



Audit Completion Report

Middlesbrough Council – year ended 31 March 2024

February 2025

Audit Committee
Middlesbrough Council
PO Box 500
Middlesbrough
TS1 9FT

February 2025

Forvis Mazars
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2024

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 July 2024.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 28 February 2025. We provide more information on the legislative backstop arrangements, and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We reported our aim to rebuilding assurance during the meeting of the Audit Committee in October. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, our intention is to allow you to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0113 294 2000.

Yours faithfully

Signed: {{_es_:signer1:signature}}

Mark Kirkham

Forvis Mazars LLP

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01

Executive Summary

Executive summary

The scope of our audit and implications of the backstop arrangements

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2023/24 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to the meeting of the Committee on 25 July 2024. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2023/24 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures and obtain sufficient appropriate audit evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements. We have included our proposed audit report in Appendix B.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made, and any misstatements identified in the draft financial statements and how these have been addressed by management.

Value for money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's value for money arrangements. We identified evidence of significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council's financial statements, we anticipate reporting to the NAO that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation of when and how this should be reported to the NAO.

Wider 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. No such correspondence has been received.

02

Audit Approach

Audit Approach

Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

Group audit approach

Based on our risk assessment and the financial information for the year ended 31 March 2024, 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.

| Entity | Classification | Auditor |
|-----------------------------------|-----------------|----------------|
| Middlesbrough Council | Significant | Forvis Mazars |
| Middlesbrough Development Company | Non-significant | Not applicable |

Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £9.596m using a benchmark of 2% of gross operating expenditure for the Council.

Based on the final financial statement figures and other qualitative factors, using the same benchmark as at planning, the final overall materiality we applied for the Council was £9.5m, (final performance materiality: £4.75m; final clearly trivial threshold: £0.285m).

Based on the final financial statement figures and other qualitative factors, the overall materiality we applied for the Group was £9.555m, (performance materiality: £4.777m; final clearly trivial threshold: £0.287m).

Summary of risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 25 July 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the identified risks. These risks are summarised below.

Significant risks

We identified the following significant risks:

- management override of controls;
- revenue recognition;
- valuation of net defined benefit liability; and
- valuation of land, buildings and surplus assets.

Enhanced risks / areas of significant management judgement

We identified the following key area of management judgement and enhanced risk:

- debtors' impairment allowance.

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

Significant findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the introduction of the backstop arrangements which require the Council to publish its audited 2023/24 financial statements by 28 February 2025.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

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 2023/24 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. No statutory objections have been made.

Significant matters discussed with management

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error .

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Our observations on internal control

As part of our planning procedures, 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 to 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 evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

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 necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. 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 are of sufficient importance to merit the attention of Audit Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations on internal control

We also report to you, 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.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by Audit Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Summary of amendments to the financial statements

The Council's Director of Finance authorised the Council's draft financial statements for issue on 24 September 2024.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

Management has processed the amendments set out in the table below which exceed the trivial threshold for adjustment of £288,000. The Council has also made a number of amendments to the balances brought forward to reflect changes made as part of the disclaimed 2021/22 and 2022/23 audits.

| Details of amendment | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|--|-------------|---------------|---------------|
| | Dr (£ '000) | Cr (£ '000) | Dr (£ '000) | Cr (£ '000) |
| Dr: Brought forward cash and cash equivalents | | | 18,500 | |
| Cr: Brought forward short-term investments | | | | 18,500 |
| To correct classification of DMO balances | | | | |
| Dr: Cash and cash equivalents | | | 3,000 | |
| Cr: Short-term investments | | | | 3,000 |
| To correct classification of DMO balances | | | | |
| Dr: Short-term borrowing | | | 345 | |
| Cr: Long-term borrowing | | | | 345 |
| To correct classification of PWLB loan balances | | | | |
| Aggregate effect of amendments | | | 21,845 | 21,845 |

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standards require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements. We confirm that no such matters have come to our attention.

Summary of misstatements

Disclosure misstatements

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

Annual Governance Statement was updated to reflect the outcome of the external audit, the Head of Internal Audit's annual opinion and progress on improvement plans.

Accounting policies, the property, plant and equipment policy did not include sufficient information about infrastructure assets. There were a number of other updates and changes to accounting policies to ensure compliance with the Code including going concern, accruals of income and expenditure, PPE measurement, bad debt provision, post-employment benefits, leases, financial instruments, cash and cash equivalents and schools.

- Note 3 Critical judgements in applying accounting policies, estimate removed.
- Note 4 Assumptions made about the future and other major sources of estimation uncertainty, updated to comply with the Code.
- Note 5 Events after the balance sheet date, additional disclosure added in relation to the Virgin Media pensions case.
- Note 12 Grant income, income from the ICB in the prior year separately identified, originally included in other contributions in the prior year.
- Note 13 Dedicated schools grant, comparator added.
- Note 14 Officers' Remuneration: Senior officers' remuneration, arithmetic error in 2022/23 comparative table corrected. Total in table updated to include the payment for loss of office.
- Note 22 Capital commitments, updated to reflect the Code.
- Note 23 Property, plant and equipment and Note 24 Revaluations and Impairments of Property, Plant and Equipment (PPE), updated to comply with the Code.
- Note 26 Heritage assets, valuation methods added.
- Note 26 Investment properties, updated to cast correctly and agree to prior year.
- Note 29 Financial instruments, updated to comply with the Code.
- Note 35 Short-Term creditors and note 35 financial instruments, amended to be consistent with the balance sheet.
- Note 38 Unusable reserves, row narratives added.
- Note 39 Pensions, 2022/23 comparators realigned by one line. This had already been identified by the client and updated. Additional updates to disclosures for clarity and accuracy.
- Note 41 Leases – Council as Lessor, note 42 Leases Council as Lessee, updated to comply with the Code.

Group MIRS, CIES and Balance Sheet - 2023/24, some Group figures in the original 2023/24 draft accounts published on 27 September 2024 were subsequently updated by the client in the revised 2023/24 draft accounts published on 16 October 2024. This included changes to the Group MIRS and Group CIES of £3.492m to agree with the Council MIRS and CIES, also £3.135m changes to the Group Balance Sheet and notes G7 and G13 due to a reduction in the Collection Fund bad debt provision. There were further amendments to the Group statements to ensure consistency between statements and with the prior year accounts and to update notes with the current year amounts.

Collection Fund Note C1 - Band D Equivalent Dwellings (and other totals in note), updated to correctly cast.

There were also a number of other trivial disclosure amendments.

Value for money arrangements

Value for money arrangements

Our approach

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **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 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.

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. We presented our draft Auditor's Annual Report to the meeting of the Audit Committee in December 2024.

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2024 and have identified three significant weaknesses in arrangements and have made associated recommendations. We provide further details on the identified significant weaknesses and our recommendations later in this section of our report.

Our draft audit report at Appendix B confirms that we have matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements is provided in our Auditor's Annual Report.

Value for money arrangements

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 is 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>Financial sustainability As part of the 2024/25 budget setting and Medium Term Financial Plan update the Council made a request for and received in principle exceptional financial support from the Government as the Council reported it would not be able to meet its spending commitments from its income. We note that the Council has taken recent reports to the Executive relating to the reserves policy and a plan for financial recovery over the period to 2026/27. The Council has also launched a transformation programme in April 2024 to deliver financial recovery. There is a risk that the actions taken will not be sufficient to address the issues raised</p> | <p>●</p> | | | <p>Work undertaken We reviewed:</p> <ul style="list-style-type: none"> • Budget setting reports, including the application for exceptional financial support. • Budget monitoring reports. • Outturn reports. • Updated medium term financial plans (MTFPs). • Transformation programme. • Links between MTFPs and other plans, e.g., people strategy. <p>Conclusion The Council has made significant improvement in addressing issues that presented during 2023/24, for example introducing a new budget setting approach and transformation programme, but there is still work to be done to improve arrangements for financial sustainability. The precarious financial position and the transformation required to ensure affordable services are provided are causes of concern.</p> |

Value for money arrangements

Risks of significant weaknesses in arrangements (continued)

| Risk of Significant Weakness in Arrangements | Financial Sustainability | Governance | Improving the 3Es | Work Undertaken and Conclusions Reached |
|---|--------------------------|------------|-------------------|---|
| <p>Governance The Council's previous external auditor's reported significant weaknesses in the Council's governance arrangements in the period 2021 to 2023. The concerns reported included strained relationships between the Council's previous senior officers and elected Members, and between elected Members.</p> <p>The Council is implementing a Corporate Governance Improvement Plan to improve arrangements and monitoring reports in November 2024 record 86 out of 95 planned actions have been delivered. The Council also reports that 46 out of 47 actions in response to external audit recommendations have been delivered and the remaining action is on track to be delivered by March 2025. The Council now needs to apply its governance arrangements, and focus on transformation and financial recovery.</p> | | ● | | <p>Work undertaken We reviewed:</p> <ul style="list-style-type: none"> • Internal audit plan and reports. • Annual governance statement. • Section 24 recommendations action plan. • Corporate Governance Improvement Plan. • Response to unplanned changes and informed decision making. • Risk management arrangements. • Standards monitoring. <p>Conclusion The Council has made progress towards addressing previous value for money recommendations but there is still work to be done on governance arrangements.</p> |
| <p>Improving economy, efficiency and effectiveness Significant weaknesses in the Council's arrangements for evaluating the services it provides and for commissioning and procuring services were reported in previous years.</p> <p>In response, the Council's action plans and development workstreams include a range of measures to address the deficiencies reported. We also note the oversight provided by the Independent Improvement Advisory Board. There is a risk that the actions taken will not be sufficient to address the issues raised</p> | | | ● | <p>Work undertaken We reviewed:</p> <ul style="list-style-type: none"> • Updated Council plan and performance monitoring. • Transformation programme. • Partnership working. • Procurement arrangements and response to section 24 recommendations. • Relevant internal audit reports. <p>Conclusion The Council has made progress in addressing previous value for money recommendations but there is still work to be done to improve arrangements in relation to improving economy, efficiency and effectiveness.</p> |

Value for money arrangements

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work, we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

| Identified significant weakness in arrangements | Financial Sustainability | Governance | Improving the 3Es | Recommendation for improvement | Council response |
|---|--------------------------|------------|-------------------|--|------------------|
| <p>1</p> <p>Financial sustainability As part of the 2024/25 budget setting process, the Council made a request for, and received, exceptional financial support from the Government in order to balance the budget for 2024/25. The approach to budget setting has improved but needs to focus further on underlying assumptions to ensure funding gaps that could threaten the delivery of services and financial plans are identified and mitigated. The Council decision to seek such support in order to meet its spending commitments is evidence of a significant weakness in arrangements for planning to bridge funding gaps and identifying achievable savings.</p> | <p>●</p> | | | <p>1 The Council should continue to strengthen the approach to budget setting to ensure assumptions remain data driven and realistic, and planned savings are subject to detailed delivery plans and risk assessment.</p> <p>2 The Council needs to implement a financial recovery plan to ensure services can be provided within available resources and should:</p> <ul style="list-style-type: none"> • complete a baseline assessment of the affordability of services in their current form; • develop a detailed plan to address the deficit including further savings for 2025/26; • ensure sufficient information is provided to Members so they can monitor the delivery of planned savings. <p>3 The Council should continue to apply the additional spending controls agreed in July 2023 to address the forecast in-year deficit.</p> | |

Value for money arrangements

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work, we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

| Identified significant weakness in arrangements | Financial Sustainability | Governance | Improving the 3Es | Recommendation for improvement | Council response |
|---|--------------------------|---|-------------------|--|------------------|
| <p>2 Governance During 2023/24 the Council continued the process of reviewing and revisiting its Constitution and ensuring that the requirements of the Constitution were embedded in its decision-making processes. In addition, the Member development strategy and programme, which forms part of the culture and governance improvement plan, had not been delivered. These arrangements are needed to mitigate the risks of decision-making that could be unlawful or lead to significant loss or exposure to significant financial risk, or to reputational risks such as conflicts of interest.</p> <p>The lack of an up-to-date Constitution and Member development programme are evidence of a significant weakness in arrangements for making properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.</p> | | <ul style="list-style-type: none"> ● | | <p>The Council should apply and embed arrangements in line with the culture and governance improvement plan.</p> | |

Value for money arrangements

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work, we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

| Identified significant weakness in arrangements | Financial Sustainability | Governance | Improving the 3Es | Recommendation for improvement | Council response |
|---|--------------------------|------------|---|---|------------------|
| <p>3</p> <p>Improving Economy, Efficiency and Effectiveness The Council's performance during the year was monitored by the Executive and measured against the Council Plan. While the 2023/24 quarterly reports tracked performance against the priority actions in the Council Plan and included a commentary on progress, we did not see evidence of a clear link between the Council Plan priorities, the strategic workplan and the detailed outcomes and measures reported. Without this link there is a risk that poor service performance is not identified and addressed. The lack of embedded performance management arrangements is evidence of a significant weakness in arrangements for evaluating service provision and identifying areas for improvement..</p> | | | <ul style="list-style-type: none"> ● | <p>The Council should ensure</p> <ul style="list-style-type: none"> • the Mayor's priorities are clearly linked to the strategic workplan and feed down into detailed, measurable targets and staff performance appraisals; and • sufficient information is provided to Members so they can monitor service delivery. | |

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

Appendix A: Draft management representation letter

Mark Kirkham
Partner
Forvis Mazars
5th Floor
3 Wellington Place
Leeds
LS1 4AP

[Date]

Dear Mark,

[Middlesbrough Council - Audit for Year Ended 31 March 2024](#)

This representation letter is provided in connection with your audit of the financial statements of Middlesbrough Council (the Council) for the year ended 31 March 2024 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 2023/24 (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 ourselves 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 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 you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance 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.

[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 and committee meetings, have been made available to you.

Appendix A: Draft management representation letter

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's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, 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 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 Update and applicable law.

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 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 Director of Finance 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 involving:
 - o management and those charged with governance;
 - o employees who have significant roles in internal control; and
 - o 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's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix A: Draft management representation letter

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 Update and applicable law.

I have disclosed to you the identity of the Council'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 intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

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

Future commitments

The Council 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 2023/24 in relation to the Council'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 Update 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, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report fairly reflects that assessment.

Reinforced Autoclaved Aerated Concrete

I can confirm the Council have carried out an assessment of the potential impact of Reinforced Autoclaved Aerated Concrete (RAAC) on the Council. There is no indication of a need for a material impairment of PPE buildings or investment properties as a result of our investigation of the existence of RAAC.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report fairly reflects that assessment.

Appendix A: Draft management representation letter

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council 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'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.

Narrative Report

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

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,

Director of Finance

Appendix B: Draft audit report

[Independent auditor's report to the members of Middlesbrough Council](#)

[Report on the audit of the financial statements](#)

[Disclaimer of opinion on the financial statements](#)

We were appointed to audit the financial statements of Middlesbrough Council ('the Council') and its subsidiary ('the Group') for the year ended 31 March 2024, which comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Collection Fund accounts and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

[Basis for disclaimer of opinion](#)

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

[Responsibilities of the Chief Financial Officer for the financial statements](#)

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

[Auditor's responsibilities for the audit of the financial statements](#)

Our responsibility is to conduct an audit of the Council and Group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

Appendix B: Draft audit report

We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

[Report on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources](#)

[Matter on which we are required to report by exception](#)

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March 2024:

| Significant weakness in arrangements | Recommendation |
|---|--|
| <p>Financial sustainability The Council decision to seek exceptional financial support from the Government in order to meet its spending commitments is evidence of a significant weakness in arrangements for planning to bridge funding gaps and identifying achievable savings.</p> | <p>1 The Council should continue to strengthen the approach to budget setting to ensure assumptions are data driven and realistic, and planned savings are subject to a detailed delivery plans and risk assessment. 2 The Council needs to implement a financial recovery plan to ensure services can be provided within available resources and should:</p> <ul style="list-style-type: none"> • complete a baseline assessment of the affordability of services in their current form; • develop a detailed plan to address the deficit including further savings for 2025/26; • ensure sufficient information is provided to Members so they can monitor the delivery of planned savings. <p>3 The Council should continue to apply the additional spending controls agreed in July 2023 to address the forecast in-year deficit.</p> |
| <p>Governance The lack of an up-to-date Constitution and Member development programme are evidence of a significant weakness in arrangements for making properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.</p> | <p>The Council should apply and embed arrangements in line with the culture and governance improvement plan.</p> |
| <p>Improving Economy, Efficiency and Effectiveness We did not see evidence of a clear link between the Council Plan priorities, the strategic workplan and the detailed outcomes and measures reported. The lack of embedded performance management arrangements is evidence of a significant weakness in arrangements for evaluating service provision and identifying areas for improvement.</p> | <p>The Council should ensure</p> <ul style="list-style-type: none"> • the Mayor's priorities are clearly linked to the strategic workplan and feed down into detailed, measurable targets and staff performance appraisals; and • sufficient information is provided to Members so they can monitor service delivery. |

Appendix B: Draft audit report

Responsibilities of the Accounting Officer

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Use of the audit report

This report is made solely to the members of Middlesbrough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Appendix B: Draft audit report

[Delay in certification of completion of the audit](#)

We cannot formally conclude the audit and issue an audit certificate until we have completed our work to issue our audit assurance statement in respect of the Council's Whole of Government Accounts consolidation pack for the year ended 31 March 2024.

[Signature]

Mark Kirkham, Key Audit Partner

For and on behalf of Forvis Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

[Date]

Appendix C: Confirmation of our independence

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

Contact

Forvis Mazars

Mark Kirkham

Partner

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mark.kirkham@mazars.com

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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