, we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

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

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

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have received correspondence from electors and we are finalising our consideration of the issues raised.

05

Internal control conclusions

Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to communicate to Audit and Governance Committee any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered Council's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

The deficiencies Council's internal controls that we have identified as at the date of this report are in set out

on the following pages.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of Audit and Governance Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by Audit and Governance Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Internal control conclusions

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

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.

Management response

When calculating the fair value of the equity instruments the Council uses the most recently publicly available published audited accounts. This is to allow for verification of the fair values calculated and disclosed in the Council's accounts. As most of the invested entities have the same financial year end as the Council this means that it is the case that the most recent audited publicly available accounts are prior year. In respect to council owned companies we will review these values based on latest known financial information available to the council.

Internal control conclusions

Other deficiencies in internal control (continued)

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. We are currently finalising our work on revaluations and will report the total of any misstatements we identify in our Audit Completion Follow Up letter.

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.

Management response

The Council's valuation team do currently check valuation certificates, but we will review this process and see if any improvements can be made for future years. It should be noted that most of the errors we are aware have been found so far are relatively small.

Internal control conclusions

Follow up on previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

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

Potential effects

In the event of a disaster, the Council would 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.

Recommendation

- 1) The Council should ensure it implements controls, 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.

Current position

No issues were identified in 2023/24 with regards to the insurance of the Council's heritage assets. This control recommendation has therefore been addressed.

Internal control conclusions

Follow up on previous internal control points (continued)

We set out below an update on internal control points raised in the prior year.

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 in 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.
-

Current position

For 2023/24 onwards, the Council has moved the revaluation date of its HRA properties from the 1st April to the 31st January, in line with the other valuation dates. The Council's valuation team have also completed an assessment to confirm valuations are materially accurate at 31 March 2024. This control recommendation has therefore been addressed.

Internal control conclusions

Follow up on previous internal control points (continued)

We set out below an update on internal control points raised in the prior year.

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.

Recommendation

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.
-

Current position

While a review did not take place, we did not identify any errors from our additions testing with regards to the incorrect capitalisation of expenditure. In 2023/24, the Council improved their communication to the wider finance team around the correct capitalisation treatment. The 'No PO No Pay' policy has also been reinforced during the year limiting the risk of incorrect additions, which is evident from our testing. This control recommendation has therefore been addressed.

Internal control conclusions

Follow up on previous internal control points (continued)

We set out below an update on internal control points raised in the prior year.

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.

The Council also did not obtain a full valuation for Allerton Waste Recycling Centre in 2022/23.

Potential effects

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

Recommendation

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

Current position

The Council obtained a full valuation for Allerton Waste Recycling Centre, in conjunction with North Yorkshire Council, in 2023/24 and therefore no indexation checks were required. This control recommendation has therefore been addressed.

Internal control conclusions

Follow up on previous internal control points (continued)

We set out below an update on internal control points raised in the prior year.

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.
-

Current position

From discussions with the Council's management and finance team, it is clear that progress has been made to implement this recommendation, however further work is still required to streamline the working paper and agreement. This control recommendation has therefore not been fully addressed in 2023/24.

06

Summary of misstatements

Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £300k.

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued on 27th November 2024. Any subsequent changes to those figures are set out in the section 3 of this report.

Unadjusted misstatements

We have not identified any unadjusted misstatements.

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe Audit and Governance Committee should be made aware of.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Land and Buildings (Valuation)			7,398	
Dr: Land and Buildings (Write off of accumulated depreciation)			108	
Cr: Revaluation Reserve				4,240
Cr: Comprehensive Income and Expenditure		3,266		
Dr: Movement in Reserves	3,266			
Cr: Capital Adjustment Account				3,266
As part of Management's review of the assets not revalued in the year, management identified that the valuation of Car Parks had moved £7,290k from the last valuation in 2021/22. We agreed that an adjustment was required as this was a significant movement and therefore management have adjusted for this.				
Aggregate effect of adjusted misstatements	3,266	3,266	7,506	7,506

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- While reconciling the Comprehensive Income and Expenditure Statement to Note 30 (Expenditure and Income Analysed by Nature), we identified several errors that arose from compiling the notes. These have been corrected and the following figures are as follows:
 - Expenditure (Cost of Services) has been amended from £481,500k to £479,533k.
 - Income (Cost of Services) has been amended from £300,080k to £301,379k.
 - Total expenditure per Note 30 has been amended from £490,539k to £496,781k.
 - Total income per Note 30 has been amended from £491,680k to £501,187k.
- Note 37 (Officers' Remuneration) has been updated to make the disclosure notes A and B compliant with the CIPFA LAAP Bulletin 85 and to disclose the annualise salaries of 4 directors who were in post for part of the year.
- Note 39 (Dedicated Schools Grant) has been updated to show a £8,175k in year adjustment.
- Note 49 Defined Benefit Pension Schemes has been updated to correct several minor errors, including transposition and typographical mistakes. Additionally, as mentioned on page 15 of this report, a disclosure regarding the potential impact of the Virgin Media Limited v NTL Pension Trustees case has been included.
- Housing Revenue Account Note 4 has been updated to show revised rent arrears figures.
- Collection Fund Statement Note 2 – The rateable value has been updated from £245,012,332 to £242,602,745 to agree with the VOA report.

The Council have also amended for various minor presentational errors.

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

- Note 43 (Leases) – Our testing identified an error in a sample of operating leases, whereby the future minimum lease payments receivable in note 43 were overstated by £71,500. We extrapolated this error against the remaining population which resulted in an extrapolated error of £490k. As this is an immaterial extrapolated error, management have not adjusted for this.

Audit Completion follow-up letter

If required, we will provide an update on any additional errors noted upon completion of the work highlighted in Section 2 of this report, in an Audit Completion follow-up letter.

07

Value for Money

Value for Money

Approach to Value for Money

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; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

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

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

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

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in February 2025.

Status of our work

We have substantially completed our work in respect of the Council's arrangements for the year ended 31 March 2024 and we do not expect to identify any significant weaknesses in arrangements that require us to make a recommendation. As such, we expect our audit report (see appendix B) to confirm that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in February 2024.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

Forvis Mazars
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
[Date]

Dear Mark Outterside,

City of York Council - Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of City of York Council (the Council) for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Section 151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Section 151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

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

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Appendix A: Draft management representation letter

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Narrative Report fairly reflects that assessment.

Reinforced Autoclaved Aerated Concrete

I confirm the Council has assessed the potential impact of Reinforced Autoclaved Aerated Concrete on the Council, and in particular whether there are indications of a need for an impairment of the Council's property, plant and equipment balances. I confirm there are no such indications of impairment in those assets.

Going concern

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

Appendix A: Draft management representation letter

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Section 151 Officer

Appendix B: Draft audit report

Independent auditor's report to the members of City of York Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of City of York Council ("the Council") for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Housing Revenue Account, the Collection Fund Statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2024 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Appendix B: Draft audit report

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

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

Appendix B: Draft audit report

We evaluated the Chief Finance Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to property and new pension asset valuations, and significant one-off or unusual transactions.

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

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

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

We are also required to conclude on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B: Draft audit report

Auditor’s responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of City of York Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

Mark Outterside, Key Audit Partner

For and on behalf of Forvis Mazars LLP

Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
<p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
<p>Going Concern</p>	<p>We have not identified any evidence to cause us to disagree with the Chief Financial Officer that the Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

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

Contact

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