

# North Yorkshire Council

## Audit Committee

Minutes of the meeting held on Monday, 15 December 2025 commencing at 1.30 pm at County Hall, Northallerton.

Committee Members present: Councillor Cliff Lunn in the Chair plus Councillors George Jabbour, Alyson Baker, Philip Broadbank, Andy Brown, David Chance, Karin Sedgwick, Neil Swannick, Peter Wilkinson, Mr David Marsh, Mr David Portlock and Buckley.

Councillors in attendance: Councillors Janet Jefferson, Tom Seston and Subash Sharma.

Officers present: Gary Fielding, Corporate Director of Resources; Karen Iveson, Assistant Director Resources; Richard Webb, Corporate Director of Health and Adult Services; Anton Hodge, Assistant Director Resources; Vicky Murray, Senior Commercial Manager; Nic Harne, Corporate Director of Community Development; Paul Foster, Assistant Director Resources; Barry Khan, Assistant Chief Executive (Legal and Democratic Services); and David Smith, Senior Democratic Services Officer.

Other attendees:

Cath Andrew and Mark Kirkham, Forvis Mazars.

Max Thomas, Head of Internal Audit, and Stuart Cutts, Assistant Director – Audit Assurance, Veritau.

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**Copies of all documents considered are in the Minute Book**

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### **221 Apologies for absence**

No apologies for absence were received, but Councillor Cunliffe-Lister joined the meeting virtually. It was highlighted that she could take part in the discussion but could not propose, second, amend or vote on any motions.

### **222 Minutes of the meeting held on 29 September 2025**

The minutes were approved as a correct record.

### **223 Declarations of interest**

Councillor Chance said that he had been portfolio holder for leisure at Scarborough Borough Council when the decision on Scarborough Waterpark was made but clarified that he had not made any strategic decisions on the matter other than in Cabinet. He also said that he had been Chair of the Scarborough Borough Council Audit Committee in 2016 when they had refused to sign off the accounts. He declared that he had an open mind for the items on the agenda.

Councillors Janet Jefferson and Subash Sharma declared they had been Councillors on Scarborough Borough Council when the decision on Scarborough Waterpark was made, voting against the decision.

### **224 Exclusion of the public**

Members agreed to exclude the public from Item 19a on the basis that it was likely 'information relating to any individual' and 'information relating to the financial or business affairs of any particular person (including the authority holding that information)', as described in paragraphs 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972, would be discussed.

## **225 Public questions or statements**

Three public questions were received.

Question from James Corrigan:

I note from the updated accounts published at Appendix C of Agenda Item 13 that several adjustments have been made to the draft statement of accounts originally published on 27 June 2025. I particularly note that a new point 31 has been disclosed in the Statement of Accounting Policies to explain the 'Key Accounting Concept of Materiality'. It is clear from this explanation that this concept is more than just a number. The second sentence states:

'Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting local authority.'

Bearing in mind the significant public interest and the High Court Judgement in relation to Whitby Harbour does the Council consider that the adjustments made in relation to Whitby Harbour and Scarborough Harbour as set out in Note 41 of the statement of accounts are material?

Response to James Corrigan:

In the financial statements any misstatements, including omissions, are considered material if individually or in aggregate they could reasonably be expected to influence the economic decisions of users of the accounts. The quantitative level that materiality is set at is an auditor judgement and for the 2024/25 audit it was to set at £36.9m (2023/24: £34.5m). Based on the calculations undertaken to determine the funds that should be held within the individual Harbour reserves, both individually and in aggregate, the balances are not quantitatively material. Additionally, while there is a level of public interest in the High Court Judgement it isn't considered sufficient for it to be material in terms of the accounting adjustments as there is not a significant impact on the Council's level of income and expenditure, future delivery of services or intended capital projects and as such is not considered to be an influence on the decision making of a user of the accounts.

Therefore following the Council's assessment of a range of factors it does not consider the adjustment to be material.

In a supplementary question, James Corrigan asked for information on why the Council had spent significant amounts of money to defend an incorrect position and why the signing of accounts had been delayed since 2015 if the amount of money being discussed is not material. The Chair clarified that a response would be provided in writing.

Question from Robin Gray:

I note from the updated accounts published at Appendix C of Agenda Item 13 that the Council has revisited the reserves for Scarborough Harbour and Whitby

Harbour in the stated sums of £3.5 million and £18.5million, which appear to be round sum estimates. These balances are shown in note 35(b) of the Statement of Accounts as 'Earmarked Reserves' with a sub - heading 'Retained for Specific Initiatives'.

Earmarked Reserves are defined in the CIPFA Code of Practice on Local Authority Accounting as 'funds set aside for specific future needs'. That is a decision by the Executive to set the funds aside, which can equally be reallocated or released by Executive decision.

Will this Audit Committee please confirm

A) that the use of so-called 'Earmarked' Reserves is not the appropriate heading for the Ring Fenced funds retained as set out in the specific legislation for each harbour,

B) whether the amounts quoted are round sum or actual amounts belonging to each harbour, and

C) the rate of interest on these ring - fenced funds also forms part of the ring - fenced funds.

Response to Robin Gray:

The Council's reserves are categorised as either Useable or Non-Useable and within useable reserves they are further categorised into General Balances or Earmarked Reserves. Earmarked Reserves is the appropriate categorisation of the harbour ring fenced reserves.

The amounts are the estimated accumulated historic balances extrapolated from the historic records available to the Council following the Court Judgment.

The Council does not as a general rule apply interest to earmarked reserves and no specific provision for interest is included in the reported balances. Nor does the council charge interest internally (one exception being the Housing Revenue Account which is subject to specific rules). In the context of the Council's financial statements, interest is not material and would not have any bearing on decisions concerning harbour related expenditure.

In a supplementary question, Robin Gray asked that if the Council was not paying interest to the harbour on the funds it was holding, then could information be provided on the approximate rate that the Council receives interest on its cash deposits and short-term investments. The Chair clarified that a response would be provided in writing.

Question from Susan Boyce:

My question refers to Agenda Item 13, the draft Statement of Accounts for 2024/2025.

Section 22 (p17) of the Narrative report in Appendix C recounts my objections to previous years' Annual Accounts and then summarises the High Court judgment, which was issued in March 2025. The revised draft Accounts now show a Whitby Harbour Reserve of £18.5M within the Council's Earmarked Reserves.

Mr Justice Sweeting's judgment was very clear about the correct interpretation of the Whitby Urban District Council Act of 1905. He stated that '*Section 62 refers expressly to "the harbour account" and not simply a practice of separate accounting*'. One of the specific questions submitted by the Council to the Court

was “Does the 1905 Act require a segregation of the capital assets and liabilities pertaining to the Harbour?” The Court ruled that “Yes it does”.

However, note 41 (p124) of the Council’s Draft Accounts, entitled "Land at Whitby Harbour", only shows the financial performance of Whitby Harbour and Scarborough Harbour, together with the book value of the assets and reserves attributed to each harbour.

The Council presents the disclosures in note 41 as the practice of separate accounting. But the Court Judgment was definitive that this practice is not sufficient. Whitby Harbour is not simply a department within North Yorkshire Council: it is a Statutory Harbour Authority, governed by its own specific legislation that requires its own full annual accounts to be prepared as a separate entity.

Q. Will this Council produce full annual accounts for the Whitby Statutory Harbour Authority as a separate entity, in accordance with the High Court Judgment of March 2025?

Response to Susan Boyce:

The Council has fulfilled its obligations for the segregation and reporting of the statutory harbour undertakings. There are no unapplied capital receipts to report relating to the harbours. Should any such liabilities arise in the future then these will be reported.

In a supplementary question, Robin Gray asked whether, given the risk that this council's accounts may not comply, the Audit Committee should still go ahead and delegate responsibility for final sign off as per the recommendation. The Chair clarified that a response would be provided in writing.

## **226 Progress on issues raised by the Committee**

The report was introduced by Gary Fielding, Corporate Director of Resources and the following key points were highlighted.

- It was highlighted that Data Protection and Information Security Training had been delayed due to illness.
- Officers reported that an update regarding Minute 213 would be sought.
- It was confirmed that an item covering Scarborough Waterpark was on the agenda.
- It was confirmed that the Annual Report of the Audit Committee had been submitted to Full Council.

### **Resolved**

- a) That no further follow-up action is required on any of the matters referred to in the report.

## **227 Directorate Risk Register - Health and Adult Services**

Richard Webb, Corporate Director of Health and Adult Services, and Anton Hodge, Assistant Director – Resources, introduced the report highlighting several risk areas and the actions being taken to mitigate these. Following the update, Richard confirmed that he was leaving the Council and so this would be his final report to the Audit Committee. A discussion took place, and the following points were raised by the Committee.

- The department were congratulated on the positive outcome of the Care Quality Commission (CQC) review.
- Members acknowledged ongoing challenges and agreed the department is managing them effectively.
- Assurance was sought on the impact of the Corporate Director's departure. The team's resilience and ability to maintain performance was confirmed.
- Members noted the potential risk to the care workforce arising from changes to immigration and other national policies.
- It was queried whether any funding was received from the Combined Authority. Officers advised that any increased funding comes with additional requirements, resulting in no net financial gain.
- Members asked about apprenticeship provision and officers confirmed that an apprenticeship programme is in place.

### **Resolved**

- a) That the review of the effectiveness of governance arrangements in the Health and Adult Services Directorate is noted.
- b) That the Directorate Risk Register for the Health and Adult Services Directorate is noted.

## **228 Procurement & Contract Management Update**

Vicky Murray, Senior Commercial Manager, introduced the report covering the Procurement and Contract Management Service's recent achievements, strategic priorities, regulatory compliance, savings initiatives, support for SMEs and VCSEs, social value integration, sustainability efforts, skills development, and governance framework.

The following key points were raised during the discussion.

- Members asked what lessons had been learned from the Kex Gill project. Officers advised that Internal Audit is undertaking a review and will report back to the Committee in due course.
- Clarification was sought on the savings delivered since 1 April 2023. Officers explained that some savings will be realised over time and offered a detailed breakdown at a future meeting. They confirmed they are satisfied with progress.
- Members asked for clarification on cashable and non-cashable savings. It was clarified that cashable savings are those that can be removed from the budget, while non-cashable savings are one-off or efficiency/avoided-cost gains – often funded by capital or grants – that deliver benefit but do not reduce the baseline budget.
- In relation to paragraph 3.14, Members asked whether the Council has any exposures arising from the Procurement Act 2023 and its associated challenges. Officers reported that no major exposures have been identified. They explained the issues are technical rather than legal or policy and that workarounds are in place to maintain compliance. An internal audit is scheduled for Quarter 4 to check compliance and confirm that the workarounds have prevented any exposure.

### **Resolved**

- a) That the Committee note the report.

## **229 Charter Trustees Finance Report**

Karen Iveson, Assistant Director Resources, introduced the report explaining that it presents the final accounts of the Charter Trustees for Harrogate and Scarborough. It was explained that, having liaised with the Charter Trustee's auditors, it is deemed that the Audit Committee is the appropriate place to sign off the accounts.

Members noted a discrepancy regarding page 88 of the papers, with some indicating that the page had been signed but not dated, while others confirmed that a date was present. It was clarified that the Charter Trustees for Scarborough document was signed by Internal Audit on 10 July 2025.

### **Resolved**

That the Audit Committee

- a) Notes the expenditure incurred to the end of March 2025 by both sets of Charter Trustees.
- b) Approves the year-end returns for the Charter Trustees of Harrogate and the Charter Trustees of Scarborough.
- c) Certifies the Charter Trustees for both Harrogate and Scarborough as exempt from the requirement for a limited assurance review.

## **230 Report of the Corporate Governance Working Group**

David Portlock, Independent Co-opted Member, introduced the Report of the Corporate Governance Working Group which summarised the outcome of the consideration of the Statement of Final Accounts (SOFA) by the Working Group.

Members were reminded that at the Audit Committee meeting on 23 June 2025, the Committee resolved that Councillors Lunn, Broadbank, Chance and Swannick, as well as Independent Co-opted Member Mr David Portlock be part of the Working Group.

It was reported that at the meeting on 6 October 2025, the Working Group concluded that they were satisfied with the SOFA and subject to the work on Harbours and Building Assurance and no further material changes, the group resolved to recommend that Audit Committee approve the North Yorkshire Council SOFA 2024/25, including the North Yorkshire Pension Fund and Annual Governance Statement.

Members were informed that the Working Group had also met on 12 December 2025 and had agreed to recommend to the Audit Committee that the SOFA tabled at Item 13 be approved subject to the resolution of final issues with external audit. It was highlighted that these final issues were not material.

### **Resolved**

- a) That the report and the recommendations of the Corporate Governance Working Group are noted.

## **231 External Audit - Auditor's Annual Report (Draft)**

Cath Andrew and Mark Kirkham of Forviz Mazars presented the Auditor's Annual Report and the Audit Completion Report. It was noted that the NYPF Letter of Assurance remains outstanding but that progress was being made and an unmodified opinion for the pension fund is expected. External audit confirmed they were unable to provide full assurance under current guidance, resulting in another disclaimed opinion. An update was given on matters previously flagged as outstanding in the NYPF report, and the Committee noted the position without raising any concerns.

In response to a question, external audit confirmed that, provided sufficient evidence is obtained during the audit and subject to the delivery and application of technical guidance, their aspiration is to issue an unmodified opinion for 2025/26, marking a return to a standard audit approach. Achieving this will depend on guidance that mitigates the risk of issuing an incorrect opinion. The main area of concern is usable reserves, linked to opening balances following Local Government Reorganisation and the absence of full audit opinions for predecessor councils. External audit said the draft audit opinion for 2024/25 is under review currently, and it is anticipated that the review will conclude usable reserves at 31 March 2025 will be the area where there is unmitigated audit risk. External audit aims to establish procedures to address these risks for 2025/26. Members requested that external audit keep the Chair updated as soon as possible if this aspiration changes.

Following a question on the “Group reporting” point under *Significant matters discussed with management* (page 142 of the papers), external audit confirmed that work on the group accounts is complete and will not delay the issuance of the 2024/25 disclaimed accounts.

In relation to significant control weaknesses identified in capital scheme management, information security, and project management decision-making, a query was raised about what risk management processes are in place to prevent overspends such as that which occurred at Kex Gill. Officers indicated that it may be more appropriate to deal with this query whilst reviewing the AGS under Item 13.

#### **Resolved**

- a) That the External Audit – Auditor’s Annual Report is noted.

### **232 External Audit - Audit Completion Report (NYC and NYPF)**

During the meeting, Items 11 and 12 were considered together and so for details of the discussion on the External Audit Completion Reports for NYC and NYPF, please see Minute 231.

#### **Resolved**

- a) That the External Audit – Audit Completion Report (NYC and NYPF) is noted.

### **233 Statement of Final Accounts**

Karen Iveson, Assistant Director Resources introduced the NYC and NYPF Statement of Final Accounts for 2024/25.

A query was raised regarding the impact on general reserves following the allocation of funds to Scarborough and Whitby Harbours. It was explained that while this reduces flexibility in how reserves can be used, the allocation does not materially affect the Council’s overall financial position. It was clarified that the calculation of reserve balances spans a significant number of years and includes all related income streams. At this point, it was clarified that the amount of money put aside for the harbours is not likely to increase as all historical records have been used in the calculation. It was also clarified that income from harbour parking had previously been accounted for elsewhere in the Council’s budget, but following the judgement this income must now be recorded within the harbour accounts.

A query was raised regarding who would manage the harbour reserves and whether efforts would be made to generate additional income from them. It was confirmed that both

harbour reserves are in surplus, the Council will manage the funds and determine how they are spent, and the Council remains incentivised to invest in the harbours and maximise income.

A query was raised regarding whether the Council had complied with the judgment in the Whitby Harbour Court case. It was confirmed that compliance is believed to have been achieved. A follow-up query asked whether all costs awarded by the Court had been paid; it was noted that this would need to be confirmed by Legal, and a response will be provided outside the meeting.

A vote was taken on the recommendations within the report and the Committee unanimously resolved the below.

### **Resolved**

- a) That Members authorise the Corporate Director Resources to sign the Letters of Representation as set out in paragraph 5.3 and Appendix A.1 and Appendix A.2 on behalf of the Audit Committee.
- b) That in relation to NYC's Statement of Final Accounts (SOFA) 2024/25:
  - (i) Members note the changes to the SOFA as set out in paragraph 4.2 and Appendix B
  - (ii) Members approve the SOFA for 2024/25 (paragraph 5.6); and
  - (iii) Subject to no further material changes arising from the audit, delegate authority to the Chairman, Chief Executive and Corporate Director Resources to sign the Statement of Responsibilities for the Statement of Accounts as attached at Appendix C.

## **234 Internal Audit Work Programme Consultation Report**

Max Thomas, Head of Internal Audit, and Stuart Cutts, Assistant Director – Audit Assurance, presented the report, noting that it initiates discussion on the audits planned for the forthcoming year. It was explained that while the work programme may be amended during the year, the report provides a basis for determining priorities. Some areas have already been identified, and Internal Audit welcomed the Committee's views on areas of concern.

Members identified several key areas for consideration.

- Information Security – It was noted that this area has been reviewed recently and is subject to regular audit.
- Project Management – While Members acknowledged that the Kex Gill project is under review, they suggested that wider project management issues should also be examined, including governance of Council-owned companies such as Brierley Homes. Officers confirmed that project management is being addressed more broadly and that risks are recognised with mitigations in place. A detailed review will be undertaken. It was further noted that the council's arrangements to oversee the governance of Council companies had been subject to a recent audit, but ongoing monitoring by the Audit Committee remains appropriate.
- Asset Management – Members proposed an audit of the Council's assets, including utilisation rates and whether assets are being used to their full potential. Officers advised that this may fall within operational management rather than internal audit, but agreed to consider the suggestion.

- Harrogate Conference Centre – Members highlighted this as a risk area for potential review by Internal Audit.
- New Finance System – Members noted the forthcoming implementation of the new finance system. Officers confirmed that Internal Audit is already engaged in reviewing this and will continue to do so as the system goes live in April 2026.
- Business Continuity Planning – Members suggested this as a potential topic. Officers agreed to review when this was last undertaken and consider the most appropriate approach.

### **Resolved**

That the above areas be considered for inclusion in the 2026/27 internal audit work programme.

## **235 Internal Audit and Counter Fraud Progress Report**

Max Thomas, Head of Internal Audit, and Stuart Cutts, Assistant Director – Audit Assurance introduced the report, which provided an update on work completed since the previous progress report.

During discussion, the following points were raised.

- Members expressed interest in the internal audits on property asset management and information security.
- It was clarified that items marked 'Do Next' are scheduled for January to March 2026.
- A query was raised regarding the objective of the harbour audit and it was confirmed that this will focus on operational matters rather than the accounting treatments discussed earlier in the meeting.
- Concern was expressed about the number of overdue actions highlighted on page 502 of the papers. Officers reported that of the 46 overdue actions, 23 have now responded, and good progress is being made on the remainder. Members requested further information on these overdue actions which officers agreed to include in future reports.

### **Resolved**

That the Committee notes the progress made in delivering the 2025/26 Internal Audit programme of work and the other assurance related services provided by Veritau.

## **236 Annual Governance Statement mid-year review**

Karen Iveson, Assistant Director Resources, introduced the report explaining that it provides an update on the actions taken in respect of the significant governance and business challenges highlighted in the 2024/25 Annual Governance Statement. It was hoped that the report provides the Committee with assurance that the challenges are being dealt with.

A question was raised regarding the transformation and savings delivery challenge and officers reported that good progress has been made, especially when North Yorkshire is compared to other councils that recently went through Local Government Reorganisation.

### **Resolved**

That the Committee note the progress in 2025/26 in respect of the significant governance and business challenges previously reported as part of the 2024/25 Annual Governance Statement.

## **237 Audit Committee Terms of Reference / Review of Effectiveness**

Max Thomas, Head of Internal Audit, introduced the report explaining that it provides an opportunity for the Committee to review its effectiveness and Terms of Reference. It was explained that a further review of the effectiveness of the Audit Committee is not recommended due to recent work on this. Minor changes to the Terms of Reference had been proposed in the report.

### **Resolved**

- a) That the proposed changes to the Terms of Reference of the Audit Committee be submitted to the Constitution Working Group, Executive and then Full Council.
- b) That a review of the Audit Committee's effectiveness is not required at this moment.

## **238 Assessment of Effectiveness of Governance Arrangements - Community Development Directorate**

Nic Harne, Corporate Director – Community Development, and Paul Foster, Assistant Director – Resources, introduced the report and highlighted the following key points.

- The Directorate is in a strong position, and progress on consolidation is continuing. Where consolidation has not yet occurred, work is underway, although this process takes time.
- The Council aims to exceed government targets and is currently meeting most of them.
- Changes in legislation can present challenges, however, these are monitored closely.
- In response to earlier queries, the work relating to the Harrogate Convention Centre was highlighted.

The following questions were raised during discussion.

- A query was made regarding collaboration with the Combined Authority. In response, it was confirmed that the Council is able to bid for funding opportunities and also has statutory responsibilities that require joint working.
- Members observed the wide range of activities within the Directorate.
- A question was raised about lessons learned from the Scarborough Waterpark project and how these will inform future capital schemes. Officers explained that improvements have been identified, particularly in relation to communication, transparency, and ensuring that all decision makers are aware of associated risks and costs.
- A query was raised regarding procurement and contract management, specifically whether the Directorate has sufficient organisational capability and workforce capacity, noting that external contractors are required to support delivery. Officers confirmed that a risk-based prioritisation process is in place. It was acknowledged that, while the Directorate may occasionally need to accept an adequate standard of work, efforts are made to achieve a higher level of assurance in priority areas.

### **Resolved**

That the Committee

- a) Notes the review of effectiveness of governance arrangements in the Community Development Directorate.

b) Notes the Directorate Risk Register for the Community Development Directorate.

### **239 Scarborough Waterpark Internal Audit Review**

The Committee went into exempt session for the duration of Item 19a because it was deemed likely that exempt information relating to any individual and relating to the financial or business affairs of any particular person (including the authority holding that information), as described in paragraphs 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972, would be discussed.

A separate confidential minute has been produced for this item.

#### **Resolved**

The Committee resolved to defer the item to the meeting on 16 March 2026, at which a public report incorporating key points from the discussion would be presented, together with a formal recommendation for consideration.

It was confirmed that the Corporate Director – Resources, Head of Internal Audit, and Senior Democratic Services Officer will be involved in preparing the report.

### **240 Scarborough Waterpark Internal Audit Review**

There was no discussion under Item 19b as the Committee resolved to defer the item to the meeting on 16 March 2026, at which a public report incorporating key points from the discussion under Item 19a would be presented, together with a formal recommendation for consideration.

It was confirmed that the Corporate Director – Resources, Head of Internal Audit, and Senior Democratic Services Officer will be involved in preparing the report.

### **241 Work Programme**

The work programme for the Committee was considered by Members and no amendments were made.

#### **Resolved**

a) That the work programme be noted.

### **242 Any other items**

There were none.

### **243 Date of next meeting**

The date of the next meeting was confirmed as Monday, 16 March 2026 at 1:30pm.

The meeting concluded at 4.43 pm.