



# Audit Completion Report

## Middlesbrough Council – year ended 31 March 2025

February 2026

Members of the Audit Committee

Middlesbrough Council  
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February 2026

Forvis Mazars

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Dear Committee Members,

## Audit Completion Report – Year ended 31 March 2025

We are pleased to present our Audit Completion Report for Middlesbrough Council (“the Council”) for the year ended 31 March 2025. The purpose of this report is to summarise our audit and to explain how the statutory backstop arrangements introduced by the Accounts and Audit (Amendment) Regulations 2024, have affected the completion of our work and the reporting consequences.

This report is intended solely for the Audit 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 Middlesbrough 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.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. At previous meetings of this Committee, we provided a summary of our plans to rebuild assurance in accordance with guidance issued by the National Audit Office and endorsed by the Financial Reporting Council. We will provide more details as part of our 2025/26 Audit Strategy Memorandum.

Yours faithfully

Signed: {{\_es\_:signer1:signature }}

Mark Kirkham

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 Middlesbrough Council. It has been prepared for the sole use of the Audit Committee as the appropriate group 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 are appointed to perform the external audit of of Middlesbrough 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 has been 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.

## Impact of the backstop legislation

Under normal circumstances, our objectives would be to form and express an opinion on whether the financial statements present a true and fair view of the Council's financial affairs for the year and whether they have been prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

A range of factors have led to a backlog in financial reporting in recent years. Legislation passed by government in 2024 (the Accounts and Audit (Amendment) Regulations 2024) addresses the backlog by introducing a 'backstop date' for the publication of financial statements, even if the audits had not been completed. This is intended to enable the sector to focus on the current financial position rather than historic information.

We issued a disclaimed opinion on your financial statements for the 2023/24 financial year, the predecessor auditors issued disclaimed opinions for 2022/23 and 2021/22 . This meant we did not express an opinion on those financial statements, and as such we do not have assurance over the opening balances in the 2024/25 financial statements. Further information on the procedures we have undertaken in order to issue a disclaimer of opinion in advance of the backstop date is provided in section 4.

The NAO published Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 in June 2025. This guidance sets out the procedures auditors may undertake to obtain sufficient appropriate evidence over opening balances when previous year's audits have been disclaimed. The guidance acknowledges that how long it will take to rebuild assurance will vary between audit engagements and according to each audit's particular circumstances.

It has not been possible to complete sufficient procedures as part of the current year's audit to enable us to issue a non-disclaimed opinion. For this reason, we will be issuing a disclaimed opinion in time for the Council to publish its financial statements by the backstop date of 27 February 2026 as required by the relevant legislation. 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.

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

When we issue a disclaimed opinion we do not express an opinion on the financial statements. When this type of opinion is issued, we are not required to undertake all of the work necessary to identify significant risks and other areas of focus relevant to the current year's audit.. The procedures we have undertaken are limited to those we are required to complete to issue a disclaimed opinion for the 2024/25 financial year as we have decided that this is the most efficient approach to rebuilding assurance as we work towards being in a position to issue a non-disclaimed opinion as soon as possible.

## 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 4 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

We anticipate having three 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 arrangements' 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. We received one question relating to note 23 Revaluations and Impairments of Property, Plant and Equipment (PPE). We considered this question and report our findings as part of our significant findings in section 4 below.

## Reporting to the group auditor

We anticipate completing the work to enable us to submit the assurance statement to the NAO but we have not yet received full group audit instructions from the NAO and so are unable to conclude whether any work is required in this area.

## Status of the audit

# Status of our audit

We have been unable to complete the full balance sheet audit which was planned in order to start rebuilding assurance. The table below summarises the work we have completed.

[Property, plant and equipment \(PPE\)](#)

We started our detailed testing but found various issues with the application of the Code relating to capital accounting and asset valuations, see section 4 below.

[Heritage assets](#)

We confirmed heritage assets values in the financial statements agreed to the fixed asset register. Due to insufficient time remaining, no further work has been completed.

[Investment properties](#)

Our testing is complete, we raised one issue relating to the classification of capital receipts on the sale of an investment property, see section 4 below.

[Intangible assets](#)

Testing complete, no issues to raise.

[Debtors testing](#)

We started our detailed testing but did not receive sufficient evidence to provide full assurance over these balances. We completed a review of the expected credit loss calculation which is based on historic collection rates, see section 4 below.

[Creditor testing](#)

Testing complete, our testing found one trivial error of £45,856 which extrapolates to an estimated error of £1.812m, see section 4 below.

[Borrowing](#)

Detailed testing complete apart from external confirmation of one loan balance of £1.777m.

[Cash and cash equivalents](#)

Detailed testing complete apart from external confirmation of school balances.

[Pensions](#)

The pension fund auditor assurance is outstanding.

[Usable and unusable reserves](#)

Testing complete apart from outstanding queries on capital accounting treatment, see section 4 below.

## Audit approach and risk summary



# Audit approach and risk summary

## Changes to our audit approach

Whilst our Audit Strategy Memorandum that was communicated to the Audit Committee stated that we intended to undertake a balance sheet audit, this has not been possible. We have not made any changes to our initial risk assessment that was set out in the Audit Strategy Memorandum. We have, however, updated the significant risk descriptions and planned work to more accurately reflect our audit approach, included specific materiality and added information about our use of specialists to complete the IT audit work.

When we issue a disclaimed opinion, we are not required to undertake all of the work necessary to identify significant risks and other areas of focus relevant to the current year's audit. The procedures we have undertaken are limited to those we are required to complete to issue a disclaimed opinion for the 2024/25 financial year as we have decided that this is the most efficient approach to rebuilding assurance as we work towards being in a position to issue a non-disclaimed opinion as soon as possible.

## Summary of Risks

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:

- revenue recognition;
- management override of controls;
- valuation of property, plant and equipment; and
- valuation of the net defined benefit pension liability.

### 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 4 of this report.

## Materiality

Our provisional materiality at the planning stage of our audit was set at £10.5m using a benchmark of 2% of gross operating expenditure at surplus/deficit level as per the Audit Strategy Memorandum.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

We set specific materiality levels for officers' remuneration (£50,000), termination payments (£50,000) and members allowances (£1,000).

## Use of specialists

We have used IT specialists to complete our IT general controls testing.

# Significant risks update

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Revenue recognition (a rebuttable presumption that there is a significant risk of fraud in revenue recognition).	●	●	○	For Middlesbrough Council we see the risk of fraud in revenue recognition as being principally in relation to the cut-off assurance relating to non-grant income.	<p>We planned to address this risk by carrying out a range of substantive procedures including:</p> <ul style="list-style-type: none"><li>• testing significant grants and capital receipts recorded around year end to ensure they have been recognised in the appropriate year; and</li><li>• testing year end receivables.</li></ul> <p>The planned procedures were not performed.</p>
2	Management override of controls (a mandatory significant risk for 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. The unpredictable way in which such override could occur means there is a risk of material misstatement as a result of fraud on all audits.	<p>In line with our methodology, we planned to address the management override of controls risk by carrying out audit work on:</p> <ul style="list-style-type: none"><li>• accounting estimates;</li><li>• journal entries; and</li><li>• significant transactions outside the normal course of business or otherwise unusual.</li></ul> <p>The planned procedures were not performed.</p>

# Significant risks update (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
3	Valuation of property, plant and equipment	○	●	●	<p>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 land and buildings and investment property.</p> <p>Although the Council employs valuation experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the (re)valuations of these classes of property, plant and equipment as a consequence of the significant judgements and number of variables involved.</p>	<p>We planned to:</p> <ul style="list-style-type: none"><li>critically assess the Council's arrangements for ensuring that land and buildings and investment property valuations are reasonable and not materially misstated;</li><li>critically assess the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers;</li><li>consider the competence, skills and experience of the valuers and the instructions issued to the valuers;</li><li>substantively test revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated; and</li><li>where necessary, perform further procedures on individual assets to ensure the basis of valuations is appropriate.</li></ul> <p>The planned procedures were partially performed.</p>

Significant risks update (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
4	Valuation of the net defined benefit pension liability	○	●	●	<p>The 2024/25 financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We planned to:</p> <ul style="list-style-type: none"><li>critically evaluate the Council's arrangements relevant controls for making estimates in relation to pension entries within the financial statements; and</li><li>challenge the reasonableness of the Actuary's assumptions that underpin entries made in the financial statements, using an expert commissioned by the National Audit Office;</li><li>critically assess the competency, objectivity and independence of the Actuary;</li><li>liaise with the auditors of the Pension Fund to gain assurance that the overall IAS19 procedures and controls in place at the Pension Fund are operating effectively;</li><li>compare assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; and</li><li>agree data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.</li></ul> <p>The planned procedures were partially performed.</p>

Significant findings

# Significant findings

## Background and modification of the audit opinion

As part of our longer-term approach to rebuilding assurance , we have not completed sufficient audit procedures as part of the current year’s audit to enable us to provide an unmodified opinion on the Council’s financial statements. As we have determined that the effects, or potential effects, on the financial statements of the lack of sufficient appropriate evidence are pervasive, we will be issuing a disclaimed opinion which 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 fact we will not have been able to rebuild assurance in respect of opening balances by 27 February 2026 after issuing a disclaimed opinion in the previous year as a result of the backstop arrangements. Our disclaimed opinion followed two disclaimed opinions from the predecessor auditor.

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.

## Significant matters discussed with management

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

- Adopted roads have been recognised as donated assets and valued using the historical costs included in the original development agreements. Our understanding of the Code is that generally accepted practice is to include these assets at nil consideration. Gross book value as at 31 March 2025 is £40.547m, net book value £21.666m.
- Indexation of property, plant and equipment held at discounted replacement cost has been based on opening balances despite some assets being revalued in-year. Our sample testing identified one asset with an opening balance of £7.8m which was revalued in-year to £4.7m but indexed back up to £7.8m at the year-end. Additional information in the valuation report indicates that both the opening and closing balances are overstated for this asset. Further work by the Council has identified further errors which offset the error found above and indicate the overall error in-year amounts to £0.171m.

- Note 23 revaluations and impairments of property, plant and equipment, revaluation analysis includes assets carried as historical cost as a balancing figure. This note is not prepared in line with our understanding of the Code.
- Cash receipts on the disposal of investment properties have been accounted for through other operating income and expenditure. Our understanding of the Code is that these should be accounted for as investment and financing income.
- Centre Square lease remeasurement due to the implementation of IFRS16 has been accounted for as a donated asset. Our understanding of the Code is that this should be disclosed as an IFRS16 adjustment.
- Centre Square asset valuation has been determined using a special assumption that the Council is the freeholder of the asset (and pays no rent). The Council, however, leases the buildings (and pays quarterly rent) and then sub-leases to tenants.

Potential weakness	Recommendation
The matters listed above highlight differences in interpretation of the Code relating to capital accounting which need to be addressed.	The Council should review its application of the Code to capital accounting to ensure the correct treatment is applied.

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 findings

## Significant difficulties during the audit

We have not encountered any significant difficulties, and we have had the full co-operation of management. We did experience some delays in obtaining audit evidence.

## 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 Committee during our audit. Most requested information and explanations were provided to us.

We identified the following matter of significance during our audit:

- The expected credit loss for council tax is calculated using the average collection rate for 2012-1993 less 1%. Similarly, for business rates, the 2013 rate has been used. We have queried at what point this will be updated to a more recent date as collection rates are decreasing. Officers have confirmed that this is currently being reviewed.
- We have not completed detailed work on the capital commitments disclosure note, however, we have noted that the disclosure only shows the 2025/26 approved budget figures; it does not include works contracted prior to 2024/25 and does not include any spend to date, so does not show all capital commitments as at the balance sheet date. The Code Guidance Notes are not particularly clear on what is required, we will discuss this further as part of our 2025/26 audit.
- We started our work on note 13 DSG but were unable to confirm that individual school budgets for the year to School Forum minutes as required by our testing approach.
- We have been unable to complete our work on related parties as two declarations of interest had not been returned by senior officers, we also identified one potential related party transaction that had not been included in the disclosure note.
- We have not completed our work on the Cash flow statement and supporting notes. Based on our initial review, however, we identified several potential classification and presentational issues within the notes. The supporting workings and methodology could benefit from a review by officers in 2025/26 to ensure the notes are presented in accordance with the Code requirements.

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.

## 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 contact from the public in relation to some accounting entries and we took the information into account as part of our audit. There were no statutory objections.

# 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 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, 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 we disclaimed our opinion.

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 Committee.

Other than the issue highlighted on page 14 above, we have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

## 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*'.



# Summary of amendments to the financial statements

The Council's Director of Finance authorised the Council's draft financial statements for issue on 30 June 2025.

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 £317,000.

Details of amendment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Revenue grants receipts in advance			5,346	
Cr: Short-term creditors				5,013
Cr: Capital grants receipts in advance				333
The split between Short Term Creditors and Revenue Grants Receipts in Advance on the face of the Balance Sheet is incorrectly stated. There is also a balance to be included as Capital Grants Receipts in Advance in the current year				
Dr: Long-term borrowing			344	
Cr: Short-term borrowing				344
The amount of a loan balance due to be repaid in 2025/26 of £0.344m should be classified as Short Term Borrowing on the Balance Sheet rather than as Long Term Borrowing.				
Dr: Other operating income – gains/losses on the disposal of net current assets	15,772			
Cr: Financing and investment activities – charges in relation to investment property		15,772		
The £15.703m capital receipt (net of costs) from the sale of an Investment Property has been included in the Other Operating I&E section of the CIES along with receipts from the sale of PPE and AHFS. However, per the Code Guidance Notes, the gain/loss on derecognition of Investment Property should be included in the Financing I&E section of the CIES, therefore the capital receipt should be included in this section along with the written-out value of the asset. An adjustment has also been made for one other amount.				
Aggregate effect of amendments	15,772	15,772	5,690	5,690

# Summary of misstatements

## 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.

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 Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Description	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Capital Adjustment Account			21,666	
Cr: Property, plant and equipment, infrastructure				21,666
Adopted highways accounted for as donated assets based on developer costs in the original development agreements.				
Dr: CIES financing and investment activities - expenditure	2,262			
Cr: Investment properties				2,262
The £2.262m remeasurement of the Centre Square lease on transition to IFRS 16 has been accounted for as a donated asset, so as an addition to the Investment Properties balance. However, in accordance with the CIPFA Code, this remeasurement adjustment should have been charged to the CIES, Financing & Investment Activities Expenditure, as part of the Movement in Fair Value of Investment Properties. This item would then be reversed out to the Capital Adjustment Account via the Movement in Reserves Statement.				
Aggregate effect of unadjusted misstatements	2,262		21,666	21,928

# Summary of misstatements

## Unadjusted misstatements (continued)

Description	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: CIES – financing and investment activities – expenditure	877			
Dr: Cost of services expenditure - regeneration	1,552			
Cr: Cost of services income - regeneration		877		
Cr: CIES – financing and investment activities – income		1,552		
£1.552m rental income and £0.877m direct operating expenses arising from Investment Property per Note 25 should be included in the Financing and Investment Activities line in the Comprehensive Income and Expenditure Statement, however these amounts have been included within the Regeneration line of the Net Cost of Services section of the CIES.				
Dr: Short-term creditors – trade payables			1,812	
Cr: CIES cost of services		1,812		
We identified an error of £0.046m as part of our testing of Trade Payables, relating to an accrual that was written off shortly after being processed so should not have been included as a creditor in the accounts. The total known and extrapolated error is £1.812m.				
Aggregate effect of unadjusted misstatements	4,691	4,241	23,478	21,928

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. The audit report in appendix C will be further modified to reflect the material unadjusted error included above in relation to the adopted highways, the wording is subject to internal moderation.

# Summary of misstatements

## Disclosure misstatements

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

- Note 7 earmarked reserves, column headings corrected and entries moved to correct columns.
- Note 22 property, plant and equipment, updated to correct leisure asset values.
- Note 23 revaluations and impairments of property, plant and equipment, updated for current year valuations.
- Note 35 usable reserves, amended to ensure consistency with other areas of the accounts.
- Note 36 unusable reserves, presentational amendments.
- Note 37 pension schemes accounted for as defined benefit schemes, corrected to agree with the actuary's report.
- Note 40 leases – Council as a lessee, corrected for several presentational points.

Value for money arrangements

# Value for money arrangements

## Our approach

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 our 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 intend to issue the Auditor's Annual Report in 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 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 C confirms that we have 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 February 2026.

# 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 are outlined in the table below.

Risk of Significant Weakness in Arrangements		Financial Sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
1	<p><b>Financial sustainability</b></p> <p>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.</p> <p>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.</p> <p>The Council decision to seek such support in order to meet its spending commitments was evidence of a significant weakness in arrangements for planning to bridge funding gaps and identifying achievable savings.</p>	●			<p><b>Work undertaken</b></p> <p>Our work included reviews of:</p> <ul style="list-style-type: none"><li>• budget setting reports, including the application for exceptional financial support;</li><li>• budget monitoring reports;</li><li>• outturn reports;</li><li>• updated medium term financial plans;</li><li>• transformation programme; and</li><li>• links between MTFP and other plans, for example, people strategy.</li></ul> <p><b>Conclusion</b></p> <p>The Council has made significant improvement in addressing issues that presented during 2024/25, 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 financial position and the transformation required to ensure affordable services are provided require ongoing attention.</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
2	<p><b>Governance</b></p> <p>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.</p> <p>In addition, the Member development strategy and programme, which forms part of the culture and governance improvement plan, had not been delivered.</p> <p>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 were evidence of a significant weakness in arrangements for making properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.</p>		●		<p><b>Work undertaken</b></p> <p>We reviewed:</p> <ul style="list-style-type: none"> <li>• Internal Audit plan and reports;</li> <li>• Annual Governance Statement;</li> <li>• Transformation Plan;</li> <li>• response to unplanned changes and informed decision making;</li> <li>• risk management arrangements; and</li> <li>• standards monitoring.</li> </ul> <p><b>Conclusion</b></p> <p>The Council has made progress and has addressed the previous value for money recommendation on governance arrangements</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
3	<p><b>Improving Economy, Efficiency and Effectiveness</b></p> <p>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.</p> <p>Without this link there is a risk that poor service performance is not identified and addressed.</p> <p>The lack of embedded performance management arrangements was evidence of a significant weakness in arrangements for evaluating service provision and identifying areas for improvement.</p>				<p><b>Work undertaken</b></p> <p>We reviewed:</p> <ul style="list-style-type: none"><li>• updated Council plan and performance monitoring;</li><li>• transformation arrangements;</li><li>• partnership working;</li><li>• procurement arrangements; and</li><li>• Internal Audit reports.</li></ul> <p><b>Results of our work</b></p> <p>The Council has made significant improvements in addressing issues that presented during 2024/25, for example, introducing a new Council Plan based on the Mayor's priorities, but there is still work to be done to improve arrangements for improving economy, efficiency and effectiveness. The lack of a fully embedded Plan with links between the Mayor's priorities and the performance management framework is a cause of concern.</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 (subject to internal moderation)	Council's response
1	<b>Financial sustainability</b> The Council is still reliant on EFS to set a balanced budget.	●			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 a detailed delivery plans and risk assessment.	
2	<b>Financial sustainability</b> The Council has a significant and growing DSG deficit.	●			The Council should continue to implement initiatives to: <ul style="list-style-type: none"> <li>• improve prevention and early intervention;</li> <li>• transform provision and reduce costs while maintaining standards; and</li> <li>• identify income to offset high needs spend.</li> </ul>	
3	<b>Performance management arrangements</b> A new Council Plan 2024-27 has been developed which articulates the Mayor's four priorities and outlines the approach that will be taken to address those priorities. Our work, however, identified a lack of evidence of a clear link between the Council Plan priorities in 2024/25, the strategic workplan and the detailed outcomes and measures reported.			●	The Council should ensure the Mayor's priorities are clearly linked to the strategic workplan and feed down into detailed, measurable targets and staff performance appraisals.	

Audit fees and other services

# Audit fees and other services

## Fees for work as the Council’s appointed auditor

Our fees (exclusive of VAT and disbursements) as the Council’s appointed for the year ended 31 March 2025 are outlined below.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit. The scale fee is set by PSAA each year, covering the work required as the Council’s appointed auditor under the NAO Code of Audit Practice. The scale fee for 2024/25 was set at £348,214 (£321,074 for 2023/24). As we have been unable to complete the required procedures to complete our audit before the backstop date, we have proposed a reduction in the scale fee in line with previous years.

Final fees are subject to review and approval by PSAA.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Work to support the financial statements audit including time to plan the audit and issue the disclaimer opinion.	£64,736	£59,665
Work completed to assess the Council’s value for money arrangements and issue our value for money commentary	£101,264	£93,331
Additional work on value for money risks of significant weaknesses	£40,850	£37,650
Total	£206,850	£190,646

## Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work, we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section ‘Confirmation of our independence’.

Area of work	2024-25 Proposed Fee	2023-24 Proposed Fee
Housing Benefits Subsidy Assurance	£15,600	£15,000
Teachers’ Pensions	£6,550	£6,130
Total non-PSAA work	£22,150	£21,130

# Appendices

- A: Internal control conclusions
- B: Draft management representation letter
- C: Draft audit report
- D: Confirmation of our independence
- E: Other communications

# 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 PCC and CC'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 PCC and CC'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

### Description of deficiency

Our IT work highlighted some areas which could be improved, these comprise of password management, privileged access and user access reviews.

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### Potential effects.

The lack of user controls increases the risk of unauthorised access to the application and may adversely impact the integrity and confidentiality of financially significant information.

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### Recommendation

We recommend IT arrangements are strengthened.

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### Management response

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# Appendix B: Draft management representation letter

Mark Kirkham  
Forvis Mazars  
5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP

[Date]

Dear Mark

**Middlesbrough Council - Audit for Year Ended 31 March 2025**

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 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 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.

I confirm that there is no information provided to you as part of the audit that I consider legally privileged.



# 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 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's financial position, financial performance and cash flows.

## Accounting estimates, including those measured at current and/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.

Consideration should be given to including representations about specific accounting estimates, including in relation to the methods, assumptions, or data used. Such representations about specific accounting estimates may include representations:

- that the significant judgments made in making the accounting estimates have taken into account all relevant information of which management is aware;
- about the consistency and appropriateness in the selection or application of the methods, assumptions and data used by management in making the accounting estimates;
- that the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, when relevant to the accounting estimates and disclosures;
- that disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework;
- that appropriate specialised skills or expertise has been applied in making the accounting estimates;
- that no subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements; and/or
- when accounting estimates are not recognised or disclosed in the financial statements, about the appropriateness of management's decision that the recognition or disclosure criteria of the applicable financial reporting framework have not been met.

## 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.

# Appendix B: Draft management representation letter

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 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.

## **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 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, investment properties and intangible assets 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'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.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by 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 there is no significant impact from restrictions or sanctions in place.

**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 there is no significant impact from tariffs.

**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.

# Appendix B: Draft management representation letter

**Unadjusted misstatements**

I 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.

**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:

Date:

**Appendix**

**Schedule of unadjusted misstatements**

# Appendix C: Draft audit report (subject to internal moderation)

## **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") for the year ended 31 March 2025, which comprise the Council Movement in Reserves Statement, the Council Comprehensive Income and Expenditure Statement, the Council Balance Sheet, the Council Cash Flow Statement, 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 2024/25.

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 specify the date by which the Council is required to publish its Accountability Statements, which include the financial statements and the auditor's opinion, for each financial year. the Council is required to publish its Accountability Statements for the year ended 31 March 2025, by 27 February 2026 ('the 2026 backstop date').

On 28 February 2025 we issued a disclaimer of opinion in relation to the financial statements for the year ended 31 March 2024 as there was insufficient time to perform all necessary audit procedures to obtain sufficient appropriate evidence upon which to form an opinion before the relevant backstop date(s) specified in the Amendment Regulations.

The National Audit Office issued guidance to auditors on rebuilding assurance following backstop-related disclaimers of opinion through Local Audit Reset and Recovery Implementation Guidance 06 ("LARRIG 06") in June 2025. We have had regard to LARRIG 06 and other relevant guidance and determined that there is not sufficient time to carry out the procedures we deem necessary to rebuild assurance. As a result, we are not able to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements for the year ended 31 March 2025 before the 2026 backstop date.

In addition, as part of our audit work, we have identified that infrastructure assets in the balance sheet include adopted roads recognised as donated assets and valued using the historical costs included in the original development agreements. The Code requires these assets to be valued at nil consideration. Gross book value as at 31 March 2025 is £40.547m, net book value £21.666m.

# Appendix C: Draft audit report (subject to internal moderation)

## **Responsibilities of the Director of Finance for the financial statements**

As explained more fully in the Statement of the Chief Financial Officer's [update title as applicable] Responsibilities, the Director of Finance 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 2024/25, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 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 Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council 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'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.

We are independent of the Council 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](http://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 its use of resources**

### **Matter on which we are required to report by exception**

We are required to report to you if, in our view 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 2025.

# Appendix C: Draft audit report (subject to internal moderation)

## 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 2025.

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 2025:

Significant weakness in arrangements	Recommendation
<b>Financial sustainability</b> The Council has a significant and growing DSG deficit.	The Council should continue to implement initiatives to: <ul style="list-style-type: none"><li>• improve prevention and early intervention;</li><li>• transform provision and reduce costs while maintaining standards; and</li><li>• identify income to offset high needs spend.</li></ul>

In November 2025 we identified significant weaknesses in relation to financial sustainability and improving economy, efficiency and effectiveness for the 2022/2024 year. In our view these significant weaknesses remained for the year ended 31 March 2025:

Significant weakness in arrangements – issued in a previous year	Recommendation
<b>Financial sustainability</b>  As part of the 2024/25 budget setting, the Council made a request for, and received, exceptional financial support (EFS) from the Government as the Council could not meet its spending commitments from available resources. For 2025/26 the Council is still reliant on EFS to set a balanced budget.	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.
<b>Improving Economy, Efficiency and Effectiveness</b>  The Executive monitored performance during the year. Performance is measured against the Council Plan. In 2023/24 the 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.	The Council should ensure the Mayor’s priorities are clearly linked to the strategic workplan and feed down into detailed, measurable targets and staff performance appraisals.

# Appendix C: Draft audit report (subject to internal moderation)

## **Responsibilities of the Council**

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 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 C: Draft audit report (subject to internal moderation)

## **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have:

- received confirmation from the NAO that the group audit of the Whole of Government Account has been completed and that no further work is required to be completed by us.
- issued the opinion on the financial statements in the pension fund annual report.

Mark Kirkham, Partner For and on behalf of Forvis Mazars LLP

5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP





February 2026

## 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
	Compliance with Laws and Regulations	<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>
	External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
	Related parties	<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> <ul 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></ul>
	Going Concern	<p>As noted in section 4 of our report, when we issue a disclaimed opinion, we do not express a view on whether it is appropriate for the accounts to be produced on a going concern basis. We have therefore not considered the appropriateness of management's going concern assessment.</p>

# Appendix E: Other communications

Other communication		Response
	Subsequent events	<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>
	Matters related to fraud	<p>As explained in section 4 of our report, we sought and obtained information from management in relation to any actual or suspected fraud which could materially impact upon the financial statements. We have reported any matters arising in accordance with our responsibilities as your appointed auditor. Due to our decision to disclaim the opinion, we have not undertaken further procedures in respect of fraud. Therefore, we do not provide any assurance that the financial statements are free from material error due to fraud.</p>

# Appendix E: Other communications

Other communication		Response
	<b>System of Quality Management</b>	<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 2025. Details of that assessment and our conclusion are set out in our 2024/2025 Transparency Report, which is available on our website <a href="#">here</a>.</p>

# Contact

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