



# Audit Completion Report

## **Stockon-on-Tees Borough Council– year ended 31 March 2025**

19 February 2026

Audit and Governance Committee  
Stockton-on-Tees Borough Council  
Dunedin House, Columbia Drive, Thornaby,  
Stockton-on-Tees, TS17 6BJ

Forvis Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle Upon Tyne  
NE1 1DF

19/02/2026

Dear Committee Members,

### **Audit Completion Report – Year ended 31 March 2025**

We are pleased to present our Audit Completion Report for Stockton-on-Tees Borough Council (“the Council”) for the year ended 31 March 2025. The purpose of this report is to summarise our audit findings and conclusions.

This report is intended solely for the Audit and Governance Committee for the purpose of communicating certain matters that, in our professional judgement, are relevant to your oversight of the financial reporting process. To the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

We appreciate the courtesy and co-operation extended to us by Stockton-on-Tees Borough Council throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

Yours faithfully

Signed:   
James Collins (Feb 19, 2026 13:42:50 GMT)

James Collins

Forvis Mazars LLP

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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 Stockton-on-Tees Borough Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee 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

Executive Summary

# Executive summary

## Scope

We have been engaged to audit the financial statements of Stockton-on-Tees Borough Council for the year ended 31 March 2025 which are prepared in accordance with the 2024/25 Code of Practice on Local Authority Accounting.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the Code of Audit Practice.

## Audit status

Our audit procedures are now substantially complete for the year ended 31 March 2025.

Please refer to the *'Status of our audit'* section for a list of significant audit matters outstanding at the date of this report. We will provide an update to the Audit and Governance Committee on completion of those outstanding matters by way of a follow-up letter.

## Areas of focus and audit approach, and significant findings

We have not made any changes to our initial risk assessment and planned audit approach that was communicated to the Audit and Governance Committee in our Audit Strategy Memorandum.

Our significant risks and other areas of focus are set out in the *'Audit approach and risk summary'* section, with a summary of our audit approach over those areas. Significant findings from our audit are set out in the *'Significant findings'* section.

## Significant control deficiencies

We did not identify any significant deficiencies in internal control.

The non-significant control observations that we have identified to date are set out in *'Appendix A: Internal control conclusions'*.

## Audit misstatements

A summary of the adjusted and unadjusted misstatements above our reporting threshold we have identified to date is set out in the *'Summary of misstatements'* section.

## Audit opinion

At the time of issuing this report and subject to the satisfactory conclusion of our remaining audit work, we anticipate issuing an unqualified opinion, without modification. This would be subject to receiving the Pension Fund Assurance from the Teesside Pension Fund Auditor's, with no matters that affect the Council's audit opinion. If the position changes, Members of the Audit and Governance Committee will be notified through our follow-up letter where we will include our auditor's report.

## Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further details have been provided in the *'Value for Money'* section of this report.

## Wider reporting powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

## Reporting to the group auditor

We have not yet received the full group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to conclude our work in this area until such instructions have been received.

# Executive summary

## Qualitative aspects of Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 27 June 2025 and were of a good quality. However, this was with the exception of disclosures in relation to the Council's implementation of IFRS 16 Leases, which at the time of receipt of the draft statement of accounts were incomplete, and not fully compliant with the accounting standard.

## Significant matters discussed with management

During our audit, we communicated the following significant matters to management:

### Implementation of IFRS 16 Leases

In 2023/24, we highlighted the Council's readiness for the implementation of IFRS 16 Leases as an enhanced audit risk, to ensure that officers are fully aware of the requirements of the new accounting standard, with 2024/25 being the Council's first year of its implementation.

In our Audit Strategy Memorandum in June 2025, we raised the Implementation of IFRS 16 Leases as a significant risk to the audit. When the first draft statement of accounts were presented for audit, the relevant lease disclosures were incomplete, and therefore at that stage, were not fully compliant.

As part of our audit procedures the Council's statement of accounts were subject to a technical review and shared with the Council in September 2025. From this review half of the comments were associated with IFRS 16 implementation and required amendments. After communicating those to management, some of those amendments were made, with an updated draft statement of accounts received in January 2026, and then 13 February 2026.

Most of those required amendments have now been made. However, at the time of drafting this report the accounts are still pending the final technical review and clearance to ensure compliance with the accounting standard, in all material aspects.

## Significant difficulties during the audit

Other than the matters associated with IFRS 16 we have not encountered any significant difficulties and we have had the full co-operation of management.

## Other matters of significance

We encountered no significant difficulties during our audit and had no significant disagreements with management. There was effective co-operation and communication between Forvis Mazars, management, and the Audit and Governance Committee during our audit. All requested information and explanations were provided to us.

Other matters we are required by ISA (UK) 260 *Communication with Those Charged with Governance* to communicate to you have been set out in Appendix E.

# 02

Status of the audit

# Status of our audit

Our audit work is substantially complete and, except for the matters set out in section ‘*Executive Summary*’ of this report there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below.

## Technical review of the accounts

A number of amendments have been made to the accounts. We are still working through those, and clearance will be required. This is likely to result in additional unadjusted /adjusted misstatements in the follow-up letter.



## Pensions

Our planned approach includes obtaining confirmations from the Pension Fund auditor. The work is still ongoing, and at this stage, we are unable to conclude on this area and any potential impacts on the Council’s audit opinion.



## Financial statements adjustments

On 13 February 2026 we received an updated statement of accounts following numerous adjustments. We are in the process of reviewing the adjustments posted and disclosures made to ensure that those have been correctly disclosed in the accounts. Findings from those will be reported in the follow-up letter.



## Audit Quality Procedures and Closure

Review and closure processes, including checking the final version of the financial statements, and review by the engagement lead and EQR (Engagement Quality Reviewer). We also need to receive a letter of representation from management at the point that we are ready to issue our audit opinion.



## Events after the reporting period

Our review is ongoing up until the date of signing the auditor’s report (the opinion).



## Whole Government Accounts

Our work is ongoing. However we expect that we cannot conclude this work, and issue the audit certificate, until we have confirmation from the National Audit Office that no further work is required.



## Value for Money

Following up the issue of our draft Auditor’s Annual Report in November 2025, we are required to consider any additional findings to conclude on our commentary.



### Status



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



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



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



Work on value for money arrangements

## Audit approach and risk summary

# Audit approach and risk summary

## Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 20 June 2025.

## Materiality

Our provisional materiality at the planning stage of our audit was set at £11,418k for the Group and £11,366k for the Council using a benchmark of 2% of gross expenditure at surplus/ deficit level as per the Audit Strategy Memorandum. This has been changed to £12,072k for the Council and £12,124k for the Group following the receipt of the draft 2024-25 statement of accounts.

## Group audit approach

There have been no changes to the Group audit approach since the issue of our Audit Strategy Memorandum.

## Audit approach and risk summary

	Audit risk/ key area of judgement	Fraud risk	Judgement	Error	Substantive audit procedures	Tests of controls	Misstatement identified	Control recommendations	Conclusion	Page ref to finding
<b>Significant risks</b>	Management override of controls	●	●	○	●	○	○	○	We have completed our planned procedures and obtained the assurance sought, with no significant issues arising that we are required to report to you.	15
	Defined benefit pension valuation	○	●	○	●	○	●	○	Our work is ongoing and awaiting correspondence from the Teesside Pension Fund auditor. To date, we have reported on a number of adjusted disclosure misstatements which can be found in section 6 of this report.	16
	Valuation of Land and Buildings and Investment Property	○	●	●	●	○	●	○	We have completed our planned procedures and obtained the assurance sought, with no significant issues arising that we are required to report to you.	17
	Implementation of IFRS 16 Leases	○	●	●	●	○	○	●	Our work is ongoing, in particular in confirming that required adjustments have been made by management. A number of non-material adjusted and unadjusted misstatements have been found, which can be found in section 6 of this report, and an internal control observation, further detail listed in Appendix A.	18

# Audit approach and risk summary

## Overview of our group audit approach

You engaged us to audit the group financial statements of Stockton-on-Tees Borough Council. Based on our risk assessment and the financial information for the year ending 31 March 2025, we determined that certain components consolidated into the group financial statements should be subject to either a full scope audit or a specific scope audit, as set out in the table below.

Component name	% of benchmark	Auditor	Scope	Changes to scope since planning?
Stockton Borough Council	99%	Forvis Mazars LLP	Performance of an audit of the component’s financial information prepared for group reporting purposes using component materiality	No
Stockton Borough Holding Company Limited and Stockton Hotels Company Limited	1%	Tindle LLP	Review of the component’s financial information prepared for group reporting purposes using the component materiality assigned	No

### Audit scope definitions

**Full scope audit:** an audit of the component’s financial information prepared for group reporting purposes using component performance materiality.

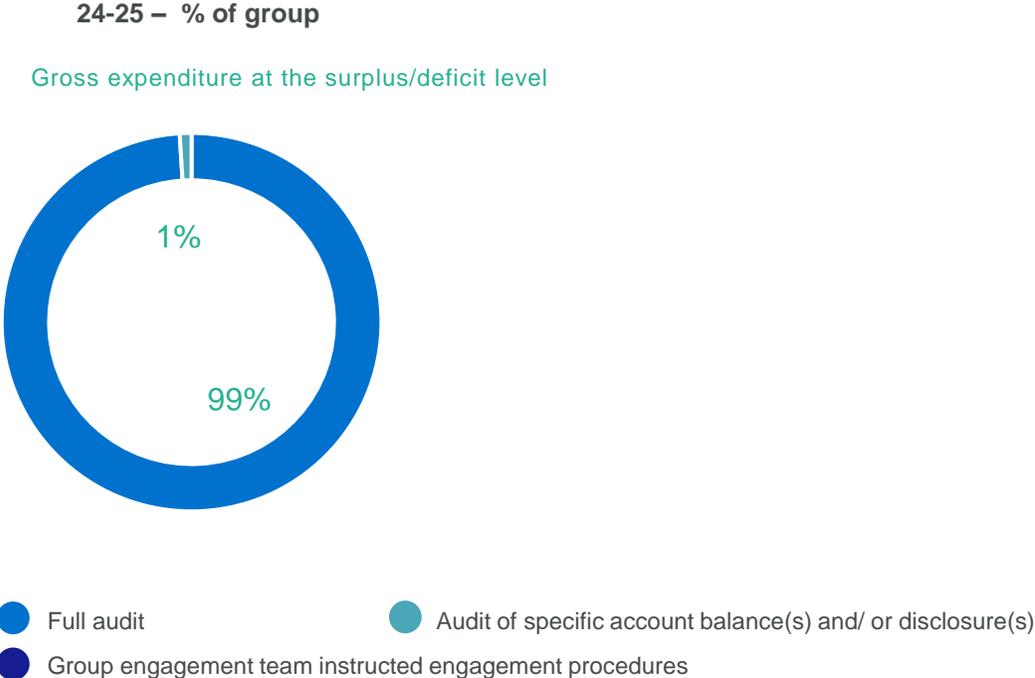
**Audit of account balance(s), class(es) of transaction, and/ or disclosures(s):** an audit of specific account balance(s), class(es) of transaction, and/ or disclosure(s) included in the component’s financial information prepared for group reporting purposes, using component performance materiality.

**Group engagement team instructed engagement procedures:** specific audit procedures performed over the component’s financial information, as instructed by the group engagement team, using component performance materiality.

# Audit approach and risk summary

## Overview of our group audit approach (continued)

Set out below is a summary of our group audit scope, specifically our coverage of group expenditure by audit scope (per the definitions on the previous page) and by audit firm.



04

Significant findings

# Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

## Significant risks

### Management override of controls

#### Description of the risk

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.

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#### How we addressed this risk

We addressed this risk through performing audit work over:

- 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.

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#### Audit conclusion

Our audit work has not identified any material issues to bring to your attention. We have found no evidence to indicate management override of controls.

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# Significant findings

## Significant risks (continued)

### Defined benefit pension valuation

#### Description of the risk

The 2024/25 financial statements contain material pension entries in respect of the retirement benefits, and in particular, a change from a net pension deficit, to a net pension asset. This has been limited at £0 for the funded element, due to the asset ceiling in 2024/25.

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.

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#### How we addressed this risk

We addressed this risk through performing audit work by:

- critically assessed the competency, objectivity and independence of the Council's Actuary;
- liaised with the auditors of the Teesside Pension Fund to obtain confirmation that the controls are designed and implemented appropriately. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- review summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets and evaluating whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets to take assurance from;
- reviewing the appropriateness of the pension valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided the consulting actuary engaged by the National Audit Office;
- Agreed the data in the IAS 19 valuation reports provided by the Funds Actuaries for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements;
- ensured that the asset ceiling treatment was correctly accounted for in line with the CIPFA Code, IAS 19 and IFRC 14; and
- ensured all required disclosures are reflected in the accounts and relevant notes, in particular any changes in disclosures relating to the asset ceiling.

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#### Audit conclusion

Our work is ongoing. We are unable to conclude on our work in this area until we have received the required correspondence from the Teesside Pension Fund auditor. We will provide our conclusions to the Audit and Governance Committee Members in our follow-up letter.

# Significant findings

## Significant risks (continued)

### Valuation of Land and Buildings and Investment Property

#### Description of the risk

The 2024/25 financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE). PPE valuations involve a high degree of estimation uncertainty due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of significant risk.

Similarly to PPE, the Council has also obtained a specialist valuation of its largest investment property, the Hampton by Hilton Hotel (£12.1m). The scope of our valuations work therefore also includes Investment Property.

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#### How we addressed this risk

We addressed this risk through performing audit work by:

- Evaluating the design and implementation of any controls which mitigate the risk. This included liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings (including investment property) ;
- assessing the scope and terms of engagement with the Valuer;
- assessing the competence, skills and objectivity of the Valuer;
- assessing how management used the Valuer's report to value land and buildings included in the financial statements;
- testing the accuracy of the data used in valuations;
- challenging the assumptions and judgements applied in the valuations;
- reviewing the valuation methodology used, including the appropriateness of the valuation basis;
- considering the reasonableness of the valuation by comparing the valuation output with market intelligence;
- challenging management where assets have not been re-valued in year as part of the Council's rolling programme, to ensure there had been no material changes to the asset values; and
- ensuring all required disclosures are reflected in the accounts and relevant notes

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#### Audit conclusion

Our work has provided the assurances we sought. We identified a number of adjusted, non material misstatements, further detail of which can be found in Section 6.

# Significant findings

## Significant risks (continued)

### Implementation of IFRS 16 Leases

#### Description of the risk

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4, and the Council will be adopting the new standard for the first year in 2024/25.

We discussed management's readiness for the implementation of IFRS 16 Leases in 2023/24, at which stage it only affected narrative disclosures. We understand that the Council is still undertaking work to quantify the impact on the Council's financial statements to ensure accuracy and completeness of the overall balance. The potential impact is yet to be estimated to ensure any arrangements in scope are adequately accounted for in 2024/25.

This is a complex area which will require management judgement, and for any property assets which fall within scope, the Council will need to determine which measurement method it will be applying that may involve the engagement of valuation experts.

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#### How we addressed this risk

We:

- reviewed the accuracy and completeness of the Council's assessment;
- reviewed the accounting policy and relevant disclosures;
- reviewed management's approach to its treatment and accounting of existing/ new arrangements in year upon transition, including PFI and relevant adjustments.

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#### Audit conclusion

We have obtained all assurances required. All non material unadjusted and adjusted misstatements found to date, have been included in Section 6 of the report. If any additional matters arise from the final technical review of the updated accounts, those will be included in our follow-up letter.

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# Significant findings

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability 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 law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2024/25 audit.

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 received no questions or objections.

# 05

Internal control conclusions

# Significant control deficiencies

As part of our audit, we obtained an understanding of the Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the Council's internal controls, we are required to communicate to the Audit and Governance Committee any significant deficiencies in internal controls that we identified in during our audit.

## Deficiencies in internal control

A deficiency in internal control exists if:

- A control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- A control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Council's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of the Audit and Governance Committee.

The significant deficiencies in the Council's internal controls that we have identified as at the date of this report are in set out on the following pages.

## Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

The other control deficiencies that we have identified as at the date of this report are set out in '*Appendix A: Internal control conclusions*'.

# 06

Summary of misstatements

# Summary of misstatements

## Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, issued on 20 June 2025. Any subsequent changes to those figures are set out in the 'Audit approach and risk summary' section of this report.

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to the Audit and Governance Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
From our cut-off testing, we found that one accrual was not provided for at the 31 March 2025. The figure reported is the extrapolated impact.						
Dr: PPE (AuC)	Council	Extrapolated			1,702	
Cr: Capital Accruals						1,702
<b>Aggregate effect of unadjusted misstatements</b>			<b>0</b>	<b>0</b>	<b>1,702</b>	<b>1,702</b>

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

# Summary of misstatements

## Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit and Governance Committee should be made aware of.

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Understatement of PPE (Assets under Construction) being design costs for the Thornaby pool which should have been included in AuC  Dr: PPE (AuC)  Cr: Cost of Services- Expenditure	Council	Factual		709	709	
Understatement of disposals for a transfer to an Academy in the year  Dr (Gain)/Loss on disposal  Cr PPE (disposals)	Council	Factual	627			627
Understatement of PPE for Norton Town Centre costs which have been shown as land and buildings and fully impaired, should have been treated as infrastructure costs.  Dr PPE  Cr Cost of services -expenditure	Council	Factual		1,059	1,059	
Community asset additions incorrectly showed as a revaluation increase.  Dr Revaluation reserve  Cr Capital Adjustment Account	Council	Factual			350	350

# Summary of misstatements

## Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit and Governance Committee should be made aware of.

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Investment property showing Thornaby Town Centre £1.6m when this property is currently being held for sale. Per Code should be reclassified on the balance sheet as an Investment Property held for sale.						
Dr Assets held for sale					1,636	
Cr Investment Property						1,636
<b>Aggregate effect of adjusted misstatements</b>			<b>1,686</b>	<b>709</b>	<b>2,695</b>	<b>3,672</b>

# Summary of misstatements

## Disclosure misstatements

### Adjusted disclosure misstatements

To date, we have identified the following disclosure misstatements during our audit that have been corrected by management:

- Group transactions have been included on the corporate management and services line - Expenditure £2,739k and Income £3,676k in the CIES . These should be on the Finance, Transformation and Performance line. Has no impact on net costs of services.
- Note 4, Critical Judgements in Applying Accounting Policies; note updated to include relevant impacts of IFRS 16 Leases
- Note 5, Assumptions made about future and other major sources of estimation uncertainty: note was amended to to ensure compliance with the requirements of the Code and meet the definition of major sources of estimation uncertainty
- Note 11 - PPE were several changes to disclosures, including reclassification of existing vehicles to right of use assets; updating revaluation table to ensure consistency; transfer of net £193k from land and buildings to assets held for sale. Note was also updated to correct the legislative text regarding infrastructure assets
- Note 14, Expenditure and Income Analysed by Nature: The presentation of interest payments and interest and investment income did not make sufficiently clear that the amounts presented include amounts relating to IAS 19
- Note 22, Related parties; amendments were made to ensure compliance and enhance understandability
- Note 25, Private Finance Initiative; additional disclosures included to reflect the impact of the adaptation of IFRS 16
- Note 27 Capital Expenditure and Financing- Several amendments were made to the disclosure including correction opening adjustments to reflect implementation of IFRS16 and to analyse the amounts relating to IFRS 16.
- Note 29, Financial Instruments: Interest payable and similar charges was updated to correct a transposition error.
- Note 31 Defined Benefit Pension Schemes – note was updated to include a separate disclosure on the asset ceiling which splits out the effect of the asset ceiling and the interest effect of the asset ceiling.
- All of the finance lease/RoU creditor is being shown as long term - should be split between current and non- current - no overall impact on the balance sheet.
- Note 32, Termination Benefits: There were several changes required to the disclosures of exit packages.
- Cashflow statement- various presentational adjustments and adjustments to the cash flow (accuracy to be confirmed).

# Summary of misstatements

## Disclosure misstatements (continued)

- Note 6, Adjustments between accounting basis and funding basis; the “ other minor adjustments” line was removed and re-allocated to the appropriate lines
- Note 26, Leases: various amendments to ensure compliance with IFRS 16
- Note 28, Statement of accounting policies; updated to include required disclosures on IFRS 16, correct going concern wording and update narrative to ensure consistency with the PPE valuation programme
- Note 29, Financial instruments: amendment to reflect IFRS 16 and update disclosure narrative on the treatment of level 2 assets. Credit risk disclosure note added.
- Note 30, Pension schemes accounted for as Defined Contribution Schemes; disclosure updated to provide narrative on the Virgin Media case
- Note 31, Defined Benefit Pension Schemes; note updated to provide a reconciliation of the pension reserve , as well as include the required disclosures on the effect of the asset ceiling
- Comprehensive Income and Expenditure Statement: additional narrative added to explain the restatement
- Collection Fund Statement; updated to include the apportionment of business rates surplus/ deficit in current and prior year
- Balance sheet; net pension asset was removed as nil in both years.
- Note 34, Contingent liabilities; narrative on the timing of outflow has been added.
- Group Accounts; added narrative stating the financial reporting framework and the accounting period each of the subsidiaries report on

## Unadjusted disclosure misstatements

To date, we identified the following disclosure misstatements during our audit that have not been corrected by management:

- Note 6, Adjustments between accounting basis and funding basis; The MIRS movements described as relating to the Revaluation Reserve is incorrect. The Code does not expect a movement between General Fund and Revaluation Reserve. This amounts to £4,112k. Management have not amended for this.
- Note 26, Leases; The Code requires operating leases as a lessor that the lease income is disclosed separately between income relating to variable lease payments. The Code requires narrative disclosure explaining how the Council manages the risk associated with any rights it retains in underlying assets.

We will obtain written representations confirming that, after considering the unadjusted disclosure misstatements, both individually and in aggregate, in the context of the annual report and financial statements taken as a whole, no adjustments are required.

07

Fraud considerations

# Fraud considerations

We have a responsibility to plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

## Your responsibilities

Management has primary responsibility for the prevention and detection of fraud. It is important that management, with the Audit and Governance Committee oversight, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which is reinforced by the Audit and Governance Committee's active oversight.

## Our responsibilities

We have a responsibility for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in a misstatement is intentional or unintentional. Two types of intentional misstatements are relevant to us – misstatements resulting from fraudulent financial reporting, and misstatements resulting from the misappropriation of assets.

## ISA presumed fraud risks

As set out in the 'Audit approach and risk summary' section, the risks of fraud in management override of controls were identified as significant risks.



# 08

Value for Money

# Value for Money

## Approach to Value for Money

We are required to form a view as to whether the Council 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 in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

This is the first audit year where we have undertaken our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report).

The Code requires us to structure our commentary to report under three specified criteria:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. 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 significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report by exception. We will also highlight emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. This commentary will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria. We issued our draft Auditor's Annual Report in November 2025, and will issue the final Auditor's Annual Report upon the issue of our independent auditor's report by the backstop date of 27 February 2026.

## Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2025 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix C confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in time by the backstop date.

## Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. Our responses to those identified risks are outlined in the table below.

Risk of Significant Weakness in Arrangements	Financial Sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
<p>1</p> <p><b>Financial sustainability - Adult and Children's services</b></p> <p>In our 2023/24 Auditor's Annual Report, we raised an "other recommendation" highlighting the ongoing pressures and the need to manage the 2025/26 budget in line with the revised MTFP. The Council's Powering Our Future Programme has identified significant opportunities to deliver services in a more efficient manner. The Programme has an ambition to deliver up to £8.1m of savings. It is critical that the Council deliver these savings to avoid further reliance on Council reserves.</p> <p>From initial enquires of management, we expect to see similar pressures, and a further deficit to be reported in 2024/25. From the latest update in December 2024, the Council projected an overspend of £6.6m.</p>	<p>●</p>			<p><b>Work undertaken</b></p> <p>We considered the final outturn position for 2024/25 including the achievement of savings targets and the Council's reserves. We followed up on our recommendation made in 2023/24 and Council's progress against actions as part of the Powering our Futures Programme with a focus on actions taken in this area. This included obtaining evidence to support the actions taken by the Council to address the overspends and any future budget gaps.</p> <p><b>Conclusions</b></p> <p>Following the completion of our work, we have found no evidence of a significant weakness in arrangements. While we have identified no evidence of a significant weakness in arrangements, we have raised an 'other recommendation' as follows:</p> <p>Whilst the Council understands the reasons for its overspends, any arrangements which the Council already has in place will need to ensure that further overspends are avoided and further contributions from the Council's reserves are not required.</p> <p>The Council must ensure it manages future budgets in line with the revised Medium Term Financial Plan (MTFP). The Council's Powering Our Future programme has identified significant opportunities to deliver services in a more efficient manner and is a critical element of the MTFP. The majority of the potential savings are planned to come in from 2025/26 with work ongoing to identify further potential savings. The creation of two new SBC homes for Children with Mental Health and Behavioural distress is not expected to deliver any savings beyond those needed to fund the running costs of the homes and associated borrowing. The proposal will provide a stable home for children and will lead to better outcomes for children. The new fostering model, approved by Cabinet in July 2025, is anticipated to be the most critical in addressing cost pressures and will require monitoring. Early intervention schemes to manage demand will be essential.</p> <p>It is critical that the Council deliver planned transformation projects to avoid further reliance on Council reserves which have been decreasing over recent years.</p>

## Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. Our responses to those identified risks are outlined in the table below.

Risk of Significant Weakness in Arrangements	Financial Sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
<p>1</p> <p><b>Financial sustainability – Dedicated Schools Grant (DSG) deficit management planning (New risk)</b></p> <p>As at the 31 March 2025 the Council reported a cumulative DSG deficit of £6.725m. There is currently a statutory override in place which requires the Council to ‘ring-fence’ the DSG deficit from its general fund, which means it does not have to consider it when setting a balanced budget. Although Government has signalled its intention to extend the period that the override covers to 31st March 2028, without action to address the cumulative deficit, at the end of this period there is a risk that the Council will be unable to set a balanced budget.</p>	<p>●</p>			<p><b>Work undertaken</b></p> <p>We considered the cumulative DSG deficit position of the Council and its forecasted figures until 2027/28 when the statutory override period comes to an end. This was in the context of the Council reporting ongoing deficits over the coming years. We reviewed the Council's Delivering Better Value (DBV) plan and noted the mitigating actions which the Council has/ is planning to implement in order to reduce the deficit. We noted the work the Council had been doing to manage demand and capacity in the borough.</p> <p><b>Conclusions</b></p> <p>As at 31 March 2025 the Council's DSG shows a cumulative deficit balance of £6m, which is forecasted to reach £35m by 2027/28 without mitigations. The Council has agreed a detailed DBV plan with a number of mitigations which, if successful, would reduce the cumulative deficit to nil.</p> <p>Following the completion of our work, we have found no evidence of a significant weakness in arrangements. While we have identified no evidence of a significant weakness in arrangements, we have raised an ‘other recommendation’ as follows:</p> <p>It is critical that the Council deliver its Delivering Better Value plan to ensure the cumulative deficit is reduced at the point the statutory override ends in 2028. If successful the DBV plan will mitigate the risk of the Council being unable to set a balanced budget in 2028/29.</p>

# Appendices

A: Internal control conclusions

B: Draft management representation letter

C: Draft audit report

D: Confirmation of our independence

E: Other communications

F: Current year updates, forthcoming accounting and other issues

# Appendix A: Internal control conclusions

## Other deficiencies in internal control

A deficiency in internal control exists if:

- A control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- A control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Council's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in Appendix A are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in Appendix A should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant control deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal control set out in this section to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

# Appendix A: Internal control conclusions

## Other deficiencies in internal control

### Implementation of new accounting standards

#### Description of deficiency

Management did not initially make all required disclosures and adjustments in relation to the implementation of IFRS 16, Leases.

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#### Potential effects

Potential for material misstatement in the Council's accounts.

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#### Recommendation

- For any upcoming relevant accounting standards, management should keep up to date and review all relevant publications to accounting standards that are applicable to the Council;
  - Ensure that sufficient time is spent in preparation of all relevant working papers that underpin the accounts. This could include consultation with external experts if necessary and;
  - Ensure that all relevant documentation is available in time for the audit, which would prevent delays and any adverse impacts on the financial statements.
- 

#### Management response

Due to the extremely tight deadline to produce draft accounts by the end of June 2025 there was insufficient time to produce all relevant calculations and produce all relevant disclosure notes which were applicable when adopting the new standard for the first year in 2024/25. This was a complex area which required significant management judgement and attention.

The Council will be better placed to produce all required information and calculations in a timelier manner for future accounts. We now have systems and processes in place and will include specific tasks within the Councils closure timetable and task guidance for the wider finance team.

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# Appendix A: Internal control conclusions

## Follow up on previous internal control points

We set out below an update on internal control points raised in prior periods.

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### Description of deficiency

Property, plant and equipment (PPE) valuations are carried out on a rolling programme by the Council. Paragraph 4.1.2.37 of the Code specifies that assets are required to be carried at current value meaning revaluations must be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the end of the reporting period. The Council should consider every year if the assets not valued in year have changed materially in value. The Council can perform an annual indexation exercise using appropriate indices to check that there is no material change between periods in the value of those assets not re-valued in year. Management did not perform this exercise before the draft accounts were presented for audit. There was a delay in management providing this assessment to audit and resulted in audit work being carried out very late in the audit process. When the Council completed the assessment they identified PPE in the draft accounts were understated by £14.164m. A late adjustment was therefore necessary.

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### Potential effects

Possibility of material changes in value between these periods.

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### Recommendation

To ensure that the Council's assets are not materially misstated, the Council must perform an annual indexation review. This should include any specific considerations that may need to be made on an asset-by-asset basis, to ensure that all factors at arriving at the current value have been taken into account as part of their assessment.

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### Conclusions

Our work in 2024-25 noted that this exercise has been performed in year.

**This matter has now been closed.**

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# Appendix A: Internal control conclusions

## Follow up on previous internal control points

We set out below an update on internal control points raised in prior periods.

### Description of deficiency

The Council maintains records of its operational assets in a fixed asset register (FAR). From the sample of assets which we selected for testing we found that a number of assets which were on the FAR no longer existed, and one which should have been impaired.

There is also a wide range of misstatements (trivial and non-trivial) on movements within the PPE note. Those were found in most movements within the note where entries were incorrectly posted, including additions, depreciation, revaluation and impairments.

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### Potential effects

Potential for material misstatement in the Council's accounts.

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### Recommendation

We recommend the Council performs a comprehensive review of its Fixed Asset Register to remove any assets which are no longer in existence, or where there have been changes to the use of assets as part of the Council's capital programme.

We also recommend the Council builds in additional quality control checks to its year-end process, to ensure that the FAR is complete and accurate. This should be done when the accounts are prepared and before the audit commences. This will improve the Council's asset management and to prevent any significant issues arising which could have an impact on the audit opinion.

---

### Management responses

The Council will build additional quality control checks into the year-end process. To support this the Council has also built in additional capacity within the team. The Council will undertake a review of the Fixed Asset Register prior to the end of the 2025/26 financial year which will include quality control checks.

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# Appendix A: Internal control conclusions

## Follow up on previous internal control points

We set out below an update on internal control points raised in prior periods.

### Description of deficiency

It was identified during our testing of grant income that the Council no longer maintained remittance advices for two sample items (£2.009m) relating to the business rates relief grant. This was because of the Council's policy to delete emails after 6 months. Our journals testing encountered a similar issue where the Council was unable to provide the original journal authorisation for one sample item. Management was able to provide retrospective approval for the journal posted and other evidence to support the testing. Overall, we were able to obtain sufficient assurance from all other evidence provided by the Council to conclude on the testing.

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### Potential effects

The Council is unable to provide sufficient appropriate audit evidence to support its accounts.

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### Recommendation

The Council maintains adequate records to support journal authorisation and other relevant evidence across areas of the financial statements.

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### Conclusions

We found no such instances in 2024-25.

**This matter has now been closed.**

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# Appendix B: Draft management representation letter

**To be provided to us on client headed note paper**

[Date]

Dear James,

## **Stockton-on-Tees Borough Council - Audit for Year Ended 31 March 2025**

This representation letter is provided in connection with your audit of the financial statements of Stockton-on-Tees Borough Council the Council and Group for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code and applicable law.

### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware

# Appendix B: Draft management representation letter

## Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council, Cabinet and committee meetings, have been made available to you.

## Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

## Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the Council and Group in making the accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

## Investment Property

I confirm that the methods, significant assumptions and the data used by the Council and Group in the valuation of the Hampton by Hilton Hotel are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code and applicable law.

# Appendix B: Draft management representation letter

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

## Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code and applicable law.

I have disclosed to you the identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and investment property below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

# Appendix B: Draft management representation letter

## **Charges on assets**

All the Council and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

## **Future commitments**

The Council and Group has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

## **Service Concession Arrangements**

I am not aware of any material contract variations, payment deductions or additional service charges in 2024/25 in relation to the Council and Group's service concession arrangements that you have not been made aware of.

## **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

## **Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 36 to the financial statements fairly reflects that assessment.

## **Tariffs**

I confirm that I have carried out an assessment of the potential impact of changes in US trade policy in respect of tariffs, including the impact of reciprocal tariffs by other countries, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements fairly reflects that assessment.

## **Going concern**

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

## **Annual Governance Statement**

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council and Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

# Appendix B: Draft management representation letter

## **Narrative Report**

The disclosures within the Narrative Report fairly reflect my understanding of the Council and Group's financial and operating performance over the period covered by the financial statements.

## **Unadjusted misstatements**

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix. **Please attach an Appendix of any unadjusted misstatements to this letter.**

## **Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Chief Finance Officer

## **Appendix**

### **Schedule of unadjusted misstatements**

## Appendix C: Draft audit report

DRAFT AUDIT REPORT TO FOLLOW- AWAITING PENSION FUND AUDITOR ASSURANCE

## Appendix D: Confirmation of our independence

We communicate any matters which we believe may have a bearing on the independence or the objectivity of Forvis Mazars LLP and the audit team. As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We confirm that no new threats to independence have been identified since issuing our Audit Strategy Memorandum and therefore we remain independent.

## Appendix E: Other communications

Other communication	Response
 <b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ol>
 <b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the Chief Financial Officer that the Council will be a going concern, and therefore we have not identified any evidence to cause us to consider that the use of the going concern assumption in preparation of the financial statements is not appropriate.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

# Appendix E: Other communications

Other communication		Response
	<b>Subsequent events</b>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
	<b>Matters related to fraud</b>	<p>Our audit was designed to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. Please refer to the section titled ‘Fraud considerations’ for our fraud considerations and conclusion.</p> <p>We will obtain written representations from management and, where appropriate, the Audit and Governance Committee, confirming that</p> <ol style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:             <ol style="list-style-type: none"> <li>i. management;</li> <li>ii. employees who have significant roles in internal control; or</li> <li>iii. others where the fraud could have a material effect on the financial statements; and</li> </ol> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ol>

# Appendix E: Other communications

Other communication	Response
 <p><b>System of Quality Management</b></p>	<p>To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management, including:</p> <ul style="list-style-type: none"> <li>• Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership</li> <li>• Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm's strategies and priorities</li> <li>• Identifying, reviewing, and updating quality risks each quarter, taking into consideration a number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.)</li> <li>• Identifying, designing, and implementing responses as part of the process to strengthen our firm's internal control environment and overall quality</li> <li>• Evaluating responses and remediating control gaps or deficiencies</li> </ul> <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2024. Details of that assessment and our conclusion are set out in our 2023/2024 Transparency Report, which is available on our website <a href="#">here</a>.</p>

# Contact

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