

# Auditor's Annual Report

## Yorkshire Dales National Park Authority – year ended 31 March 2024

26 February 2025

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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 Yorkshire Dales 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 have carried out a full audit of the 2023/24 financial statements. However, we were unable to obtain assurance regarding the opening balances in advance of the backstop date of 28 February 2025, due to the disclaimer of opinion for the 2022/23 period by our predecessor auditor. In our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. This means that despite all the work we have undertaken, we also had to issue a disclaimed opinion on the 2023/24 financial statements. We issued our audit report on 26 February 2025.



**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. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023-24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date.

We have carried out a full audit of the 2023/24 financial statements. However, we were unable to obtain assurance regarding the opening balances in advance of the backstop date of 28 February 2025, due to the disclaimer of opinion for the 2022/23 period by our predecessor auditor. In our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. This means that despite all the work we have undertaken, we also had to issue a disclaimed opinion on the 2023/24 financial statements.

We therefore concluded that we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 26 February 2025, we have not expressed an opinion on the Council's financial statements.

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.

## Significant matters discussed with management

There were no significant matters arising from the audit which required discussion with management.

## Significant difficulties during the audit

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

## 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. |



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# 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 or 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.



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# VFM arrangements – Overall summary

## Overall summary by reporting criteria

| Reporting criteria | Commentary page reference | Identified risks of significant weakness? | Actual significant weaknesses identified? | Other recommendations made? |
|---|---|---|---|---|
| Financial sustainability | 11 | No | No | No |
| Governance | 14 | No | No | No |
| Improving economy, efficiency and effectiveness | 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 the 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 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 £5.7m in 2023/24, compared to total income of £12.1m.

In 2010 core DEFRA grant was 75% of income, but it is now 50%. The approach of the Authority is increasingly project based so that it can switch its resources to and from projects as and when needed.

The Authority sets an Annual Budget and 3 Year Medium Term Financial Strategy. Both the 2023/24 Budget and 2024/25 Budget that were approved by the Authority were balanced. The reports supporting the budget 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.

Financial modelling considers various scenarios, but the Authority does have sufficient flexibility to manage its financial position if DEFRA funding is cut further. Although it should be noted that in the relatively worse case scenarios, the Authority will be able to manage but only by doing less of the things that it currently wants to do in terms of delivering its role, vision and services.

The outturn for 2023/24 was a surplus of £587k against gross expenditure of £12m.

Usable reserves at 31 March 2024 are a total of £4.7m (up from £4.0m in the previous year), with a general fund balance of £234k and earmarked reserves of £4.515m.

The latest 2024/25 financial monitoring at the half year stage indicated a £328k surplus at that point.

2025/26 budgeting is currently underway.

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 at a detailed level and is reported quarterly via the Finance, and Resources Committee.

The Authority has no borrowing.

### 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 £5.7m in 2023/24, compared to total income of £12.1m.

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.

## 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. Although it should be noted that in the relatively worse case scenarios, the Authority will be able to manage but only by doing less of the things that it currently wants to do in terms of delivering its role, vision and services.

### 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 Corporate 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 Corporate 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 3 Year Medium Term Financial Strategy effectively shows how resources are allocated to the achievement of these priorities.

### 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 Corporate Plan and the achievement of its objectives is reported to the Authority on a six-monthly and annual basis. The Annual Budget and 3 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, Corporate Plan and the Annual Budget and 3 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.

## Conclusion

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

# VFM arrangements

## Governance

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



# VFM arrangements – Governance

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

We 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 3 Year Medium-Term Financial Strategy. The Authority has risk management arrangements in place with operational and strategic risk registers and an annual review by the Audit and Review Committee.

The risk management process identifies risks, any mitigating actions in place to address risks and a risk ranking based on this assessment. The risk management process covers many risks with severe risks currently including funding and budgeting risks, and loss of integrity of IT systems and records. Material risks include partnerships, contracting failures if a contractor fails to deliver a contract and inadequate staffing resources including volunteers, and health, safety and well being.

An internal audit function is in place. An Internal Audit Plan is discussed with the Audit and Review 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 and approved by the Audit and Review Committee. 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

Salary budgets are set centrally by HR/Payroll and are based on individual posts so are accurate, and new staff added in year also receive appropriate budget through the virement process where money is taken from reserves and added to budget.

Each Director along with their budget managers fills out a budget bid for every programme, and corporate managers will ask for allocations based on last year's allocation plus or minus changes in circumstances (such as a new cleaning contract for example).

Capital expenditure is profiled, and any specific reserves are used to balance off the capital spend (there is a 5-year pot of money set aside from reserves to manage the spikes in capital expenditure).

This information feeds into a central budget sheet which is discussed at a Senior Managers Meeting with Directors. Any new posts are discussed along with any proposed new expenditure before being included in the draft budget. Income streams are only included at this point if confirmed or fairly certain to go ahead, other additional income will be added mid-year when confirmed.

Senior Management Team (SMT) will decide how much if any of general reserves can be used to balance the budget if there is a deficit. The draft budget then goes to the Authority's Finance & Resources Committee for detailed assessment, followed by consideration and approval by the Full Authority.

## 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.

The Head of Finance produces monthly financial management reports for SMT. These are copied to all Section Heads and Budget Managers, who are asked to feedback any issues they are having with their budgets. Quarterly reports are produced for the Finance & Resources Committee and are all made publicly available. Members also get updated objectives reporting so they can also see how the Authority is performing against the annual targets, not just the financial ones.

Budget Managers have access to reporting for the finance system where they can run reports for any period for any cost centre, this enables them to manage their own budgets proactively.

### 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 Standards Committee, Planning Committee, Finance and Resources Committee and Audit and Review 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 Corporate Plan. 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 Corporate 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 Corporate Plan on an ongoing basis and the achievement of its objectives are reported on a regular basis.

The Annual Budget and 3 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.

The Authority undertake an annual programme of project and performance reviews, which are decided each year by the Audit and Review Committee. Where a third party view would be beneficial, the Authority contracts that review work outside the organisation.

More generally, the Authority assesses performance through a combination of:

- a mid-year and end of year review of performance in achieving our objectives;
- Annual comparison with other national park authorities through a set of common performance indicators.
- 5 yearly surveys of residents' satisfaction with all aspects of the Authority's work; and
- External assessment of Authority services (Customer Service Excellence; Investors in People; internal and external audit, etc).

### 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 Corporate Plan. The Management Plan is a document for the place which has been pulled together alongside a wide range of stakeholders and partners.

Production of the Management Plan, which is a statutory requirement, involves widespread public consultation and direct engagement with a wider range of partner organisations and stakeholders. The current Plan contains 49 'SMART' objectives. A progress report is published annually by the Partnership, and more detailed information on every objective (including a simple 'traffic light' summary) is published on the Authority's website.

As set out on the Authority's website "The National Park covers a large area (841 square miles). We, the National Park Authority, owns less than 0.06% of it. We therefore could not look after this amazing place without working closely with a range of other partner organisations as well as the people who own and manage the land and buildings. These include local landowners, farmers, communities and businesses."

## 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.

Procurement procedures are supported by the Procurement Strategy, a Procurement Manual and template documents including contract conditions. The Director of Corporate Services actively supports procurement activity, and provides in house procurement training for officers with responsibility for buying.

## Conclusion

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

# 04

# 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 30 October 2024 which was presented to the Audit and Review Committee on 26 November 2024. This was our first year as your external auditor and the proposed fee was £45,529 (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) | £45,529 |
| Additional fees in respect of ISA 315 (risks of material misstatement) and ISA 240 (auditor's responsibilities relating to fraud) * | £4,710 * |
| **Total fees** | **£50,239** |

*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.psaa.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.psaa.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

## Modifications to our audit report – issue of disclaimed audit opinion for 2023/24 audit

We identified the following issues which have resulted in us issuing a modified audit opinion, and a disclaimed audit opinion on the 2023/24 financial statements.

| Issue | Impact on audit opinion |
|---|---|
| **Disclaimed audit opinion by our predecessor auditor**<br>**Lack of assurance on the opening balances**<br><br>Our predecessor auditor issued a disclaimed opinion on the prior year statement of accounts for 2022/23.<br><br>The Authority published its 2022/23 audited statement of accounts on 3 December 2024, shortly before the backstop date of 13 December 2024. The prior year auditor issued a disclaimed opinion due to their own resource constraints. | We have carried out a full audit of the 2023/24 financial statements. Our findings and conclusions from this are summarised in this report. However, we were unable to obtain assurance regarding the opening balances in advance of the backstop date of 28 February 2025, due to the disclaimer of opinion for the 2022/23 period by our predecessor auditor. In our view, the effects of the resulting lack of assurance are pervasive to the financial statements as a whole. This means that despite all the work we have undertaken, we also had to issue a disclaimed opinion on the 2023/24 financial statements.<br><br>When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the 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 |
|---|---|
| **Significant Risk 1 - Management override of controls**<br>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. | We addressed this risk through performing audit work over:<br>• accounting estimates impacting amounts included in the financial statements;<br>• consideration of identified significant transactions outside the normal course of business; and<br>• journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.<br>**We did not identify any evidence of management override of controls.** |
| **Significant Risk 2 - Net defined benefit liability or asset**<br>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. | 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.<br>**There were some reporting points, but there were no material issues to report.** |
| **Significant Risk 3 – Valuation of property, plant and equipment and heritage assets**<br>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.<br>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 | 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.<br>**There were no material issues to report.** |

# 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.

| Details of adjustment | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|---|---|---|---|
| | Dr (£ '000) | Cr (£ '000) | Dr (£ '000) | Cr (£ '000) |
| Dr Net Pension Assets | | | 115.2 | |
| Cr Remeasurement of Net defined Pension Liability | | 115.2 | | |
| Our review of the Pension Fund auditor report identified that the value of pension fund assets was understated compared to 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 North Yorkshire Pension Fund. Total fund understated assets were £12.8m. The Authority's share of the total assets has been estimated at 0.9%. The Pension fund assets misstatement is (£12.8 million *0.9%); that is, £115.2k. | | | | |
| **Aggregate effect of unadjusted misstatements** | **0** | **115.2** | **115.2** | **0** |

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

## Other observation on internal control

**Description of deficiency**

Our walk through of the accounts receivable system revealed that the details of the invoice are entered by the inputter and the same person makes the invoice live on the system by pressing the complete button without any independent review, leading to lack of segregation of duties.

**Potential effects**

May lead to risk of misstatement, duplication of transactions and loss and increased risk of errors.

**Recommendation**

There should be appropriate segregation of duties while processing invoices.

**Management response**

The Authority has a small finance team of three, as such there are capacity restraints which mean separation of duties are not always possible. Where invoices are created by staff outside the finance team there is a separation of duty, those invoices are checked and cleared by a member of the finance team. Where invoices are created directly by a member of the finance team, these can be passed without secondary approval. However, Budget Managers have full reporting access, and regularly check their income against budget, they will identify any issues with the sales invoices in their own area. To mitigate risk and reduce the opportunity to manipulate the system, the members of the finance team do not directly manage a budget.

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