Draft Audit Strategy Memorandum

City of York Council – Year ending 31 March 2026

July 2026

forvis mazars

Audit and Governance Committee Members
City of York Council
West Offices
Station Rise
York
YO1 6GA

13 July 2026

I am pleased to present our Audit Strategy Memorandum ("ASM") for City of York Council for the year ending 31 March 2026. This document will be presented at the Audit and Governance Committee meeting on 1 July 2026. If you would like to discuss any matters in more detail, please contact me on 07824 086 593.

This report provides an overview of the planned scope and timing of our audit, including the significant and enhanced audit risks and the expected key audit matters we have identified. In addition, as it is a fundamental requirement that we are, and are seen to be, independent of City of York Council this report also summarises our considerations and conclusions on our independence.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of our audit and our respective responsibilities,
- Sharing information to assist each of us with fulfilling our respective responsibilities,
- Providing you with constructive observations arising during our audit, and
- Ensuring that we gain an understanding of your attitude and views in respect of the risks facing City of York Council which may affect our audit, including the likelihood of those risks materialising and how they are monitored and managed.

This report, which we have prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations.

During the meeting, we would be grateful for your views/ knowledge on the following specific matters:

- Whether you have identified any other risks (business, laws & regulation, fraud, going concern, etc.) that may result in material misstatements in the financial statements.
- If you are aware of any significant communications between city of York Council and its regulators.
- If there are any matters that you consider warrant particular attention during our audit and/ or any areas where you would like additional procedures to be undertaken.

Subject to our prior written agreement or as required by any applicable law or regulation, this report is considered confidential and is intended solely for the Audit and Governance Committee and should not be disclosed to any other party, used or quoted for any other purpose.

Yours faithfully,

Signed by:
Mark Outterside
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Mark Outterside

Forvis Mazars LLP

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01

Executive Summary

Executive summary

Audit timeline (page 9)	
Initial planning and risk assessment	April 2026
Documentation and walkthrough of key financial systems	April 2026
Receipt of draft financial statements	June 2026
Completion of audit planning including documentation and walkthrough of key financial systems and initial VFM arrangements work	July 2026
Audit Strategy Memorandum to Audit and Governance Committee	July 2026
Execution of our audit strategy and completion of our VFM arrangements work	October – December 2026
Audit Completion Report to Audit and Governance Committee	January 2027
Completion of the audit, including issuing of our audit opinion and Auditor's Annual Report	January 2027

Materiality (page 14)		
Surplus/deficit on provision of services 31 March 2026: £1,058k		
Materiality	Performance materiality	Reporting threshold
£11,200k	**£8,960k**	**£336k**

Audit risks and other significant matters (page 11-12)

Risk	Significant risk	Enhanced risk	Risk evolution	Page
Valuations of land, buildings, surplus assets and investment property	●	○	=	Page 11
Net defined benefit asset/liability valuation	●	○	=	Page 12
Management override of controls	●	○	=	Page 12

Our independence (page 19)

We are independent of the City of York Council in accordance with the ethical requirements that are relevant to our audit in the UK, including the FRC's Ethical Standard, the Code of Audit Practice and associated guidance issued by the National Audit Office.

Fees (page 16)	
PSAA Scale fees	£314,588
Non-Audit Fees	TBC
Total fees	£314,588

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Your audit team

Your audit team

Mark Outterside

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An Engagement Quality Reviewer (EQR) has been appointed for this engagement.

We will use internal/ external experts on this engagement in the following areas of our audit

- PPE (Internal)
- Pensions (External)

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Audit scope, approach, and timeline

Audit scope, approach, and timeline

Planning and risk assessment
March/April 2026

- Planning our visit and developing our understanding of the entity
- Documenting systems and control and performing walkthroughs
- Risk identification and assessment
- Considering proposed accounting policies and accounting treatments
- Developing our audit strategy and planning the audit work to be performed.
- Agreeing timetable and deadlines
- Preliminary analytical review
- Determination of materiality
- Undertake planning work for our Value for Money (VFM) responsibilities

Interim
June/July 2026

- Documenting systems and controls
- Performing walkthroughs
- IT general controls testing
- Reassessment of our audit strategy (and revising if necessary)
- Use of data analytics
- Early substantive testing of transactions
- Collate evidence to support our VFM work, including obtaining key documents and confirming our understanding of arrangements in place, including consideration of whether a significant weakness in arrangements exists.

Fieldwork
October/December 2026

- Executing our strategy, starting with significant risks and other higher-risk areas
- Use of data analytics
- Receiving and reviewing the draft financial statements
- Confirm our understanding of VFM arrangements, including determining any identified significant weaknesses, including participation in the firm's Consistency Panel process

Communication
Throughout the Audit

- Communicating progress and any issues arising
- Clearance meeting(s)
- Communication of identified significant weaknesses as appropriate throughout the audit

Completion
December 2026/January 2027

- Final review of financial statements, and disclosure checklist
- Final partner and EQR review
- Agreeing the content of the letter of representation
- Preparing our auditor's report, including our VFM exception reporting
- Reporting to Audit and Governance Committee
- Subsequent events procedures
- Signing our auditor's report

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Audit risks and other significant matters

Audit risks and other significant matters

Significant risks

In this section, we have set out the significant and enhanced audit risks we have identified, including the key audit matters we expect to report in our auditor's report, and our planned response. If we identify additional risks or change our risk assessment during our audit, we will report this to you. Refer to Appendix A for definitions. We have also set out in this section of the report any other significant matters that we consider should be brought to your attention.

Risk	Description	Our planned response
Management override of controls	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, we are required by auditing standards to identify a significant risk of management override of controls on our audit.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
Net defined benefit asset/liability valuation	The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. The Local Government Pension Scheme (LGPS) had its last triennial valuation completed as at 31 March 2025.	We will address this by: • critically assessing the competency, objectivity and independence of the North Yorkshire Pension Fund's Actuary; • liaising with the auditors of the North Yorkshire Pension Fund to gain assurance over the design and implementation of controls in place at the Pension Fund. This will include the processes and controls in place to ensure data (including membership data) provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • reviewing the appropriateness of the Pension Asset and Liability Valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and • agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit risks and other significant matters

Significant risks

Risk	Description	Our planned response
Valuations of land, buildings, surplus assets and investment property	Council Dwellings £585m, other land and buildings £408m are the Council's highest value assets. The balance sheet also includes investment properties totalling £72m and surplus assets totally £23m. Management engages an independent, suitably qualified valuer to support the determination of fair values for council dwellings and other land and buildings included in the financial statements. However, these valuations remain subject to a high level of estimation uncertainty, given the significant judgements involved and the range of assumptions and variables used. For 2025/26, the CIPFA Code has been amended such that other land and buildings are now required to be fully revalued at least once every five years, with annual indexation applied in the intervening four years. The Code does not prescribe a specific index, and as a result, the Council will apply management judgement, supported by the valuer, in selecting appropriate indices based on the nature and characteristics of each asset type. In accordance with the CIPFA Code, council dwellings are valued using Existing Use Value – Social Housing (EUV-SH), applying the beacon approach, with full valuations undertaken at intervals of no more than five years.	To address this risk we will: • liaise with management to update our understanding of the approach taken by the Council in valuing council dwellings and other land and buildings. For assets that have been revalued in the year we will: • assess the scope and terms of engagement of the valuer; • assess the competence, capabilities, and objectivity of the valuer; • For a sample of valuations, we will: - test the accuracy and completeness of the data used in the valuations; - challenge the key assumptions applied by the valuer and the Council; and - review the appropriateness of the valuation methodology adopted. For assets that have been indexed during the year we will: • gain an understanding of the approach taken by the Council; • assess the relevance of the indices applied; and • consider the reasonableness of the indices by comparing them with available market intelligence. For council dwellings not revalued during the year, we will consider the Council's approach to obtaining assurance that the assets are materially fairly stated. We will use market intelligence to assess the material accuracy of the valuations.

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Materiality

Materiality

We consider the gross expenditure of the City of York to be the key focus of the users of the financial statements. We have therefore determined our initial materiality levels using gross expenditure as the benchmark.

We expect to set financial statement materiality as 2% of gross revenue expenditure at surplus/deficit level.

Based on the 2025/26 draft financial statements we anticipate setting our financial statement materiality and performance materiality at the levels set out in the table adjacent.

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

We will accumulate misstatements identified during our audit that are above the reporting threshold set out in the table adjacent, i.e., any misstatements that we identify that are above the reporting threshold will be reported to you and management. Any misstatements that we identify that are below that amount would not need to be reported because we expect that the accumulation of such amounts would not have a material effect on the financial statements. If you have any queries about our reporting threshold, please raise these with me.

Each misstatement above our reporting threshold that we identify will be classified as **adjusted** (corrected by management), or **unadjusted** (not corrected by management). We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to you as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on the financial statements and our audit opinion

Misstatements also cover qualitative misstatements and quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

We also consider whether there are any financial statement areas or disclosures where a misstatement of an amount lower than overall materiality could reasonably be expected to influence the economic decisions of users of the financial statements. Our assessment of the financial statements and/or disclosures to which this applies and the specific materiality level we have set is included in the table below.

	2025-26 £'000s	**2024-25 £'000s**
Overall materiality	£11,200	£10,400
Performance materiality	£8,960	£7,800
Clearly trivial	£336	£312
Specific materiality: Senior Officers' Remuneration	£10	£10
Specific materiality: Termination payments and exit packages	£20	£20

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Fees

Fees

Audit fees and other services provided by Forvis Mazars LLP

Our fees (exclusive of VAT) for the audit of the financial statements for the year ending 31 March 2026, and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the period, are outlined in the table adjacent.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit. The main aspects impacting the fee when compared to the prior year is the inclusion of additional fees in 2024-25 for our work in the following areas:

- letters received from the public;
- IFRS 16 implementation; and
- value for money significant weakness

The proposed fee reflects the scale fee determined by PSAA and information on how the scale fee is set can be found on PSAA's website. Where an auditor is required to undertake substantially more or less work to deliver their responsibilities a fee variation may be proposed which is subject to approval by PSAA. Examples compiled by PSAA of circumstances that may trigger a fee variation are available on the PSAA website.

Any threats to our independence arising from the provision of non-audit services and the associated safeguards we have identified and/ or put in place are set out on the in the 'Our independence' section of this report.

Fees for non-PSAA 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 in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section '*Confirmation of our independence*'.

Nature of service	2025-26 proposed fee	2024-25 actual fee
Statutory audit work to comply with the NAO Code of Audit Practice	£314,588	£309,913
Additional fees in respect of letters received from the public	TBC if required	£44,972
Additional fees in respect of IFRS 16 implementation from 1 April 2024	N/A	£9,964
Additional fees in respect of value for money significant weakness	TBC if required	£7,584
Total audit fees	**£314,588**	**£372,433**
Other services - Housing Benefits Subsidy Assurance	TBC	£32,000
Other services - Teachers' Pensions Assurance	TBC	£10,000
Total non-audit fees	**TBC**	**£42,000**
Total fees	**£314,588**	**£414,433**

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Our Independence

Our independence

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships that we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that, in our professional judgement, there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the context of the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration and complete annual ethics training,
- All new partners and staff are required to complete an independence confirmation,
- Rotation policies covering audit engagement partners and other key members of the audit team, and
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that Forvis Mazars LLP, the engagement team and others in the firm as appropriate are independent and comply with relevant ethical and independence requirements. However, if at any time you have concerns or questions about our integrity, objectivity, or independence, please discuss these with me in the first instance.

We have not identified any threats to our independence in connection with the services we have provided to the Council. We will update our independence assessment if this changes and inform you of the outcome as part of subsequent reporting to you.

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Value for Money

Value for money

The framework for Value for money work

We are required to form a view as to 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 in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

We undertake our VFM work in accordance with the 2024 Code of Audit Practice (the Code). Our responsibility, under the Code, is to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **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 approach

Our work falls into three primary phases as outlined opposite. We gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified, we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle, and we are not expected to wait until issuing our overall commentary to do so.

Planning	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: • NAO guidance and supporting information • Information from internal and external sources including regulators • Knowledge from previous audits and other audit work undertaken in the year • Interviews and discussions with staff and members
Additional risk- based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements which forms part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement; and • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council

Value for money

Identified risks of significant weaknesses in arrangements

The Code of Audit Practice and Auditor Guidance Note 03 issued by the NAO require us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, based on the work completed to produce this Audit Strategy Memorandum we have not identified any new risks of significant weaknesses in arrangements relating to 2025/26. Our risk assessment is a continuous process, and we will update the Audit and Governance Committee should any risks arise. We will follow up on the significant weaknesses and recommendations reported in our 2024/25 audit as detailed on the following pages.

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Value for money

Our work to follow-up on previous recommendations

As part of our audit work in previous years we identified significant weaknesses in the Council's arrangements. The table below sets out the significant weaknesses identified, our previous recommendations and the work we intend to carry out as part of our 2025-26 audit.

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

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Value for money

Our work to follow-up on previous recommendations

As part of our audit work in previous years we identified other recommendations for improvement in the Council's arrangements. The table below sets out the other recommendations identified, our previous recommendations. We will follow-up on the actions taken by the Council to deliver the recommendations as part of our work VFM work for 2025-26.

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2024-25 recommendations
Savings delivery The MTFS for the period 2025/26 to 2029/30 highlights a saving requirement of £22.8m over the life of the plan, to reduce the funding gap. The Council is currently working with stakeholders to identify these savings.	Financial sustainability	The Council should ensure it continues its arrangements to identify how it will deliver un-costed efficiency savings included in the MTFS. It should also ensure that its scrutiny arrangements, to monitor and deliver its saving plans and transformation programme are effective throughout 2025/26, to mitigate overspends and reliance on the use of reserves.
Minimum Revenue Provision (MRP) Regulations require Councils to determine their MRP charge annually, and to ensure it is sufficiently prudent.	Financial sustainability	Officers should continue to ensure the MRP policy is considered by Members as part of the budget setting process. Members should consider if the MRP charge is prudent and reflective of their capital financing requirements.
YorHome In May 2025, the Director of Finance and Director of Housing and Communities requested that IA undertake an independent fact-finding review of the governance and operations of YorHome. The review carried out identified weaknesses in the arrangements in place for entering into leases and management and repair agreements and assured shorthold tenancies.	Governance	The Council should continue to respond to the findings of the internal audit report and ensure that members have appropriate oversight of the remediation work undertaken. The Council should ensure similar issues are not present within other service areas.
CQC Reporting In December 2025, the Care Quality published its Local Authority Assessment on the Council, which rate the Council as 'Requires Improvement'. The Council have developed an improvement programme to address the findings.	Improving economy, efficiency and effectiveness	The Council should implement actions to address the areas identified in the CQC report.

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Appendices

A: Other communications

- Audit scope and approach
- Responsibilities
- Required communications
- Key definitions

B: Current year updates, forthcoming accounting and other issues

Appendix A: Other communications

Audit scope and approach

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are driven primarily by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we identify.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or if we decide that it would be more efficient, we may take a wholly substantive approach to our audit testing if, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required by UK auditing standards to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality'* section of this report.

Appendix A: Other communications

Audit scope and approach

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account

Item of account	Management's expert	Our expert
Net defined benefit asset/liability	AON Hewitt Limited (Actuary)	Consulting actuary, appointed centrally by the National Audit Office (NAO).
Property, plant and equipment	At the planning stage we have identified the Council's internal auditor as management's expert in this area.	We will consider relevant information which is available from third parties. We will engage our internal valuation team to review the valuation of the Allerton Waste Recycling Plant. .
Financial Instruments	Link Asset Services	We do not expect to engage an audit expert to assess the reasonableness of your expert's financial instrument valuation estimates.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations 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. We have not identified any service organisations used by the Council.

Appendix A: Other communications

Responsibilities

We are appointed to perform the external audit of City of York Council (the Council) for the year to 31 March 2026. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24](). Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities.

The Director of Finance is responsible for the assessment of City of York Council's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

a) whether a material uncertainty related to going concern exists, and
b) the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of York Council's internal control.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you, key management personnel and internal audit, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks.

In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

We also report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in the '*Value for Money*' section of this report.

Appendix A: Other communications

Required communications

This section of our report sets out the matters that we are required to report to you by UK auditing standards, including which form of our communications satisfy, or will satisfy, those requirements.

Required communication	Where addressed
Our responsibilities in relation to our audit of the company's financial statement and the responsibilities of management and those charged with governance.	Audit Strategy Memorandum and engagement letter
The planned scope and timing of our audit, including any limitations (specifically with respect to significant risks and key audit matters, if applicable).	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion, • The effect of uncorrected misstatements related to prior periods, • A request that any uncorrected misstatement is corrected, and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Inquiries with you to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the company, • Any fraud that we have identified or information we have obtained that indicates that fraud may exist, and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit and Governance Committee meeting, audit planning meeting, and audit clearance meeting
Significant matters arising during our audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management, • Inappropriate authorisation and approval of transactions, • Disagreement over disclosures, • Non-compliance with laws and regulations, and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report

Appendix A: Other communications

Required communications

Required communication	Where addressed
Significant findings from our audit, including: • Our view about the significant qualitative aspects of accounting practices, including accounting policies, accounting estimates, and financial statement disclosures, • Significant difficulties, if any, encountered during our audit, • Significant matters, if any, arising from our audit that were discussed with management or were the subject of correspondence with management, • Written representations that we are seeking, • Expected modifications to our auditor's report, and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified during our audit that we believe are relevant to those charged with governance in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during our audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of you into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that you may be aware of.	Audit Completion Report and Audit and Governance Committee meeting
With respect to going concern, events or conditions identified that may cast significant doubt on the company's ability to continue as a going concern, including: • Whether the event or condition constitutes a material uncertainty, • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements, and • The adequacy of related disclosures in the financial statements.	Audit Completion Report

Appendix A: Other communications

Required communications

Required communication	Where addressed
Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's system of quality management team completes, as part of an ongoing and iterative process, key steps to assess and conclude on our firm's system of quality management, including: • Ensuring there is an appropriate assignment of responsibilities, • Establishing and reviewing quality objectives each year, ensuring our firm's quality objectives align with our strategies and priorities, • Identifying, reviewing, and updating quality risks each quarter, taking into consideration multiple input sources (such as FRC/ ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.), • Identifying, designing, and implementing responses to strengthen our firm's internal control environment and overall quality, and • Evaluating our quality responses and remediating control gaps or deficiencies. We perform an evaluation of our system of quality management on an annual basis. We publish the details of our annual evaluation, and our conclusion, in our Transparency Report, which can be accessed on our website at: https://www.forvismazars.com/uk/en/who-we-are/corporate-publications/transparency-reports.	Audit Strategy Memorandum (the communication adjacent satisfies this requirement)
We are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include: • Significant delays in management providing information that we require to perform our audit. • An unnecessarily brief time within which to complete our audit. • Extensive and unexpected effort to obtain sufficient, appropriate audit evidence. • Unavailability of expected information. • Restrictions imposed on us by management. • Unwillingness by management to make or extend their assessment of the company's ability to continue as a going concern when requested. We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).	Audit Completion Report, discussion at Audit and Governance Committee meeting, and audit clearance meeting

Appendix A: Other communications

Definitions

<table>
<tr><th>Term</th><th>Definition</th></tr>
<tr><td>Materiality</td><td>An expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to the company. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to you (reporting threshold). Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

• Have a reasonable knowledge of business, economic activities, and accounts,
• Have a willingness to study the information in the financial statements with reasonable diligence,
• Understand that financial statements are prepared, presented, and audited to levels of materiality,
• Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events, and
• Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks. We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.</td></tr>
</table>

Appendix A: Other communications

Definitions

Term	Definition
Significant risk	A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by UK auditing standards), including management override of controls and revenue recognition.
Enhanced risk	An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to: • Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement, and • Risks relating to other assertions and arising from significant events or transactions that occurred during the period.
Standard risk	A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.
Key audit matter	A matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement (whether due to fraud or error) we identified, including those which had the greatest effect on our overall audit strategy, the allocation of resources in our audit, and directing the efforts of our engagement team. It is important that you understand and have the opportunity to discuss with us why something is being communicated as a key audit matter and the way it is described. This report highlights which of the significant and other risks are expected, at this stage, to be determined as key audit matters. It should be noted, however, that other audit areas may be determined as key audit matters during our audit.

Appendix A: Other communications

Definitions

Term	Definition
Key audit partner	(a) An individual who is eligible for appointment as a statutory auditor and who is designated by our firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of our firm. (b) In the case of a group audit, any of the following: (i) an individual who is eligible for appointment as a statutory auditor and who is designated by our firm as being primarily responsible for carrying out the statutory audit of the consolidated accounts of the group on behalf of our firm; (ii) an individual who is eligible to conduct the audit of the accounts of any subsidiary undertaking determined by us to be a ‘material subsidiary’ and who is designated as being primarily responsible for that audit. (c) An individual who is eligible for an appointment as a statutory auditor and who signs the audit report.

Appendix B: Current year updates, forthcoming accounting & other issues

HM Treasury changes to non-investment asset valuation

Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the "Code")

Following a thematic review of non-current asset valuations for financial reporting in the public sector, HM Treasury has made a number of changes to its requirements for the valuation frequency, valuation methodology and classification of non-investment property assets. The changes are effective from 1 April 2025 as set out in the 2025-26 Code and include:

- A change to the requirements regarding revaluation frequency. Rather than adhering to paragraph 34 of IAS 16 which requires an asset to be revalued whenever its carrying value differs materially from its current value, entities will be required to revalue assets on a quinquennial basis, i.e. every five years, supplemented by annual indexation in the intervening years. This requirement can be adhered to either as part of a full revaluation or as part of a rolling programme. The Code requires bodies to use the best index available to them. Should management determine that there is no appropriate index to use, then the quinquennial valuation is supplemented by a valuation in the third year.

- Revaluations carried out prior to 2025/26, in line with former requirements of the Code, remain valid throughout the transition period (being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.

- The requirement to consider indicators of impairment under IAS 36 remains, so management will still be required to undertake an annual assessment of whether there are indicators of impairment, and where these are present, it may be necessary to undertake valuations outside of the 5-yearly valuation programme.

Whilst management will no longer need to consider annually whether it is necessary to revalue non-investment assets, they will need to be satisfied that they have appointed a suitably qualified valuer to undertake the valuation of assets whenever they fall due either as part of a full valuation or a rolling programme. If local indices are used, management will need to have sufficient evidence to demonstrate these indices are appropriate and relevant to the entity's circumstances, and to provide this evidence to the auditor.

Appendix B: Current year updates, forthcoming accounting & other issues

Effective for accounting periods beginning on or after 1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements

The standard was UK-adopted in December 2025, and the date of incorporation into the Code is not confirmed, though expected to be within the 2028/29 financial year. It is not yet confirmed what interpretations and adaptations HMT will determine are necessary for implementation in the public sector. We have provided an outline of the main changes arising from IFRS 18 as unadapted and without interpretation and will provide an update on the expected impact on City of York Council as and when detail is available as to when and how the standard is incorporated into the Code.

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements.

New categories and subtotals for inclusion within the statement of profit or loss

- Income and expenses are to be classified into three new defined categories: operating, investing and financing, in addition to the income taxes and discontinued operations categories.
- All companies are to present new defined subtotals – operating profit and loss, and profit or loss before financing and income taxes.

New reporting requirements on Management Performance Measures (MPMs)

- New requirements are introduced for management-defined performance measures (MPMs), which may also be called Alternative Performance Measures (APMs). These are described as subtotals of income and expenses that an entity: (a) uses in public communications outside financial statements; (b) uses to communicate to users of financial statements management's view of an aspect of the financial performance; and (c) are not listed within IFRS 18 or specifically required to be presented or disclosed by another IFRS Accounting Standard.
- All MPMs are required to be disclosed in a single note in the financial statements setting out:
  - an explanation of why the MPM is reported, and
  - a reconciliation to a directly comparable GAAP measure within IFRS 18 or another IFRS Accounting Standard.

Enhanced requirements for aggregation & disaggregating information

- Enhanced requirements are set out for the aggregation and disaggregation of items based on similar and dissimilar characteristics. Items that have dissimilar characteristics must be disaggregated when the resulting information is material. Guidance is also included on how to describe items within the financial statements, requiring an entity to label items presented or disclosed as 'other' only if a more informative label cannot be found.
- New guidance is provided on whether information should be reported in the primary financial statements or the notes. This includes guidance on presentation and disclosure of expenses classified in the operating category, alongside introducing more prescribed requirements for an entity that classifies expenses by function as well as the requirement to disclose expenses by nature in a single note for certain amounts - depreciation, amortisation, employee benefits, impairment and write-downs of inventories

Many principles and requirements have been brought forward from IAS 1 to IFRS 18 such as frequency of reporting, comparative information, offsetting, capital disclosures and the requirements for the statement of financial position and for the statement of changes in equity.

Contact

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