



Auditor's Annual Report
Chief Constable of North Yorkshire – year ended 31 March 2025

February 2026

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Chief Constable of North Yorkshire. It has been prepared for the sole use of the Chief Constable, as those charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

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 Chief Constable of North Yorkshire ('the CC') for the year ended 31 March 2025. Although this report is addressed to the CC, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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



Opinion on the financial statements

We issued our audit report on 26th February 2026. Our opinion on the financial statements was unqualified.



Reporting to the group auditor

We have not yet received confirmation from the National Audit Office that no additional procedures will be required in respect of our work on the CC's WGA submission. We are unable to complete our work in this area until such instructions have been received. We will issue the assurance for the Group on the date we sign the Group audit opinion.



Value for Money arrangements

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

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit will be conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the CC and whether they give a true and fair view of the CC’s financial position as at 31 March 2025 and of its financial performance for the year then ended. Our audit report, issued on 26th February 2026 gave an unqualified opinion on the financial statements for the year ended 31 March 2025.

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.

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 Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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



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



Improving economy, efficiency and effectiveness - How the CC 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 CC has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

We have not identified any risks of significant weaknesses in the CC's arrangements.

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

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	12	No	No	No
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	18	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 have not identified any risks of significant weaknesses in relation to the CC's financial sustainability arrangements.

Overall commentary on Financial Sustainability

How the CC 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 Chief Constable (CC) has a Medium-Term Financial Plan (MTFP) covering four years, addressing funding and cost pressures. The MTFP is a joint plan between North Yorkshire Police (CC) and the Police, Fire and Crime (PFC) Service, with the latter being a service of the York and North Yorkshire Combined Authority since the 7th May 2024. The MTFP sets the financial direction, outlines key risks and includes the planned force expenditure for the CC, along with the revenue budget and capital programme for the PFC service which is included within York and North Yorkshire Combined Authority. The MTFP is assessed annually, with the latest being presented to the Strategic Oversight Board in February 2025.

The CC identifies potential financial pressures through its annual business planning process. The business planning process starts in April and involves performing predictive and scenario modelling for the Force Management Statement (FMS) to identify future issues and risks. By September, draft business plans are developed with cost estimates, considering the wider impact on policing and any potential benefits of proposed changes. From November, these plans are reviewed as part of the budget-setting process, including consideration of the required precept level. National, regional, and local priorities and pressures are identified as part of this planning process and are built into the service, business and financial plans.

The Chief Constable's budget setting process aims to deliver a sustainable budget and capital program, while meeting National Strategic Policing Requirements and supporting the Mayor's Police and Crime Plan. Financial planning therefore aligns with the FMS.

The Police Force expenditure budget is under the direction and control of the Chief Constable. The total planned force expenditure for 2024/25 was initially set at £207,450k. The budget was later revised to £214,207k following the receipt of additional income of £4,525k and the use of £2,233k from reserves, which were both used to fund the CC's budget. The outturn position for the planned expenditure was £215,831k giving a £1,642k overspend. However this overspend, was offset by an over-recovery on 'Force' income of £1,311k, resulting in a net overspend position of £313k, primarily due to pay expenditure.

The published budget and MTFP for 2025/26 to 2028/29 includes details of the assumptions underpinning the plan. We have reviewed these assumptions and found them to be reasonable. For 2025/26, a balanced budget was again set for the PFC service and CC, with a total planned Police Force expenditure budget of £220,130k for the CC. The CC is being provided with an increase in their revenue funding of £12.7m from the last initial budget, allowing them to manage their finances sustainably.

Our review of the budget setting arrangements highlights no significant weaknesses, and the CC is aware of the financial pressures it faces.

How the CC plans to bridge its funding gaps and identifies achievable savings

Funding gaps are identified during the business planning process. An integrated approach is used, drawing on the Force Management Statement to highlight capacity and capability gaps. The financial plan is then updated to reflect service changes, potential investments, inflationary pressures and projected income. The Change Board and the Chief Officer Team (COT) ensure these elements are captured within the budget and savings plans before presenting them for final approval by the Strategic Oversight Board. A Savings and Efficiency Board was also set up in 2024 to highlight the importance of engaging with the Savings and Efficiency Strategy and help inform the CC's budget and MTFP. We have reviewed reports from these board meetings confirming that active discussions are being held around potential efficiencies and saving opportunities.

Monthly budget monitoring arrangements include a review of progress on savings plans alongside progress against budget. Monthly monitoring is reported to the COT and performance reported quarterly to the Strategic Oversight Board. Monitoring allows for the identification of savings which are not being delivered and of additional cost pressures which may lead to further funding gaps.

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

The Police and Crime Plan 2025-2029 sets out the Mayor's expectations for what North Yorkshire Police should achieve over the next four years. The Strategy sets out four key priorities for change over the next four years: early intervention and prevention, protecting the public, working with partners and building stronger

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

communities. The four principles are supported by four priorities. There are specific objectives and expected measures for each of the priorities set out in the plan. The plan is underpinned by the MTFP which is designed to deliver the resources identified as being required in the plan.

The business planning and Force Management Statement (FMS) processes identify where either knowledge gathering, investment or change is required to enhance services to communities, keep people safe, feeling safe and support delivery of the police and Crime Plan. The priority areas are the focus of the force's service plans with activities, programmes, projects and departmental priorities being aligned to demonstrate contribution to supporting and delivering these actions. The approach ensures that all plans, whether financial, resources or other have the same intended outcome, that being to support delivery of the force's priorities.

How the CC 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 budget and Medium-Term Financial Plan (MTFP) are driven by the workforce plan and modelling. Modelling includes the delivery of the Uplift Target for Officer numbers as well as delivery of EnableNY collaboration staffing models, and ultimately the delivery of the Police and Crime Plan. The planning process drives the workforce plan. The process ensures that all plans are aligned.

The Force Management Statement (FMS) includes four steps which cover: an assessment of the current and anticipated future demand, the ability to meet current demand, plans to meet future demand and the impact of not meeting any residual demand. The FMS also includes an assessment of the highest priorities and risks and how they will influence the delivery of the operational priorities, which is based on the capacity, capability, technology and infrastructure requirements to meet future demand. The FMS includes a chapter on finance. This chapter outlines the force's current financial position and links to workforce, capital and investment plans. How the CC identifies and manages risks to financial resilience

The annual MTFP update considers various budget pressures, including pay and price increases, capital implications and other financial pressures. The MTFP review highlights key financial risks, such as pay awards, funding changes, and savings shortfalls. Although presented annually, the MTFP is reviewed more frequently internally, reconciling movements between versions to identify new pressures.

Demand drivers are monitored as part of the Force Management Strategy (FMS) process which ensures that unexpected changes are identified. The FMS process also includes scenario planning and mapping so that a range of potential outcomes and their impact are considered.

There are monthly financial monitoring arrangements in place with reporting to the Chief Officer Team (COT). Reporting includes variance analysis and consideration of recovery options where necessary. In addition, financial performance is reported on a quarterly basis to the Strategic Oversight Board.

Based on the considerations above, we have not identified any evidence to indicate a significant weakness in the CC's arrangements in relation to financial sustainability.

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 have not identified any risks of significant weaknesses in relation to the CC's governance arrangements.

Overall commentary on Governance

How the CC monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The CC have a Code of Corporate Governance in place and a Corporate Governance Framework. The Annual Governance Statement (AGS) sets out how the CC has complied with the Framework during the year. As part of our audit procedures, we considered the CC AGS and confirmed that it was consistent with our understanding of the arrangements in 2024/25.

There is a Risk and Assurance Board (Risk, Assurance and Improvement Board from 2025/26) in place which is responsible for overseeing and driving risk management in the organisation. There are Principal and Force Risk Registers in place, where each risk has a lead attached and a Red, Amber, Green (RAG) rating. The risk registers are both reviewed at the Risk and Assurance Board, with updates from the Principal Risk Register being provided to each quarterly Joint Independent Audit Committee (JIAC) meeting.

Internal audit services were provided in year to the CC by RSM. The annual internal audit plan is risk based, and it is developed with the engagement of management, the Risk and Assurance Board and the Joint Independent Audit Committee (JIAC). Through our attendance at JIAC, we have confirmed there is regular reporting to audit committee in year, as well as challenge presented to management on the internal audit findings.

The overall Head of Internal Audit opinion for 2024/25 for the CC was made up of the following ratings:

- Governance – reasonable
- Risk management – reasonable
- Internal control – partial

Following our review of the internal audit reports and associated recommendations, there is no indication of a pervasive or significant weakness in the CC's arrangements, despite a partial opinion over internal control. While some reports – such as those on data quality, police officer overtime, domestic abuse and collaborations – received minimal or partial assurance, the issues identified were specific and actionable, with agreed management responses in place. These findings do not suggest systemic failures or widespread control deficiencies. Furthermore, other key areas such as cyber risk management, ethical standards, key

financial controls, and financial planning received reasonable to substantial assurance, reinforcing the overall strength of the control environment.

We have reviewed the latest internal audit update report which sets out the recommendations made following these reports. Across the three partial and one minimal assurance reports obtained, there were 40 recommendations. As of September 2025, there were 19 which remained open showing the Force is actively addressing the weaknesses identified.

How the CC approaches and carries out its annual budget setting process

The budget setting process begins in September and culminates in a formal budget presented to the Strategic Oversight Board for approval in February. Budget proposals are developed through an integrated planning approach that engages all levels of the organisation. The process assesses future delivery requirements, current capacity and capabilities and identified areas requiring investment. It also incorporates scenario planning, financial modelling and evaluation of risks to organisational finances, including sensitivity analysis of the assumptions underpinning the budget.

In 2024/25, internal audit conducted a review of the CC's financial planning arrangements. The review provided substantial assurance that the controls in place in relation to financial planning are designed effectively.

How the CC 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

We confirmed budget monitoring takes place monthly, in line with the CC's Scheme of Delegation and Devolved Resource Manual (DRM). The DRM set out various procedures for staff to follow, including procurement procedures, and guidance on standing orders. The DRM is currently in the process of being updated as reported to JIAC during 2024/25. Budget monitoring begins with budget holders reviewing budget monitoring reports in conjunction with finance staff. These reviews include consideration of any variances with the reasons obtained and, where necessary mitigating actions identified. Monthly reports and the variance analysis are received by departmental senior management teams, and by the COT.

VFM arrangements – Governance

Overall commentary on Governance (continued)

We confirmed that quarterly budget monitoring and forecasting are presented to the Strategic Oversight Board.

The CC's draft statement of accounts for 2024/25 were published on 13th August 2025 following the statutory deadline of 30 June 2025. This delay was largely due to resourcing constraints and the prioritisation of the newly formed York and North Yorkshire Combined Authority's consolidated group accounts with the CC.

How the CC 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

Service plans are refreshed as part of the business planning process and with this predictive analytics and scenario testing is undertaken in order to inform the Force Management Statement (FMS). The FMS process identifies potential gaps in meeting future demand and informs future service requirements. This planning cycle supports the evidence base for costed business cases in preparation for budget setting. Business cases are reviewed on a monthly basis at the Change Board.

Change activity is monitored via the Change Pipeline. Change activities are categorised as transformational, transitional, or business as usual (BAU). Transformational and transitional change initiatives are required to go through the Change Board governance arrangements for approval and monitoring purposes which includes reports of the benefits to be obtained from the changes. Exception reporting is channelled through the Chief Constable (Section 151 Officer) and presented to the Change Board to improve visibility. Exceptions are also fed into the COT when required and help inform the quarterly budget monitoring reports presented to the Executive.

How the CC monitors and ensures appropriate standards are in place

The Corporate Governance Framework sets out how the Commissioner and Chief Constable will jointly and separately govern each organisation. Central to the Corporate Governance Framework is the Code of Corporate Governance. The Code of Corporate Governance sets out how the Chief Constable conducts the organisation in accordance with the Statement of Corporate Governance. The Corporate Governance Framework is supported by the Scheme of Delegation, standing orders and financial regulations, and a full suite of policies and procedures set out in the Devolved Resource Manual.

Staff are subject to vetting on recruitment and refreshed regularly. There is also a Professional Standards Department (PSD) which monitors compliance and manages matters of non-compliance. Related party relationships and transactions are disclosed in the annual statement of accounts. We have considered these accounting disclosures as part of our work on the financial statements including comparing them to declaration of interest forms. This work did not identify any significant weaknesses in arrangements.

Based on the considerations above, we have not identified any evidence to indicate a significant weakness in the CC's arrangements in relation to the governance 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 have not identified any risks of significant weaknesses in relation to the CC's arrangements to improve economy, efficiency and effectiveness.

Overall commentary on Improving Economy, Efficiency and Effectiveness

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

Financial performance reports are presented to the Strategic Oversight Board, tracking progress against the budget and providing a forecast outturn position. These reports summarise financial performance, highlight significant variances and explain their underlying causes. Regular reporting enables early identification of additional funding requirements and supports timely adjustments to plan.

The Business planning process and Force Management Statement cycle include a review of performance including predictive modelling and data analytics. This process along with the refresh of service plans includes an assessment of how the force has performed. This performance monitoring is undertaken on an annual basis. A performance dashboard is also held which is reviewed by the COT on a weekly basis for any significant variances.

Assurance activities also provide performance monitoring on particular areas of the organisation, this being via Internal Audit and inspection outcomes from HMICFRS. Business Insights provide service improvement reviews on an identified risk-prioritised basis to explore factors that might impact upon and improve the effective and efficient delivery of services to communities. This includes demand, capabilities, capacity and resourcing and also seek to identify gaps in operational delivery, mitigate risks of operational failure and/or develop the organisational understanding of an area of business.

Performance reports are produced and published quarterly online. These monitor and track the CC's performance and progress against set KPI. Weekly performance meetings are also held and led in conjunction with York and North Yorkshire Combined Authority to review Force-wide performance and monthly Force-wide performance meetings are held, chaired by the Deputy Chief Constable, to ensure performance is an overall key focus and significant areas are targeted each month.

How the CC evaluates the services it provides to assess performance and identify areas for improvement

The Force Management Statement (FMS) process focusses on how the force is meeting its current demand

and this includes an assessment of its performance with particular reference to capacity, capability, assets, and infrastructure. The process feeds into service delivery plans by identifying improvements that are required. The force also use a suite of dashboards providing performance information to functional leads.

The Force is subject to inspection by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). In 2023-2025 the Force was subject to a police effectiveness, efficiency and legitimacy (PEEL) inspection. The inspection was undertaken in October 2023 and the report published in March 2024. The inspection covers 10 areas of policing, with graded judgements made for 9 of the 10 areas considered. The inspection also reviews how effective a service the Force gives to victims of crime. However, a graded judgement is not made in this area. The results of the inspection were as follows:

Outstanding	Good	Adequate	Requires improvement	Inadequate
	Recording data about crime	Responding to the public		
	Police powers and treating the public fairly and respectfully	Investigating crime		
	Preventing and deterring crime and antisocial behaviour, and reducing vulnerability	Building, supporting and protecting the workforce		
	Protecting vulnerable people	Leadership and force management		
	Managing offenders and suspects			

The Force was rated Good or Adequate across all of the 10 themes inspected. This is an improvement from the last inspection and shows the Force to be continually improving. The Force's improvement is also reflected in the inspector's report.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness (continued)

How the CC 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

There are many examples of partnership working in a variety of functions within the Force. The Force hold a Collaboration Agreement Register which is always evolving, setting out the collaboration lead, the type of agreement and the cost and benefits to the Force.

Regional collaborations for the provision of policing services between North Yorkshire Police, South Yorkshire Police, Humberside Police and West Yorkshire Police is already in place. With a Regional Collaboration Board responsible for governance of the arrangements. A Lead Force model has been adopted for each functional area of regional collaboration, with each force taking ownership of a distinct area.

In October 2024, the Home Office announced their Police Efficiency and Collaboration Programme, which plans to assess whether joint procurement of 43 Police Force will enable savings in five areas: fleet, energy, fuel, software licences and contingent labour.

There is also close working with the York and North Yorkshire Combined Authority due to the transition of the Police and Fire Crime Commissioner and Fire and Rescue Services on the 7th May 2025. The Chief Constable works intrinsically with the Combined Authority through integrated planning, resource sharing and delivery of their shared objectives for the York and North Yorkshire region.

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

There is a Procurement and Purchasing team that sits within the overall finance team, responsible for ensuring all requisitions and purchase orders are processed and authorised. All authorisation levels are included in the Devolved Resource Manual. As set out above the DRM sets out various procedures for the procurement team to follow including guidance on standing orders. For 2024/25 procurement was provided via the EnableNY Procurement Team, and this continued after the formation of York and North Yorkshire Combined Authority. Procurement procedures are subject to regular review by internal audit. Our work has identified no matters to indicate a significant weakness in arrangements. Bimonthly Strategic Procurement

meetings are also held which feed into the Savings & Efficiency Board.

Our work in 2023/24 has not identified any evidence to indicate a significant weaknesses in the CC's arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

We have not identified any significant weaknesses in the CC's value for money arrangements. There were also no significant weaknesses identified in 2023/24.

Other reporting responsibilities

Other reporting responsibilities

Wider 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 group auditor

Whole of Government Accounts (WGA)

We have not yet received confirmation from the National Audit Office that no additional procedures will be required in respect of our work on the CC's WGA submission. We are unable to complete our work in this area until such instructions have been received. We will issue the assurance for the Group on the date we sign the Group audit opinion.

Appendices

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

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

Significant risks and audit findings

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

Risk	Our audit response and findings
<p>Management Override of Controls</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>Audit Response</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> Accounting estimates impacting amounts included in the financial statements; Consideration of identified significant transactions outside the normal course of business; and Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>Findings</p> <p>Other than the control recommendation documented on page 29, there are no matters to report in respect of this risk.</p>
<p>IAS 19 Net Defined Benefit Pension Scheme Valuation</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>Audit Response</p> <p>To address this risk, we have:</p> <ul style="list-style-type: none"> Discussed with key contacts any significant changes to the pension estimates; In addition to our standard programme of work in this area, evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally; Reviewed the appropriateness of the key assumptions included within the valuations, compare them to expected ranges and review the methodology applied in the valuation; Considered the adequacy of disclosures in the financial statements; and Sought assurance from the auditor of the North Yorkshire Pension Fund for the LGPS. <p>Findings</p> <p>We identified an adjusted material misstatement which impacted the 2023/24 and 2024/25 financial statements in relation to the asset ceiling adjustment, along with an immaterial unadjusted error from the Pension Fund audit. These are set out on page 28.</p>

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

Significant risks and audit findings (continued).

Risk	Our audit response and findings
<p>Estimation used in opening balances due to the extended year-end (enhanced risk)</p> <p>Management have made estimates and judgements in calculating balances and transactions between 1 April 2024 and the 6 May 2024. These balances have been deducted from the opening balances as at 7th May 2024.</p> <p>The significant risk is that the estimated income and expenditure for the 2024-25 period, may not accurately reflect the actual financial performance. This could lead to material misstatements in the financial statements including the period end Balance Sheet position.</p>	<p>Audit Response</p> <p>We have addressed this risk by:</p> <ul style="list-style-type: none"> • Performing a review of the budgeting process and the assumptions used to prepare the estimates; • Comparing the estimated figures with historical financial data and actual results for the period; and • Discussing with management the basis for their estimates and any significant variances from actual results. <p>Findings</p> <p>There are no matters to report in respect of this risk.</p>

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

Summary of uncorrected misstatements

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Other Income CR: Debtors (Accrued Income) In our Other Income Testing, we identified a sample totalling £8k of which 6 days related to the 2023/24 financial year. The amount relating to 2023/24 totalled £1.1k and was not accrued for in 2023/24. In line with our audit approach, we extrapolated this error across the rest of the untested population which estimated the error to be £612k. As this is below materiality, management have not adjusted for this.	Extrapolated	612			612
Aggregate effect of unadjusted misstatements		612	0	0	612

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

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- Note 1(s) – Management have updated their financial statements to include a note setting out the accounting standard that have been issued and not yet adopted, in line with the Code's requirements.
- Note 14 Officers' Remuneration – Management have updated the note to reflect the following:
 - Table c – Remuneration entitlement of Senior Officers – Assistant Chief Constable Moseley's remuneration for 2024/25 has increased by £8k to recognise £8k of undisclosed relocation costs.
 - Table d – Officers and Staff – The table setting out the bandings for officers' remuneration over £50k has been amended to remove two members of staff from the York and North Yorkshire Combined Authority. Total individuals with remuneration over £50k has been revised to 407 from 409.
- Note 19 – Defined Benefit Pension Schemes – Management have amended this disclosure note to remove the asset ceiling adjustment from the 'reconciliation of the present value of the scheme liabilities' table and instead include it as a separate adjustment to the surplus asset. As this is a material disclosure error that also impacts the disclosures in the prior period, management have complied with IAS 8 and have amended the 2024-25 and 2023-24 financial statements and included reference to the nature of the prior period adjustment in their Note 23 Prior Period Adjustment.
- Note 19 – Defined Benefit Pension Schemes – Management have reclassified £3,444k interest on the asset ceiling from the 'change in the effect of the asset ceiling' to 'net interest expense' on the 'Transactions relating to Retirement and Injury Benefits' table.
- Comprehensive Income & Expenditure Statement (CIES) – Management have amended the presentation of the financing and investment income and expenditure on the CIES to show expenditure and income separately in line with Note 13 Financing & Investment Income and Expenditure.
- Accounting Policies – Management have reviewed their accounting policies and removed the policies which relate to non-material areas.
- Narrative Report – Management amended the Narrative Report to show total reserves of £1,289,200k as opposed to £1,290,292k to be consistent with the financial statements.

We identified the following disclosure misstatements during our audit that have not been corrected by management:

- Note 7 Prior Period Adjustment – Management have restated the Police Pension Fund Account due to a variance in the April and May (6 days) pension payroll transactions. These adjustments are however immaterial and therefore the restatement is not in line with IAS 8.
- Note 19 Defined Benefit Pension Schemes – As part of the North Yorkshire Pension Fund Audit, it was identified that Level 3 assets are understated by £13,849k. We have calculated the CC's allocation of this understatement based on their 6.62% share of the pension fund's assets. The CC's share of this error is therefore £917k. As this is immaterial, management have not amended for this.

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

Internal control observations

Review of Journals

Description of deficiency

As part of our testing on journals, we identified that while management perform a high-level review of journals entered into the general ledger as part of the financial close down, there was no approval process in place to review manual journals entered into the general ledger throughout the year.

Potential effects

Inappropriate or fraudulent journals could be made which materially impact the financial statements.

Recommendation

Management should implement, and document, an approval process for their journals.

Management response

Management recognises the importance of segregation of duty whilst being mindful of the resources available to undertake a verification of all manual journals. Therefore, a sample of check of journals will occur on a monthly basis for journals of £100k or greater. This will be kept under review and the Auditor notified if the target level of £100k needs to be changed for any reason.

IT General Controls – Password Management

Description of deficiency

During our IT General Controls Testing, we identified that users access does not get blocked following failed password attempts.

Potential effects

There is a higher risk of non-authorized users gaining access to the ledger system.

Recommendation

Management should implement a control in which users are temporarily blocked after a series of failed log in attempts.

Management response

Management is liaising with ICT to set up on the Finance System the control in which users are temporarily blocked after five failed log in attempts; this is consistent with the current overall ICT arrangements where individuals have five attempts to login before being locked out.

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

Follow up on previous year recommendations

Journal Reports

Description of deficiency

Journal reports produced from the general ledger do not include the user who posted the journal entries. To mitigate this, the finance team has been instructed to include their initials in the journal name description. However, upon review, we noted journal entries where initials of the poster had not been included.

Potential effects

Without identifying the user who posted the journal, it is difficult to trace the origin of the entries.

Recommendation

Ideally management should look to enhance the system reporting so that user who posted the journal is initially captured. However, while this is not possible, management should remind staff of the requirement to include initials in the journal description. Management should consider a monitoring process to review journal entries and ensure compliance with the requirement to include user identification.

Management response

The journal reports produced by management for our 2024-25 testing were produced to include a 'posted by user' column which has facilitated our testing. This control recommendation has therefore been addressed.

Extended Year-End

Description of deficiency

During the extended year-end period, budgeted transactions rather than actual transactions were utilised. This resulted in an estimated period end position for debtors, creditors and cash. Management did not perform a reconciliation of the cash and bank figure as at 6 May 2024. This meant it was difficult to confirm the material accuracy of the cash balances as well as the debtors and creditors position. Note management had completed a bank reconciliation at 31 March 2024.

Potential effects

There are material errors in the balance sheet which are not detected.

Recommendation

Management should perform a bank reconciliation as at 6 May 2024, to ensure that cash balances are accurately reported. This will also help support the figures presented elsewhere on the Balance Sheet.

Management response

We have performed testing over the Chief Constable's 2023/24 cash balance and held discussions with management around the 36-day adjustment. No issues have been identified from our work in this area. This control recommendation has therefore been addressed.

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