



# Audit Progress Report

## North Yorkshire Pension Fund and Council

September 2024

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Audit progress

# Audit progress

## Status of audits for the year ending 31 March 2023 and earlier

### Forvis Mazars LLP was the appointed auditor for Selby District Council, Scarborough Borough Council, Craven District Council and Harrogate District Council

Completion of the outstanding prior year audits continues to be a challenge for officers who have subsequently taken on new roles in North Yorkshire Council. We have therefore made limited progress on the district council audits since the last meeting of the Committee

We will continue to work with officers and it is important to note that, while we aim to avoid disruption, delays in responses can create significant inefficiencies in delivering our audit procedures.

#### Selby District Council

Our audit work is ongoing. We issued the Audit strategy memorandum in October 2023 and have several queries with officers and are awaiting responses. There are no matters to report at this stage.

#### Harrogate District Council

We have several significant outstanding queries on the 2021/22 audit in particular those associated with property valuations and group accounts. These queries have been outstanding for several months and, given their significance, need resolution before we could commence audit work on the 2022/23 accounts. We expect to issue a 2022/23 Audit Strategy Memorandum by the end of November 2024.

#### Craven District Council

The 2021/22 and 2022/23 draft financial statements were published in August 2024. We have substantially completed our work on the Council's value for money arrangements for 2021/22 and 2022/23 and intend to report the outcome to the October 2024 Audit Committee meeting.

We also plan to issue an Audit Strategy memorandum by the end of November 2024.

#### Scarborough Borough Council

We await the declaration from the Court following the Whitby Harbour hearing. For our routine audit work:

- we have completed detailed planning for 2022/23 and intend to issue an Audit Strategy Memorandum before the end of November 2024;
- we have completed value for money (VFM) arrangements work for 2015/16 to 2019/20 under the 2015 Code of Practice and our draft findings are under consideration by our moderation panel and we plan to issue a multi-year Annual Audit Letter on conclusion of this work;
- we have also completed our VFM arrangements work for 2020/21 to 2022/23 under the 2020 Code of Practice. Our Auditors Annual Report is under consideration by our moderation panel and on completion of the process we will issue report; and
- we are reporting a risk of significant weakness in the Borough Council's arrangements.

#### VFM Risk – Scarborough Borough Council – Whitby Harbour

Delays in completing audits from 2015/16 are a consequence of the ongoing uncertainty about the extent of the Whitby Harbour undertaking. In March 2021 following our analysis of a statutory objection, the underlying records and relevant legislation we issued a recommendation under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. The Borough Council then agreed to seek a declaration from the Court as to the status of the land in contention.

The uncertainty could have a material impact on the final financial position of the Borough Council and its level of General Fund reserves and the Whitby Harbour statutory reserve. With a potentially uncertainty in 2015/16 and subsequent financial years we have been unable to complete our audit work.

# Audit progress

## NYC 2023/24

### Accounts

We received draft Accounts on 21 August 2024 and a slightly updated version was published on 27 August 2024. At the time of writing, we are aware of the need for corrections identified by management to gross expenditure in the Comprehensive Income and Expenditure Statement and Property Plant and Equipment which we expect to receive shortly.

We have commenced detailed work on the statements and systems including:

- General IT Controls;
- system walk-through tests;
- income and expenditure testing; and
- journal testing.

Challenges in completing the audit are ongoing and the availability of officers to respond to our requests for information has resulted in some delays. We recognise that officers responsible for the production of the financial statements and supporting records have a range of other duties which sometimes leads to numerous and conflicting demands. Our audit work, however, can only progress when sufficient appropriate evidence is available.

We are now holding weekly meetings with key finance staff to focus on ensuring responses are timely. We hope to complete detailed testing by the end of October 2024 but that will only be possible if we receive timely responses for all audit queries.

At this stage there are no other matters we wish to raise with Members.

### VFM arrangements

We have completed most of our work and have drafted our VFM commentary which is subject to moderation. We will issue the report in draft when the moderation process is completed.

At this stage there are no matters we wish to raise with Members.

## 2023/24 update the Pension Fund

### Accounts

We received a full set of draft Accounts on 27 August 2024. Prior to this only partial accounts had been received.

We have commenced detailed work on the statements and systems including:

- General IT Controls for the pensions admin system;
- system walk-through;
- testing of contributions receivable and benefits payable; and
- testing of investment assets and investment income.

We began our audit work in July, following agreement with officers as to the timetable. However, the availability of officers to respond to audit queries and produce a full set of financial statements has led to delays in our audit work. Officers have indicated that all outstanding information will be provided by 13 September.

We are holding regular catch up calls with the key finance team.

At this stage there are no other matters we wish to raise with members.

# Audit progress

## Back-stop proposals

We have reported to previous Committees the national backlog in local authority financial reporting and local audit. After over 6 months of discussions with the sector and local auditors, on 7 February 2024, the government and the National Audit Office released a 4-week consultation on their proposals to address the national backlog. The plans were to reset, recover and reform the system.

## DLHUC proposals

To clear the backlog of accounts and ‘reset’ the system, the previous government department DLHUC proposed putting a date in law (the “backstop date”) – 30 September 2024 – by which point local councils would publish audited accounts for all outstanding years up to and including 2022/23.

Local auditors would issue a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before the backstop date.

To ‘recover’ the system, DLUHC proposed to put further backstop dates into law for the publication of audited accounts by local bodies.

On 30 July 2024, the newly renamed Ministry of Housing, Communities and Local Government published a statement including the proposed backstop dates, set out below.

- Financial years up to and including 2022/23: 13 December 2024
- Financial year 2023/24: 28 February 2025
- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

## CIPFA proposals

CIPFA consulted on temporary changes to the Code of Practice on Local Authority Accounting which include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least two years.

As of July 2024, CIPFA is no longer considering the temporary measures from earlier in the year, it is instead considering longer-term measures.

# 02

Publications and other updates

# National publications

	Publication/update	Key points
<b>National Audit Office (NAO)</b>		
1	NAO report: Improving educational outcomes for disadvantaged children	The NAO has published its report Improving educational outcomes for disadvantaged children which examines whether the Department for Education (DfE) is achieving value for money through its funding to support the attainment of disadvantaged children in educational settings in England.
2	NAO report: The effectiveness of government in tackling homelessness	The NAO has published its report The effectiveness of government in tackling homelessness.
3	NAO report: DWP customer service	The NAO has published its report DWP customer service which examines whether the Department for Work & Pensions (DWP) has an effective approach to customer service.
4	NAO report: The condition and maintenance of local roads in England	The NAO has published its report The condition and maintenance of local roads in England which examines whether the Department for Transport (DfT) is ensuring value for money through its funding provision for local road maintenance.
5	NAO insight: Digital transformation in government: a guide for senior leaders and audit and risk committees	The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid.
6	NAO insight: Good practice in annual reporting	Transparent, timely, and clear annual reporting in the public sector has never been more important. A good annual report is a key opportunity for bodies in the public sector.
<b>Other</b>		
7	Financial Reporting Council (FRC) – FRC report on quality of major local audits	Report on the quality of major local audits
8	Forvis Mazars – Preparing for the Procurement Act 2023	The Procurement Act 2023 is set to transform the procurement procedures for public sector bodies. Our latest article provides an in-depth overview of the new Procurement Act.
9	Forvis Mazars – Understanding the new ‘Failure to Prevent Fraud’ Offence in a Public Sector context	The UK Government has recently announced a new corporate criminal offence – the ‘failure to prevent fraud’ offence – within the Economic Crime and Corporate Transparency Act 2023.



# National publications and other updates

## 1. NAO report: Improving educational outcomes for disadvantaged children

The NAO has published its report Improving educational outcomes for disadvantaged children which examines whether the Department for Education (DfE) is achieving value for money through its funding to support the attainment of disadvantaged children in educational settings in England, from early years to the end of key stage 4 (the end of compulsory schooling). It assesses:

- whether DfE has a coherent approach to support the attainment of disadvantaged children, and its progress against its objectives;
- how DfE understands the attainment of children and how it evaluates what works to effectively allocate resources; and
- the accountability arrangements and support DfE provides schools and early years providers to ensure value for money.

The report concludes that each year, DfE spends around £60 billion to support all children across schools and early years settings. For 2023-24, this included an estimated £9.2 billion focused on supporting disadvantaged children and narrowing the attainment gap between them and their peers, with half of this comprising disadvantage elements of its core funding for schools.

Despite this investment, disadvantaged children performed less well than their peers across all areas and school phases in 2022/23. The gap in children's attainment had been narrowing before the COVID-19 pandemic, which then had a detrimental impact. The gap continues to widen for key stage 4, which is when children leave school, and, while the attainment gap for those finishing primary school narrowed slightly in the past year, it remains wider than it was a decade ago.

DfE has evidence to support some of its interventions and uses this to help schools and early years providers to make decisions. However, it does not yet understand the outcomes resulting from a significant proportion of its expenditure on disadvantaged children. It also does not have a fully integrated view of its interventions, or milestones to assess progress and when more may need to be done.

This, and the lack of sustained progress reducing the disadvantage attainment gap since 2010/11, means that DfE cannot demonstrate it is achieving value for money. To make progress, and secure value for money, it should build more evidence of what works, look strategically across its interventions and how it allocates its funding, and work effectively across government to address the wider factors to make progress on this complex issue.

[Improving educational outcomes for disadvantaged children](#)

# National publications and other updates

## 2. NAO report: The effectiveness of government in tackling homelessness

The NAO has published its report *The effectiveness of government in tackling homelessness*. Note: On 9 July 2024, the Department for Levelling Up, Housing & Communities (DLUHC) was renamed the Ministry of Housing, Communities & Local Government (MHCLG). The report refers to DLUHC throughout, as that was the name in use at the time of fieldwork.

This report follows on the NAO's last report on homelessness in 2017 – around six months before Homelessness Reduction Act (HRA) 2017 came into force. The report assesses value for money in terms of whether DLUHC is working with government departments and local authorities in a way that maximises government's ability to tackle homelessness. Specifically, it looks to establish whether DLUHC: has a good understanding of the nature of homelessness; is delivering appropriate system leadership; and supports local authorities well.

The report concludes that homelessness is a highly complex issue affected by a wide range of social and economic factors, and by government policy in areas such as housing, welfare and asylum. Statutory homelessness has increased significantly in recent years, meaning that more people are finding themselves either with no stable place to live or in temporary accommodation provided by their local authority.

Providing temporary accommodation alone cost local authorities over £1.6 billion in 2022-23, but it varies in quality and there are gaps in regulation, while some of it – such as B&Bs being used for households with children – is unsuitable. Dealing with homelessness is creating unsustainable financial pressure for some local authorities.

The situation has worsened since the NAO last examined the issue in 2017. Despite the introduction of HRA 2017, homelessness numbers are at a record level and expected to increase. While DLUHC has developed much better homelessness data and stronger links with local authorities, the government still has no strategy or public targets for reducing statutory homelessness, and DLUHC is falling behind on key programmes to improve housing supply. Funding remains fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

Until these factors are addressed across government, DLUHC will not be able to demonstrate that it is delivering optimal value for money from its efforts to tackle homelessness.

[The effectiveness of government in tackling homelessness](#)

# National publications and other updates

## 3. NAO report: DWP customer service

The NAO has published its report DWP customer service which examines whether the Department for Work & Pensions (DWP) has an effective approach to customer service. The evaluative criteria used to assess value for money included whether DWP:

- has a clear framework for monitoring customer service, such as clear objectives, measures and performance reporting;
- has provided good customer service over recent years in relation to four key areas – satisfaction, payment accuracy, payment timeliness and telephony; and
- has clear plans to improve customer service

The report concludes that DWP has a responsibility to provide good customer service, not least because its customers cannot switch to an alternative welfare provider if they are unhappy with the service they receive. Its customers include some of the most vulnerable in society, who rely on DWP for the accurate and timely payment of the benefits to which they are entitled.

Faced with growing demand and a challenging operational context, DWP's customer service has fallen short of the expected standards over recent years, particularly for certain benefits, such as Personal Independence Payment (PIP). It is generally not meeting its performance benchmarks or standards for customer satisfaction, payment timeliness and answering calls to its in-house telephone lines.

There are some areas of strong performance with, for example, the proportion of State Pension customers satisfied with the service they receive consistently above DWP's benchmark of 85%, and Universal Credit performing well on payment timeliness and telephony.

But there are also areas of poor performance, in particular payment timeliness for PIP with only 52% of claims processed in line with the 75-day standard in 2023-24 – although this represents a considerable improvement compared with previous years.

DWP recognises that it needs to transform its services to be a customer-focused organisation. Its modernisation plans are based on a good understanding of the issues that need to be addressed and are necessarily ambitious. However, the scale and complexity of the plans mean delivery is risky, and DWP is unlikely to achieve in the short term the improvements that are needed.

DWP must now set out how it will assess whether its actions to improve customer service are working and how it will track progress towards its goals. This will provide assurance on value for money and help DWP keep its plans on track so that it can consistently provide a good service to those people who rely on it.

[DWP customer service](#)

# National publications and other updates

## 4. NAO report: The condition and maintenance of local roads in England

The NAO has published its report The condition and maintenance of local roads in England which examines whether the Department for Transport (DfT) is ensuring value for money through its funding provision for local road maintenance, and whether it is effectively fulfilling its role in supporting local authorities to deliver local road maintenance. The NAO has assessed whether:

- DfT understands the condition of local roads in England;
- DfT is using its data and information to inform its funding decisions; and
- DfT is supporting local authorities effectively through providing guidance on asset maintenance.

The report concludes that local roads are a vital part of local transport infrastructure, used every day by millions of people. Despite their importance, the condition of local roads is declining and the backlog to return them to a good state of repair is increasing.

DfT has provided between £1.1 and £1.6 billion of capital funding each year to local authorities and has set out plans for additional funding through to 2034. Given the fiscal constraints, it is essential that DfT secures maximum value from the funding it has available.

However, at present DfT does not have a good enough understanding of the condition of local roads and does not use the limited data it does have to allocate its funding as effectively as possible. It does not know whether the funds it allocates are delivering improvements in road condition, and has not updated its

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guidance to local authorities, to share good practice and help them make the most of their limited funds, for some years.

Managing the local road network is becoming increasingly complex – for example, as climate change and autonomous vehicles demand more from it – and the additional funding that DfT has secured provides an opportunity to equip local authorities to better meet these challenges.

If DfT is able to address the issues in its current approach it will be much better placed to improve the value for money of funding in this area and secure an improved and more resilient local roads network.

<https://www.nao.org.uk/reports/the-condition-and-maintenance-of-local-roads-in-england/>

# National publications

## 5. NAO insight: Digital transformation in government: a guide for senior leaders and audit and risk committees

The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid. The guide identifies seven areas where the more persistent obstacles stand in the way of successful digital transformation in government and have grouped them into three themes:

- constraints of the existing environment;
- under-estimating the scope of early work; and
- lack of skills and leadership.

[Digital transformation in government: a guide for senior leaders and audit and risk committees](#)

## 6. NAO insight: Good practice in annual reporting

Transparent, timely, and clear annual reporting in the public sector has never been more important.

A good annual report is a key opportunity for bodies in the public sector to:

- weave a compelling narrative that resonates with the public;
- serve as a tool for accountability by shedding light on how taxpayer's money has been spent; and
- equip stakeholders with information to hold organisations to account.

The list is not definitive but should provide ideas on content and format for all bodies in both the public and private sector as they plan their annual reporting for 2023-24.

[Good practice in annual reporting](#)

# National publications

## Other

### 7. Financial Reporting Council (FRC) - FRC report on quality of major local audits

The FRC has published its report on the quality of major local audits which summarises the FRC's regulatory approach for financial years up to and including the year ended 31 March 2023 and sets out the findings from the 2022-23 inspections cycle.

The FRC reviews in the 2022-23 inspection cycle comprised six health and four local government audits. The audits inspected had year-ends in March (or in one case May) 2021 (local government) and March 2022 (health). For local government audits, inspections were selected from those finished in the 2022 calendar year (regardless of the financial year the audit related to) due to the challenges brought on by the backlog. Therefore, more audits were inspected from the health sector and as a result, the findings in the report are more indicative of audit quality in the health sector. Across all suppliers, all financial statement audits were assessed as "good" or "limited improvements required". Areas requiring limited improvements included:

- audit procedures regarding completeness and accuracy of expenditure; and
- on the audit of one NHS Trust, the inspection concluded that audit procedures were not sufficiently tailored to address the impact of backlog maintenance on property, plant and equipment valuations.

In terms of value for money (VFM) inspections, six related to health and three local government bodies. This is less than the number of financial statement audits inspected because the auditor's work on VFM arrangements was not complete on one audit that was inspected. All VFM inspections were assessed as good or limited improvements required. Areas requiring limited improvements included:

- risk assessment procedures not being performed in a timely manner;
- not considering the arrangements in place at the body to manage, monitor and oversee its subsidiaries; and
- the audit team not updating their initial risk assessment or reporting to consider how the body had achieved its outturn financial position.

Examples of good practice have also been included in the report regarding risk assessment, execution of the audit, and audit completion and reporting.

[FRC publishes report on the quality of major local audits amid delays in local government](#)

# National publications

## Other

### **8. Forvis Mazars – Preparing for the Procurement Act 2023**

The Procurement Act 2023 is set to transform the procurement procedures for public sector bodies in the UK by:

- enhancing transparency in procurement processes, requiring greater disclosure of information about procurement opportunities;
- improving efficiency by introducing new measures such as electronic procurement platforms; and
- promoting fairness to ensure all suppliers have equal access to government contracts.

Our latest article provides an in-depth overview of the new Procurement Act, including when it will be implemented, key provisions and how public sector organisations can prepare.

[Preparing for the Procurement Act 2023](#)

### **9. Forvis Mazars – Understanding the new ‘Failure to Prevent Fraud’ Offence in a Public Sector context**

The UK Government has recently announced a new corporate criminal offence – the 'failure to prevent fraud' offence – within the Economic Crime and Corporate Transparency Act 2023.

Fraud is currently the most common crime in the UK, and this new offence is designed to drive a cultural shift, encouraging organisations to improve their prevention procedures and reduce instances of fraud. It strengthens existing powers to fine and prosecute organisations for fraud committed by their employees and agents, closing loopholes that have allowed organisations to avoid prosecution in the past.

This new offence holds large organisations, both in the public and private sectors, accountable for fraudulent activities committed by their employees or agents.

[‘Failure to Prevent Fraud’ in the Public Sector](#)

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