



**Auditor's Annual Report**  
**North York Moors National Park Authority – year ended 31 March 2024**

5 February 2025

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Forvis Mazars LLP – The Corner, Bank Chambers, 26 Mosley Street, Newcastle Upon Tyne, NE1 1DF, Tel: Tel: +44 (0) 191 383 6300 – Fax: +44 (0) 191 383 6350 – [www.forvismazars.com/uk](http://www.forvismazars.com/uk)

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# 01

Introduction

# Introduction

## Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for North York Moors National Park Authority (‘the Authority’) for the year ended 31 March 2024. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 5 February 2025. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

We did not identify any significant weaknesses in the Authority’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority’s arrangements.

02

Audit of the financial statements

# Audit of the financial statements

## Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2024 and of its financial performance for the year then ended. Our audit report, issued on 5 February 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

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

## Qualitative aspects of the Authority's accounting practices

We reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2023/24 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances.

We reported on one significant issue which is outlined in the next section.

## Significant matters discussed with management

One significant matter was discussed with management. This was that the Authority had not met the accounting requirement to carry out a full revaluation of its land and buildings portfolio every 5 years. We have identified a significant deficiency in internal control in relation to this issue. Details of this are set out in Appendix A.

We had to carry out additional work to satisfy ourselves that property, plant and equipment and heritage assets were not materially impacted by this deficiency. We obtained the assurance we needed in relation to this, but it is important that this issue is addressed in the preparation of the 2024/25 financial statements.

## Significant difficulties during the audit

There were no significant difficulties noted during the audit. We received the full co-operation of management during the audit.

## Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the Narrative Report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

# 03

Our work on Value for Money  
arrangements

VFM arrangements

Overall Summary



# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Authority 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 Authority plans and manages its resources to ensure it can continue to deliver its services.



**Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks.



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

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




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

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

# VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	No	No	No
 <b>Governance</b>	14	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	17	No	No	No

# VFM arrangements

## Financial Sustainability

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



# VFM arrangements – Financial Sustainability

## Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We did not identify any risks of significant weaknesses in arrangements as part of our continuous planning procedures.

### Overall commentary on Financial Sustainability

#### How the National Park Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Authority faces a challenging financial position, mainly caused by uncertainties over funding from the Department for Environment, Food and Rural Affairs (DEFRA), which have been for flat cash for a number of years in a period of high inflation and significant cost pressures. The uncertainty has been exacerbated by annual funding settlements, which make medium-term financial planning more difficult, and for 2025/26 DEFRA is one of the Government Departments needing to make cuts overall and the implications for the Authority are currently unclear.

The Authority sets an Annual Budget and 5 Year Medium-Term Financial Strategy. These are considered by the Finance, Risk, Audit and Standards Committee and then considered further and approved by the full Authority.

We have reviewed the Medium-Term Financial Strategy for recent years, and the Annual Budget for 2023/24 and the Annual Budget for 2024/25. These reports were comprehensive and set out all the challenges facing the Authority and included a range of reasonable assumptions, including the budget pressures faced by the Authority and the options available to it. Reserve levels enable the financial position to be managed over the medium term.

Both the 2023/24 Budget and 2024/25 Budget that were approved by the Authority were balanced.

The outturn for 2023/24 was a surplus of £301k against gross expenditure of £11m.

Usable reserves at 31 March 2024 were a total of £7.2m (up from £6.0m in the previous year)(including s106 and external funding income received in advance), with a general fund balance of £683k and earmarked reserves of £6.484m.

The latest 2024/25 financial monitoring indicates a projected surplus of £83k for the year.

2025/26 budgeting is currently underway.

In December 2024, the full Authority considered the latest Medium-Term Financial Strategy covering the period 2025/26 to 2029/30. This shows an initial deficit of £345k in 2025/26, and deficits of £516k, £616k, £732k and £851k in each of the following 4 years respectively. Particular pressures include the increase in employers national assurance contributions, pay and other inflation and an assumed reduction in interest rates. At that time, management had identified a potential £330k of mitigation measures, and this will be refined ahead of producing the 2025/26 budget for Authority approval in March 2025.

The draft 2025/26 Budget has now been prepared; this shows a balanced position after identifying £238k of savings and efficiencies which will need to be monitored closely during the year.

The financial position is very challenging, which will require difficult decisions to be taken by the Authority to deliver savings and efficiencies and improve the medium-term position.

Financial monitoring takes place monthly at a detailed level by management and is reported quarterly to the Finance, Risk, Audit and Standards Committee.

The Authority has no borrowing. It does have a small outstanding finance lease liability of £177k.

#### How the National Park Authority plans to bridge its funding gaps and identifies achievable savings

The financial position has been carefully managed and there has been diversification of income sources to reduce the reliance on DEFRA core grant. Core DEFRA grant was £4.4m in 2023/24, compared to total income of £11.8m.

There are two large s106 agreements with mining companies that operate in the area of the national park. Income in relation to these agreements was £3.1m in 2023/24, with underspends on projects relating to this income carried forward as balances to be utilised in the next financial year.

The approach of the Authority is increasingly project based so that it can switch its resources to and from projects as and when needed, and project funding can help support the core costs of the Authority.

# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria – continued

### How the National Park Authority plans to bridge its funding gaps and identifies achievable savings (continued)

Financial modelling considers various scenarios, but the Authority does have sufficient flexibility to manage its financial position if DEFRA funding is cut further. Reserve levels enable the financial position to be managed effectively over the medium term.

There is a constant drive for efficiencies; examples of projects include new systems, retail improvements, visitor centre investment programmes and increasing car park capacity. Many of the savings come from day-to-day management and improvement to services, but the Authority also have a commercial role to develop earned income improvement opportunities. Future mitigation includes procurement efficiency, use of vehicles and plant, moving more services into project funded delivery as well as increasing fees and tariffs.

### How the National Park Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The key corporate plans for the National Park Authority are its Management Plan, the current version being 2022 to 2027 and its Business Plan which underpins this. Every national park must have a Management Plan, which sets out how the Authority and its partners will work together to achieve shared objectives for the future management of the national park.

The Business Plan sets out how the future vision in the Management Plan will be achieved, including the key priorities and milestones that need to be achieved.

The Annual Budget and 5 Year Medium-Term Financial Strategy effectively shows how resources are allocated to the achievement of these priorities.

## Conclusion

We have not identified a significant weakness in the Authority's arrangements in relation to the financial sustainability reporting criteria.

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

The Authority monitors performance against the Business Plan and the achievement of its objectives on a quarterly and annual basis, with formal reporting through the Finance, Risk, Audit and Standards Committee and the full Authority. The Annual Budget and 5 Year Medium-Term Financial Strategy effectively shows how resources are allocated to the achievement of these priorities.

We did not identify any significant inconsistencies in the Authority's plans.

### How the National Park Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The risk management process monitors and manages the risks to the achievement of the objectives set out in the Management Plan, Business Plan and the Annual Budget and 5-Year Medium-Term Financial Strategy.

Taken together, these arrangements provide a cohesive framework for the Authority to set, monitor and deliver its objectives within the resource constraints it faces.

# VFM arrangements

## Governance

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



# VFM arrangements – Governance

## Risks of significant weaknesses in arrangements in relation to Governance

We did not identify any risks of significant weaknesses in arrangements as part of our continuous planning procedures.

## Overall commentary on Governance

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

Financial risk is assessed in the Budget and 5 Year Medium-Term Financial Strategy. The Authority has a Corporate Risk Register which is updated annually, including support from North Yorkshire Council, and approved by the full Authority and then progress is reported on quarterly to the Finance, Risk, Audit and Standards Committee.

The risk management process uses a matrix to identify a risk score after any mitigating actions. The risk management process covers many risks including cyber, S106 agreements, financial risks, and health and safety.

An internal audit function is in place. An Internal Audit Plan is discussed with the Finance, Risk, Audit and Standards Committee and agreed each year, with progress reporting and an Annual Internal Audit Report. Veritau provide internal audit services, and their opinion in respect of 2023/24 was:

*“The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating in the Authority is that it provides Substantial Assurance. No reliance was placed on the work of other assurance providers in reaching this, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.”*

There are appropriate systems of internal control in place and an anti-fraud culture has been fostered.

There have been no instances of suspected or reported fraud during 2023/24 and up to the current date.

The Authority produces an Annual Governance Statement and this is reviewed by the Finance, Risk, Audit and Standards Committee and approved by the Full Authority. The statement provides an overview of the control systems in place to give a high level of assurance over the effective operation of internal controls.

### How the National Park Authority approaches and carries out its annual budget setting process

The budget setting process begins when Directors meet prior to production of the 5 Year Medium-Term Financial Strategy. Year 2 of the previous 5 Year Medium-Term Financial Strategy is taken, updated for latest assumptions, any changes in payroll or any known in year amendments. Meetings are then held with budget managers and Directors to run through the figures and see if there are any amendments needed or concerns to explore. Budget managers are encouraged to own their budgets – so they are empowered to make changes with the approval of their Director. This is then pulled together to see what the bottom-line position is. There is then a short period if there is a deficit to come together and discuss the challenges, and as a group of Directors seek options for further mitigation.

There is a Staff meeting each year near Christmas to present the Authority’s financial position to ensure that staff are all aware of the pressures and the role that they all play in ensuring the financial sustainability of the Authority and understand the reasons for and nature of the strategy.

The Authority is required to deliver a balanced budget so the impact of the budget on reserves over the budget period is reviewed and mitigating actions taken if necessary. A budget report is taken to Finance, Risk, Audit and Standards Committee in February and scrutinised in detail. Any changes are taken on board and made before the budget report is taken to full Authority in March for further consideration and approval.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

### **How the National Park Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed**

Financial systems are in place, and there are appropriate Financial Regulations, that form the requirements of the Authority's system of internal control. A detailed monthly financial review is carried out by the Senior Leadership Team. Budget managers are involved in budget monitoring. The implementation of a new financial system is expected to improve the reporting functionality for budget reporting.

Financial monitoring is reported quarterly to the Finance, Risk, Audit and Standards Committee.

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

The Authority has a comprehensive set of Governance arrangements in place. The full Authority is the key decision maker. There are sub-committees including the Finance, Risk, Audit and Standards Committee and a Planning Committee.

The Authority has the full set of features of a Governance framework which we would expect to see including Codes of Conduct for officers and Members, Constitutional documents including appropriate standing orders for the conduct of the Authority's business, schemes of delegation and financial regulations.

Review of agenda papers and attendance at meetings have demonstrated to us that the reports presented are comprehensive so that informed decisions can be made, and that there is effective challenge provided by Members and appropriate accountability from management.

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

Where reports are taken to the full Authority or other Committee meetings, reports consider the standards required of the Authority, including ensuring that the Authority meets its legislative / regulatory obligations.

The role of the three statutory positions of Head of Paid Service, Section 151 Chief Financial Officer and Monitoring Officer helps ensure that all matters that should be considered are properly considered by the Authority and evidenced when decisions are taken.

The Authority has a Code of Conduct that all staff are expected to adhere to. There were no significant issues relating to officer conduct in 2023/24 and up to the current date.

There is a Code of Conduct for Authority Members. There were no issues relating to Member conduct in 2023/24 up to the current date.

## Conclusion

We have not identified a significant weakness in the Authority's arrangements in relation to the governance reporting criteria.

# VFM arrangements

## Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Risks of significant weaknesses in arrangements in relation to Improving Economy, Efficiency and Effectiveness

We did not identify any risks of significant weaknesses in arrangements as part of our continuous planning procedures.

## Overall commentary on Improving Economy, Efficiency and Effectiveness

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

The key corporate plans for the National Park Authority are its Management Plan, the current version being 2022 to 2027 and its Business Plan covering the same period. Every national park must have a Management Plan, which sets out how the Authority and its partners will work together to achieve shared objectives for the future management of the national park.

The business plan sets out how the future vision in the Management Plan will be achieved, including the key priorities and milestones that need to be achieved.

The Authority monitors performance against the Business plan on an ongoing basis and the achievement of its objectives are reported on a regular basis.

The Annual Budget and 5 Year Medium-Term Financial Strategy effectively shows how resources are allocated to the achievement of these priorities.

The risk management process monitors and manages the risks to the achievement of these objectives.

Taken together, these arrangements provide a cohesive framework for the Authority to set, monitor and deliver its objectives within the constraints it faces. It also enables it to identify areas for improvement and reflect these in its plans and monitor the delivery of the improvements.

There is a full scorecard and Key Performance Indicator (KPI) reporting process to assess organisational performance including financial indicators – this is reported to Members and scrutinised by the Senior Leadership Team. All reports include consideration of financial implications where applicable – so this is a key part of the assessment on any business cases or issues.

Performance improvements are an ongoing process with a responsibility of everyone in the Authority to look for ways to deliver the best services possible. Financial deficits mean that all services are reviewed to identify improved ways of delivery. The Authority are now looking at systems and how they can help improve efficiency – an example being the replacement of the finance system next year. The Authority have also worked strategically with other National Park Authorities including recruiting key expertise in areas such as performance monitoring. It continues to seek opportunities across a range of strategic areas.

### How the National Park Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority has wide ranging partnerships including with DEFRA, local government and a range of other national and local bodies.

Working with partners and as a partner is one of the central pillars of the Authority's strategy. It is laid out in the Management Plan and Business Plan. The Management Plan is a document for the place which has been pulled together alongside a wide range of stakeholders and partners.

There is a twice-yearly Management Plan meeting with all stakeholders. In addition, there are many examples of meeting with stakeholder groups throughout the year, including parish forums, specific interest groups, other National Parks (including National Park England and the support that the Authority provides to it) and North Yorkshire Council and Redcar and Cleveland Borough Council.

In addition, within projects there are partnering funding bodies such as Yorkshire Water, Environment Agency, National Trust, etc. They are all parties collaborated with on project outcomes, and those working relationships at the project level including have led to improved performance and outcomes reporting. Other clear stakeholders are residents in the National Park; communications are through Moors Messenger as well as established communications channels. These channels are increasing in importance to tie in with brand and reputation which will enhance the Authority's working with partners.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

### **Where the National Park Authority commissions or procures services, how the National Park Authority ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the National Park Authority assesses whether it is realising the expected benefits**

The Authority has an appropriate system in place for procurement of services, with Financial Regulations incorporating the requirements for contracting and tendering, and the letting of contracts through a procurement portal.

Procurement governance is set out in the financial regulations. This has been done in conjunction with North Yorkshire Council to ensure this adheres to relevant legislation. The Authority uses the e-Tenders system for tender exercises.

All waivers to procurement rules are approved by Chief Executive and reported to the Finance, Risk, Audit and Standards Committee. Active work has been undertaken to reduce instances of waivers – for instance arranging a framework call off agreement for woodland works where there are few bidders in the market which was resulting in a high number of waivers.

In the last year the Authority have carried out procurement and contract training for staff – including how to ensure the right balance of quality and price to get to the right outcome.

## Conclusion

We have not identified a significant weakness in the Authority's arrangements in relation to improving economy, efficiency and effectiveness reporting criteria.

Other reporting responsibilities

# Other reporting responsibilities

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

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

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

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

The NAO, as group auditor, normally requires external auditors to complete a WGA Assurance Statement in respect of the Authority's consolidation data.

However, the Authority is exempt from making a submission of WGA consolidation data as it has Minor Body Status. As a result of this, we do not need to complete a WGA Assurance Statement.

05

Audit fees and other services

# Audit fees and other services

## Fees for our work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum dated 11 September 2024 which was presented to the full Authority on 22 September 2024. This was our first year as your external auditor and the proposed fee was £41,766 (excluding VAT), which reflected the scale fee set by Public Sector Audit Appointments (PSAA) as part of the latest national procurement exercise.

Having completed our work for the 2023/24 financial year, we are able to confirm the final fee for the audit as set out below.

Area of work	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice (PSAA scale fee)	£41,766
Additional fees in respect of ISA 315 (risks of material misstatement) and ISA 240 (auditor's responsibilities relating to fraud) *	£4,710 *
Additional fees in respect of review of the impact of the Authority not completing the revaluation of land and buildings within a five-year period and the consequences for our audit reporting	£3,500
<b>Total fees</b>	<b>£49,976</b>

\*The additional fee of £4,710 is because PSAA did not consolidate additional fees for these aspects into the 2023/24 scale fees, because at the time the 2023/24 scale fees were set PSAA had not reached a conclusion on what would be the appropriate fee for this. An explanation for this including that there would therefore be a need to treat this as an additional fee variation is set out on the PSAA website: <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2023-24-auditor-appointments-and-audit-fee-scale/consultation-document-2023-24-audit-fee-scale/3/>

PSAA have subsequently determined the appropriate fees for these aspects as part of its 2024/25 scale fee process <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/>

## Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.

# Appendices

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

# Appendix A: Further information on our audit of the Authority's financial statements

## Significant risks and audit findings

As part of our audit of the Authority we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p><b>Significant Risk 1 - Management override of controls</b></p> <p>In all entities, 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 consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• accounting estimates impacting amounts included in the financial statements;</li> <li>• consideration of identified significant transactions outside the normal course of business; and</li> <li>• journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul> <p><b>We did not identify any evidence of management override of controls.</b></p>
<p><b>Significant Risk 2 - Net defined benefit liability or asset</b></p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures 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.</p>	<p>We 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 obtain confirmation that the controls are designed and implemented appropriately. We reviewed the appropriateness of the valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. We compared them to expected ranges; agreed the data in the IAS 19 valuation to the pension accounting entries and disclosures in the Authority's financial statements.</p> <p><b>There were some reporting points, but there were no material issues to report.</b></p>
<p><b>Significant Risk 3 – Valuation of property, plant and equipment and heritage assets</b></p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Authority's holding of Property, Plant and Equipment (PPE) and heritage assets.</p> <p>The Authority employs a valuation expert to provide information on valuations, however, there remains a high degree of estimation uncertainty associated with the (re)valuations of PPE and heritage assets due to the significant judgements and number of variables involved</p>	<p>We evaluated the design and implementation of any controls which mitigated the risk. We assessed the competence, skills and objectivity of the Valuer; we tested the accuracy of the data used in valuations; we challenged the Authority's and Valuer's assumptions and judgements applied in the valuations; reviewed valuation methodologies used, including the appropriateness of the valuation basis; and considered the reasonableness of the valuation by comparing the valuation output with market intelligence; and ensured all required disclosures are reflected in the accounts and relevant notes.</p> <p><b>We identified one significant issue from our review. This was that the Authority had not met the accounting requirement to carry out a full revaluation of its land and buildings portfolio every 5 years. We have identified a significant deficiency in internal control in relation to this issue.</b></p>

# Appendix A: Further information on our audit of the Authority's financial statements

## Summary of uncorrected misstatements

Management assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust for these in the financial statements. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

In the case of pensions, the main purpose of the reported item was to demonstrate that the pension fund auditor's reported findings would not have a material impact on the Authority's disclosures and consequently, the decision not to adjust for this was not unreasonable. The approach in relation to the other adjustment to debtors was also not unreasonable.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr Net Pension Assets			89.6	
Cr Remeasurement of Net defined Pension Liability		89.6		
Our review of the Pension Fund auditor report identified that the value of pension fund assets was understated than those originally reported, which was entirely due to timing issues compared to when the actuary prepares their report, and the final valuations received during Forvis Mazars's audit of the pension fund. Total fund understated assets were £12.8m. The Authority's share of the total assets has been estimated at 0.7%. The Pension fund assets misstatement is (£12.8 million *0.7%) £89.6k.				
Dr Short term Debtors			17	
Cr Long Term Debtors				17
The long term debtor reflected in the accounts for a number of years is due for the final balance of £17k to be repaid in 2024/25, and therefore it should have been reclassified as a short term debtor.				
<b>Aggregate effect of unadjusted misstatements</b>	<b>0</b>	<b>89.6</b>	<b>106.6</b>	<b>17</b>

# Appendix A: Further information on our audit of the Authority's financial statements

## Significant deficiency in internal control

In our view, there is a need to address the significant deficiency in internal control set out in this section to ensure that the financial misstatements are not materially misstated. Our recommendations should be actioned by management in time for the production of the 2024/25 draft financial statements.

## Land and buildings revaluations

### Description of deficiency

The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 requires a full revaluation of land and buildings to be undertaken at least every 5 years. A full revaluation was due to be undertaken for the 2023/24 accounts, but management had thought that the next review was due for the 2024/25 accounts. In mitigation, the Authority has undertaken an annual revaluation each year of its most significant assets which make up a large percentage of its overall portfolio. We held discussions with management and the Authority's external valuer to understand the implications for assets that had not been revalued since March 2019.

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### Potential effects

This could result in a material misstatement of property, plant and equipment and heritage assets in the financial statements.

We had to carry out additional work to satisfy ourselves that property, plant and equipment and heritage assets were not materially impacted by this deficiency in the 2023/24 accounts. We obtained the assurance we needed in relation to this, but it is important that this issue is addressed in the preparation of the 2024/25 financial statements.

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### Recommendation

The Authority must ensure that a full revaluation of its land and buildings is undertaken for the 2024/25 financial statements.

The Authority should consider indexing valuations of those assets that are not subject to an annual revaluation each year to avoid the risk of creeping materiality. These assets can then be subject to a full revaluation process every 5 years.

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### Management response

The work to commission the valuer to carry out a full valuation of assets for 2024/25 has already started. In order to avoid the error in the future relating to the timing of the 5-year full valuation exercise, a line has been added to the closedown timetable to specifically check what valuation requirement is due at the point of commissioning the valuation work. In addition, whilst the desktop valuation process between full valuations was one agreed with previous auditors, there is merit at looking at the process ahead of 2025/26 in relation to either/or indexing assets in the intervening period or rotating the valued assets to ensure that the portfolio does receive full valuation on a sampling basis at least once over the 5 year period.

# Appendix A: Further information on our audit of the Authority's financial statements

## Other observation on internal control

In our view, there is a need to address the observation on internal control set out in this section to ensure that the draft Annual Governance Statement is included in or published alongside the draft financial statements. Our recommendation should be actioned by management in time for the production of the 2024/25 draft financial statements.

## Preparation of draft Annual Governance Statement

### Description of deficiency

The Accounts and Audit Regulations 2015 require the Annual Governance Statement to be published alongside the draft financial statements and subject to the public inspection requirements. Detailed guidance on the preparation of the Annual Governance Statement recognises that the Annual Governance Statement may not have been approved when the draft financial statements are published, but in these cases requires a draft Annual Governance Statement to be published at that stage which can then be updated when it has been approved. The Authority did not include a draft Annual Governance Statement in its draft financial statements for 2023/24 and a draft was only prepared later in the year.

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### Potential effects

The Authority could be challenged in relation to meeting its statutory responsibilities under the Accounts and Audit Regulations 2015.

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### Recommendation

The Authority must ensure that a draft Annual Governance Statement is included in the draft 2024/25 financial statements when they are published and the public inspection period is initiated.

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### Management response

This will be brought in draft to May Finance, Risk, Audit and Standards Committee from now onwards so that it can be published in draft form alongside the financial statements.

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# Contact

## Forvis Mazars

### Gavin Barker

Director

Tel: +44 (0)7896 684 771

[gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

### Gaurav Gandhi

Audit Manager

Tel: +44 (0)7581 015 459

[gaurav.gandhi@mazars.co.uk](mailto:gaurav.gandhi@mazars.co.uk)

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