



Audit Progress Report

Stockton-on-Tees Borough Council

November 2025

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Audit progress

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Stockton-on-Tees Borough Council 2024/25

Accounts

We have made good progress with our accounts work, and to date, there are no material matters to report to Members.

IFRS 16 leases was introduced as an accounting standard for the first time in 2024/25, which we raised as an area of significant risk to the audit in our Audit Strategy Memorandum in June 2025. Conversations between our audit team and management have since been ongoing, and the implementation of the standard required a large amount of work to be performed by the Council's finance team. We subsequently experienced delays in obtaining management's IFRS 16 Leases documentation to support their judgements in this area. We received the relevant working papers on 28th October 2025, and as such, our detailed substantive work only recently began. We had previously planned to complete all work, except for Pensions, by November 2025. As we had planned our team member resources up until this point, we are limited with the time available to make progress as promptly and will require additional time to be spent on the audit to work through the supporting documentation provided by the Council, underpinning the application of the standard.

The Council's audit was part of our first priority list of audits for completion, and as we move onto our next list of priority audits, our capacity has become more limited. Despite this, we plan for audit completion as originally anticipated by the 27 February 2026 backstop date.

The audit work is also subject to internal review, including our Engagement Quality Reviewer (EQR) process. Additional findings may arise from this.

Value for money (VFM) arrangements

In our September Audit Progress Report, we noted that we are awaiting the Council's Self- Assessment of its arrangements to support our work on the Value for Money work.

We have now drafted our VFM commentary in the Auditor's Annual Report, where we did not identify any evidence of significant weaknesses. However, we raised two 'other recommendations' relating to financial sustainability from the ongoing in-year deficits being reported mainly owing to continued pressure in the Children's and Adult Services, as well as the Council's current, and forecasted future DSG deficit. This draft is required to be shared with Members of the Audit and Governance Committee before the end of November 2025. Members should note:

- At this stage, it is only the VFM commentary pages that are complete; we will update the rest of the report when we have completed our accounts work in February 2026.
- We cannot formally conclude on the VFM work until the rest of the accounts work has been completed. We have provided a commentary based on our work up to the date of this report. We reserve the right to amend our findings to reflect additional information that is relevant up to the date of issuing our audit opinion on the financial statements.

Next steps

We will share our Draft Auditor's Annual Report 2025/26 with Members of the Audit and Governance Committee by the end of November 2025.

The exact timing of the receipt of the assurances required from the auditors of the Teesside Pension Fund is still uncertain, but is expected to be received in the new year. If any additional risks arise, members will be notified accordingly.

As our accounts work is still ongoing, we will present our Audit Completion Report and Final Auditor's Annual Report at the February 2026 Audit and Governance Committee.

Publications and other updates

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy ('CIPFA')		
1	CIPFA Better Reporting Group consultation	CIPFA's Better Reporting Group (BRG) has been set up to identify and address challenges in local authority financial reporting. For information only.
2	CIPFA Advisory Note: Statement of Responsibilities	CIPFA has published an advisory note on the Chief Finance Officer's (CFO's) Statement of Responsibilities which provides guidance on informing the 'true and fair' assessment of the accounts at the reporting date. For information only.
Ministry of Housing, Communities and Local Government ('MHCLG') (formerly the Department for Levelling Up, Housing and Communities ('DLUHC'))		
3	Local audit reform: Government response to the consultation to overhaul local audit in England	Government response to consultation on reforms to the local audit system. For information only.
4	MHCLG Addressing the local audit backlog in England: Non-compliance lists	MHCLG has published a list of local bodies that did not publish one or more audited accounts for financial years up to and including 2022 to 2023 by the statutory backstop date of 13 December 2024. For information only.
National Audit Office ('NAO')		
5	NAO insight: Financial management in government: monitoring and forecasting	This guide is for senior finance leaders in government departments and other public bodies. It sets out insights and good practice on monitoring and forecasting for better financial management in government. For information only.
6	NAO insight: Government's approach to technology suppliers: addressing the challenges	This report examines government's overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government's approach to digital procurement. For information only.
7	NAO Report: Good practice in annual reporting	The NAO has published its insight guide on Good practice in annual reporting. For information only.
8	NAO report: Local government financial sustainability	The NAO has published its report Local government financial sustainability. For information only.
9	NAO Insight: Managing the commercial lifecycle	The NAO has published good practice guidance Managing the commercial lifecycle that has been updated in response to the implementation of the Procurement Act 2023. For information only.
10	Local Audit Reset & Recovery Implementation Guidance (LARRIG) 06	Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions

National publications

	Publication/update	Key points
Other		
11	Major Local Audits Reports	The FRC have published their annual report on their inspection findings of Audit Quality Reviews of Major Local Audits. For information only.
12	Forvis Mazars - Annual Local Government Risk Report 2025/26	The report deep dives into the known and emerging risks for Local Authorities in 2025/26, as well as what they should include in their internal audit plans. For information only.
13	Forvis Mazars – Public Sector in Focus Report	Forvis Mazars report for the public and social sector outlining the top priorities and risks shaping the future of the sector. For information only.

National publications and technical updates

CIPFA

1. CIPFA Better Reporting Group consultation

CIPFA's Better Reporting Group (BRG) has been set up to identify and address challenges in local authority financial reporting either through proposing amendments to the Code of Practice on Local Authority Accounting for the United Kingdom (the Code) or assisting to develop practical guidance to enhance its application.

[Better Reporting Group](#)

2. CIPFA Advisory Note: Statement of Responsibilities

CIPFA has published an advisory note on the Chief Finance Officer's (CFO's) Statement of Responsibilities which provides guidance on informing the 'true and fair' assessment of the accounts at the reporting date. The advisory note applies to all local government bodies in the UK.

The note draws from lessons learnt from recent examples and a roundtable with CFO's and reinforces good practice principles that local government bodies in the UK should adopt. The CIPFA Practice Oversight Panel expects all local government bodies to be aware of the lessons learnt and therefore auditors may wish to ensure the bodies they audit are aware of this latest guidance.

[Statement of Responsibilities](#)

National publications

MHCLG

3. Local audit reform: Government response to the consultation to overhaul local audit in England

The government consulted on proposals to reform the local audit system. This published response to the consultation sets out the feedback on the specific measures proposed and the government's response. This includes the setting up of a Local Audit Office to be the system leader and the remit of the LAO.

[Local audit reform: Government response to the consultation to overhaul local audit in England - GOV.UK](#)

4. MHCLG Addressing the local audit backlog in England: Non-compliance lists

The Ministry of Housing, Communities and Local Government (MHCLG) has published a list of local bodies that did not publish one or more audited accounts for financial years up to and including 2022 to 2023 by the statutory backstop date of 13 December 2024.

[Addressing the local audit backlog in England: Non-compliance lists - GOV.UK](#)

National publications and technical updates

NAO

5. NAO insight: Financial management in government: monitoring and forecasting

Good financial management is critical in the public sector. For public services to be efficient and productive, the effective management of public finances is essential. This guide outlines how finance leaders across government can monitor budgets and their performance and ensure forecasting is effective. It focuses on three principles:

- Promote a culture of accountability – leadership emphasises the importance of budget holders being accountable for monitoring financial performance and ensuring forecasts are accurate and realistic.
- Develop the right skills and capabilities – finance professionals possess the skills and capabilities to monitor effectively and forecast with precision and leverage these to elevate the quality of the organisation's decision-making.
- Make the best use of data and information – high-quality data and information is used to enable better monitoring and more accurate forecasting, helping decision-makers respond to events quickly and effectively.

[Financial management in government: monitoring and forecasting - NAO insight](#)

6. NAO insight: Government's approach to technology suppliers: addressing the challenges

This report examines government's overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government's approach to digital procurement. The NAO focus on major procurement of technology to support business change, including the digital transformation of government and planning for technology of the future. The report examines:

- the scale of the challenge of undertaking digital procurement in a way that supports the modernisation of the public sector to make it more efficient and effective, and government's response to that challenge;
- how the centre of government can adopt a more strategic approach to how it works with digital and technology suppliers; and
- how departments can better understand and manage the complexities of digital procurement, including making full use of their digital expertise.

[Government's approach to technology suppliers: addressing the challenges - NAO insight](#)

National publications and technical updates

NAO

7. NAO Report: Good practice in annual reporting

The NAO has published its insight guide on Good practice in annual reporting which showcases real-world examples of good practice for annual reporting from organisations from the public sector who are leading the way. The examples are laid out in relevant sections of an annual report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

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 2024-25. Note that Great Ormond Street Hospital annual report and accounts 2023-24 features for use of graphics to support narrative and demonstrate performance regarding net zero for estate-based emissions.

[Good practice in annual reporting - NAO insight](#)

National publications and technical updates

NAO

8. NAO report: Local government financial sustainability

The NAO has published its report Local government financial sustainability. The Ministry of Housing, Communities & Local Government, (MHCLG) is responsible for the accountability framework for local government and distributes core funding to local authorities. It leads on oversight of financial risk in individual local authorities and the system overall while responsibility for the services local authorities deliver is spread across government departments.

This report focuses on MHCLG as the department responsible for the framework within which local authorities operate, and provides transparency over the current position of local government finances. By examining the current finance system and context for local government finances, the NAO aims to help inform MHCLG's consideration of future reforms.

The report considers:

- the context of local government finances in 2024;
- service and financial pressures; and
- the government's approach to local government financial sustainability.

The report concludes that funding for local government has increased in recent years, reversing the long-term downward trend of the previous decade. However, while real terms funding has grown by 4% between 2015-16 and 2023-24, it has not kept pace with population growth or the demand for services, the complexity of need, or the cost of delivering services to people most in need of support.

Proposed reforms of the local government finance system have been repeatedly delayed. Some services are showing the strain, and more local authorities are requesting financial support, some due to the increasing costs of delivering essential frontline services such as homelessness and social care. Despite short-term measures to address acute funding shortfalls, there has been insufficient action to address the systemic weaknesses in local government financial sustainability.

As the government turns its attention to local government reforms, it is essential that this is part of a whole-system, cross-government approach to ensure local authorities are financially sustainable and can continue to provide essential services. This approach needs to ensure effective local accountability for the service and financial performance of each local authority, including robust independent assurance.

[Local government financial sustainability - NAO report](#)

National publications and technical updates

NAO

9. NAO Insight: Managing the commercial lifecycle

The NAO has published good practice guidance Managing the commercial lifecycle that has been updated in response to the implementation of the Procurement Act 2023. It reflects upon findings and recommendations drawn from 200 reports concerning over 300 commercial arrangements that have been published over the past 20 years.

The 'commercial lifecycle' means the entire process starting with the identification of a requirement that may be delivered by a supplier to government through to the selection and appointment process, contract management activity, and ending with contract termination or transition to alternative arrangements.

This is a revised and condensed edition of commercial good practice guidance that has been updated regularly since 2008. It remains essential reading for policy and commercial staff involved at all levels of public procurement and commercial activities – including senior leaders and non-executive board members of public authorities. The guidance is presented in ten sections, addressing both strategic and procedural considerations.

To support this guidance, the NAO also updated its guide on the Commercial Audit Framework, which highlights the key questions at each of the ten key stages of procurement. Whether it's the commercial strategy for public procurement, the publication of good-quality, relevant information on a timely basis, or deciding whether to extend the contract or re-procure.

[Managing the commercial lifecycle - NAO insight](#)

10. Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06

The NAO has published the 6th Local Audit Reset and Recovery Implementation Guidance note to auditors. The LARRIG sets out guidance to auditors of English local authorities in circumstances where the auditor's opinion on the prior year financial statements has been disclaimed because of backstop arrangements included in the Accounts and Audit (Amendment) Regulations 2024.

Its purpose is to assist auditors in the process of rebuilding assurance for specific classes of transactions, account balances and disclosures which warrant special consideration beyond the general principles set out in LARRIG 05. It provides principles as well as indicative procedures which, with the application of professional judgement, enable the auditor to make a timely return to being able to determine that, based on sufficient appropriate audit evidence, the financial statements are free from material misstatement.

[LARRIG 06](#)

National publications

Other

11. Major Local Audits Reports

The FRC publish an annual report on the inspection findings of Audit Quality Reviews of major local audits in England, which includes large health and local government bodies. The audit of a relevant authority becomes a major local audit if it:

- has total income or expenditure of at least £500 million; or
- administers a local government pension scheme with at least 20,000 members or assets over £1,000 million.

In the 2023/24 inspection cycle, the FRC inspected six NHS and two local government audits. The results of these inspections are included in this report. The FRC acknowledge the unprecedented circumstances facing the local audit sector and have updated their regulatory approach to the monitoring of audit quality to support the reset measures and recovery period.

[Major Local Audits Reports](#)

12. Forvis Mazars - Annual Local Government Risk Report 2025/26

The report deep dives into the known and emerging risks for Local Authorities in 2025/26, as well as what they should include in their internal audit plans.

[Annual Local Government Risk Report for 2025/26 - Forvis Mazars - United Kingdom](#)

13. Forvis Mazars – Public Sector in Focus Report

Forvis Mazars have issued a report for the public and social sector, Public sector in focus: Charting the road ahead. With over 390 responses from across the UK public and social sector, the study reveals the top priorities and risks shaping the future of the sector.

[Public sector in focus: Charting the road ahead - Forvis Mazars - United Kingdom](#)

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