



Audit Progress Report

North Yorkshire Pension Fund and Council

December 2024

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Audit progress

Audit progress

North Yorkshire Council 2023/24

Accounts

We received draft Accounts on 21 August 2024 and an updated version was published on 27 August 2024.

We have partially completed the detailed work on all areas of the financial statements and systems. The main areas of work which are currently outstanding are:

- journal testing;
- responses to requests for information from management and those charged with governance;
- detailed testing of income and expenditure;
- cash flow statement;
- property, plant and equipment;
- PFI;
- leases;
- loans;
- investments;
- detailed debtors and creditors testing;
- cash and bank;
- long-term liabilities;
- pensions;
- housing revenue account;
- collection fund;
- group accounts;
- harbour undertaking accounts; and
- accounts closure processes.

Challenges in completing the audit are ongoing and the availability of officers to respond to our requests alongside the requests of all the other audits running, inevitably impacts on progress. We are working closely with the finance team and acknowledge the importance of completing the NYCC 22/23 audit, which forms the foundation of the North Yorkshire Council's accounts for 23/24.

Our audit, however, can only progress when sufficient appropriate evidence is available.

We are holding weekly meetings with key finance staff to focus on ensuring responses are timely and we hope to complete detailed testing by the end of January 2025. By mid-December our internal consultation arrangements should lead to a conclusion about whether we can realistically deliver an unmodified audit opinion or whether the audit backstop will take effect.

Back-stop proposals

We have reported to previous meetings of the Committee the new national backlog arrangement in respect of local authority financial reporting and local audit.

The backstop date for the financial year 2023/24 is 28 February 2025.

Our planned audit approach is being reviewed by the Engagement Quality Reviewer to ensure that our audit procedures can obtain sufficient assurance for all areas of the accounts.

Value for money (VFM) arrangements

We have completed most of our work and have drafted our VFM commentary.

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

Audit progress

North Yorkshire Pension Fund 2023/24

2023/24 Audit

We have continued to experience delays in the responses provided to audit queries. At the time of issuing this report the following audit areas remain outstanding.

Reconciliation of pensions paid to the general ledger

Our audit work identified that a reconciliation of the pensions paid from the pension admin system to the general ledger to ensure all payments have been recorded is not performed. As this expected, routine control has not been completed the pension fund finance team is assisting with our follow up procedures and our work is ongoing. An internal control recommendation will be reported in our closing report.



Investment sales

Supporting evidence to be provided for one sales transaction from our sample.



Investment management expenses

Supporting evidence to be provided for two sampled items.



Note 18 Financial Instruments

Copies of reports used by the pension fund to prepare this disclosure have not yet been provided.



Review of predecessor auditor files

Predecessor auditors have not yet completed their work and issued their opinions.



Final set of financial statements and annual report

An updated set of financial statements is required in response to our audit findings and technical review points.



ITGC work

Work in respect of the pensions admin system is complete. We are awaiting completion of the ITGC work for North Yorkshire Council for the general ledger.



Status

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

Audit progress

Requests for work on the Pension Fund by local government employer body auditors

We have completed our work on investment assets but we are not yet in a position to respond to employer body auditors in respect of benefits paid.



Status

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

Audit review and quality control procedures

Completion of manager and engagement lead review procedures is ongoing.



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

Completion procedures

Audit completion procedures such as review of the final set of financial statements, receipt of the signed letter of representation, review of post balance sheet events and other completion steps depend on progress in the areas highlighted earlier.



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

We continue to have regular meetings with officers to monitor progress on the queries that remain outstanding. We had hoped to have completed our detailed testing by the end of October but this has not been possible. We have revised the planned completion date to December, but that will only be possible if we receive timely responses for all audit queries.

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Publications and other updates

National publications

	Publication/update	Key points
National Audit Office (NAO)		
1	NAO Insight: Achieving environmental improvement and responding to climate change	The NAO has published Achieving environmental improvement and responding to climate change which draws out learning from past NAO reports to identify enablers that are seen as important for tackling the challenges government faces in its environment and climate change work.
2	NAO report: Dangerous cladding: the government's remediation portfolio	The NAO has published its report Dangerous cladding: the government's remediation portfolio which assesses whether the Ministry of Housing, Communities & Local Government's (MHCLG) remediation portfolio in England is completing timely remediation of unsafe cladding at a reasonable cost to the taxpayer.
3	NAO report: The impact of fraud and error on public funds 2023-24	The NAO has published its report The impact of fraud and error on public funds 2023-24 which provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic.
Other		
4	Financial Reporting Council (FRC) – quality of major local audits	Report on the quality of major local audits

National publications and other updates

1. NAO Insight: Achieving environmental improvement and responding to climate change

The NAO has published *Achieving environmental improvement and responding to climate change* which draws out learning from past NAO reports to identify enablers that are seen as important for tackling the challenges government faces in its environment and climate change work.

Scope of the report

In 2020, the NAO carried out two broad reviews of how the government is organised to achieve net zero and its wider environmental goals, including its goal to adapt to a changing climate. Since then, the NAO has examined many of the interventions that it has established to help meet these goals. This has covered individual projects and programmes, for example, on energy efficiency grants and tree-planting, as well as broader portfolios of government's work such as those to decarbonise home heating or improve air quality.

Concluding remarks

Achieving the government's legislative climate change and environmental targets requires sustained and coherent action over successive parliaments, and substantial progress over the next five years. This means that the leadership role of the centre of government and lead departments – the Department for Environment, Food & Rural Affairs (Defra) and the Department for Energy Security & Net Zero (DESNZ) – is critical.

Strong leadership will ensure that the government develops a coherent set of interventions that together succeed in putting the UK on track to achieve its overall targets. Strong leadership also creates the conditions for securing most value from the public and private investment involved.

The scale and complexity of improving the natural environment and responding to climate change means that the government's approach to leadership on these issues needs continued focus and attention. Our work shows that this should include building its approach to culture, strategic direction and integration.

National publications and other updates

2. NAO report: Dangerous cladding: the government's remediation portfolio

The NAO has published its report *Dangerous cladding: the government's remediation portfolio* which assesses whether the Ministry of Housing, Communities & Local Government's (MHCLG) remediation portfolio in England is completing timely remediation of unsafe cladding at a reasonable cost to the taxpayer. The report examines:

- how well MHCLG has designed its portfolio to maximise the identification and remediation of unsafe buildings;
- whether remediation is progressing as expected; and
- how well MHCLG is managing taxpayers' exposure to remediation costs across the lifetime of the portfolio.

The report concludes that as MHCLG's aluminium composite material (ACM) programme draws to a close, remediation works on most tower blocks over 18 metres with the most dangerous form of cladding are now complete or nearing completion.

However, the scale of the cladding crisis has proved much bigger than the government initially understood, and its interventions have expanded as a result. For the many thousands of residents who have been living in fear of fire, facing costly remediation bills, struggling to access mortgage finance or affordable insurance, or unable to move, leaseholder protections and the promise of a way forward for all buildings over 11 metres are welcome.

The principle of 'polluter pays', where the costs of remediation works are met by those responsible, was established to relieve pressure on the public purse, improve public value and protect leaseholders from paying to fix a problem that is not of their making. However, there is a long way to go before all affected buildings are made safe, and there are risks MHCLG must address if its approach is to succeed.

Of the 9,000 to 12,000 buildings over 11 metres that MHCLG estimates will need remediating, 4,771 buildings have been identified and included in its portfolio, leaving up to 60% of affected buildings still to be identified. Of those identified, remediation work has yet to start on half and has completed on around a third. Of all the buildings that may be in scope, work has completed on only 12–16%. The pace of remediation works is behind where MHCLG expected it to be. Putting the onus on developers to pay and introducing a more proportionate approach to remediation should help to protect taxpayers' money.

However, this approach also created grounds for lengthy disputes between developers and freeholders over the scope of works required and these disputes are causing delays. To stick to its £5.1 billion cap in the long run, MHCLG needs to ensure that it can recoup any funds it spends above this through successful implementation of the proposed Building Safety Levy. MHCLG has been slow to address fraud risks and must ensure its incentivisation and enforcement activities encourage reluctant freeholders to engage and ensure the industry is not stalling.

Seven years on from the Grenfell Tower fire, there has been progress, but there also remains considerable uncertainty about the number of buildings needing remediation, the cost of remediating them, and how long it will take to fix them and to recoup spending in the long run.

National publications and other updates

3. NAO report: The impact of fraud and error on public funds 2023-24

The NAO has published its report The impact of fraud and error on public funds 2023-24 which provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic.

This overview summarises the key information and insights from the NAO's work. It includes:

- what we mean by fraud and error, and how government is structured to tackle it
- the fraud and error risk management cycle
- fraud and error against government, including in benefits, taxes and COVID-19 fraud
- emerging threats and opportunities
- what to look out for when thinking about fraud and error

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

The FRC has published its report Quality of major local audits which contains the following sections:

- Explains the changes the FRC has made in its inspection programme to ensure its approach supports the Government's measures to address the backlog in local government. This includes extending the FRC's commitment not to perform routine inspections in local government up to and including the financial year ended 31 March 2024, unless there is a clear case in the public interest to do so.
- Reports the findings of the FRC's most recent cycle of audit quality inspections which included 8 NHS and 2 local government audits. This is at a sector wide and not individual firm level.

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