



Auditor's Annual Report  
North Tyneside Council – year ended 31 March 2025

26 February 2026

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

# 01

Introduction

# Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North Tyneside Council ('the Council') for the year ended 31 March 2025. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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



### Opinion on the financial statements

We issued our audit report on 26 February 2026. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council's financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



### Value for Money arrangements

We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements. Please note that the contents of this report include our commentary on the Council's arrangements as per our draft Auditor's Annual Report issued to members at the November 2025 Audit Committee. Our overall commentary and conclusions remain unchanged. For the latest position of the Council's financial planning and budget proposals, see page 17 of the report.



### Reporting to the group auditor

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 National Audit Office (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.

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Audit of the financial statements

# Audit of the financial statements

## Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2024/25 financial statements.

Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether 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. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 26 February 2026, we have not expressed an opinion on the Council's financial statements.

## Impact of the disclaimed audit opinions for 2022/23 and 2023/24 on the 2024/25 audit

The Council received a disclaimed audit opinion in 2022/23 from our predecessor auditor. This meant that we were unable to complete our 2023/24 audit in advance of the backstop date of 28 February 2025 and we had to issue a disclaimed opinion on the 2023/24 financial statements for the Council.

We concluded that we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements presented a true and fair view and had been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit reports issued on 24 February 2025, we did not express an opinion on the Council's 2023/24 financial statements.

In our Audit Strategy Memorandum 2024/25, dated 15 July 2025, we explained that we were hoping that guidance would be available to enable us to rebuild assurance for the disclaimed audit year using a 'Proof in Total' approach. At the Audit Committee on 12 November 2025 we were still awaiting guidance, but on 1 December 2025, we reported via an e-mail update that the 'rebuilding assurance' guidance could not be issued, and that our firm alongside others in the sector, could not come up with a 'proof in total' approach that was consistent with the requirements of International Standards of Auditing (ISAs).

This meant that we would have to issue another disclaimed opinion on the 2024/25 audit.

## Work on the 2024/25 financial statements

We agreed with the Council that despite having to issue another disclaimed opinion we would seek to complete as much of the 2024/25 audit as we were able to prior to the backstop date. This will place us in a good position to move towards an unqualified opinion in future years.

We have completed a substantial amount of our planned work, but we have not been able to complete all of our audit procedures for 2024/25. We estimate that we completed 50% of our planned procedures relating to the 2024/25 financial statements.

The process we undertook was helpful in identifying issues that the Council can now address in its 2025/26 preparation of the financial statements.

We reported our findings in relation to the 2024/25 audit in our Audit Completion Report and this is summarised in Appendix A of this report.

# 03

Our work on Value for Money  
arrangements

VFM arrangements

Overall Summary



# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the 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.



**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.

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

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

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

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

### Phase 2 - Additional risk-based procedures and evaluation

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

We outline the risks that we have identified and the work we have done to address those risks on page 10.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

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

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

# VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	Yes	No	Yes
 <b>Governance</b>	18	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	21	No	No	No

# VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# VFM arrangements – Financial Sustainability

## Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

**Position as per Draft Auditor’s Annual Report presented to the Audit Committee in November 2025. See page 17 for the latest position.**

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p><b>Financial sustainability</b></p> <p>Based on the most recent Medium Term Financial Plans (MTFP), the Council’s general reserves have decreased significantly and, in common with many other local authorities, the Council faces challenging budget pressures, particularly in children’s services and adult social care.</p> <p>1 This represents a significant risk in respect of the following principle of the financial sustainability criteria:</p> <p><i>Unsustainable planned use of reserves to bridge funding gaps or significant use/reliance on reserves to cover unplanned spending</i></p>	<p><b>Work undertaken</b></p> <p>In our 2023-24 Auditor’s Annual Report, we raised an “other recommendation” highlighting the ongoing pressures and the need to manage the budget in line with the revised MTFP. The Council has a number of MTFP projects to help address these challenges.</p> <p>We reviewed the Council’s 2024-25 outturn position and this shows a £4.2m overspend based on the draft financial statements (which include capital and other adjustments). We understand that the Council has used reserve balances to meet the overspend, including £2.8m from the Strategic Reserve. In 2024-25, the biggest overspend comes from Children’s services, which accounts for a £12.5m overspend against budget.</p> <p>We also reviewed the Council’s Dedicated Schools Grant (DSG) deficit position to date, alongside its DSG management plan and Safety Valve Agreement. We also received the Council’s remodelled DSG management plan.</p> <p><b>Results of our work</b></p> <p>The 2024/25 budget was balanced through £4m of reserves. The immediate plan is to use reserves, which are adequate, to bridge the gaps whilst there are also a number of MTFP projects in place to reduce the burden on the reserves in the coming years.</p> <p>In future years in the published 2025/26 to 2028/29 MTFP there is a funding gap of £14.194m. The gap is significantly driven by adult and children’s social care demand, with children’s social care the main area of pressure, and inflation on the Council’s cost base in general. Although there is still a funding gap, it is clear the Council are aware of the pressures they face, and they have implemented MTFP projects (14 of them in total) to help address these challenges.</p> <p>In 2022, the Authority was invited to take part in the Safety Valve Intervention Programme. In line with the Safety Valve Agreement the 2024/25 budget was set to achieve a year end deficit position of £9.220m, which included £1.950m Safety Valve funding. In its July 2025 submission to DfE, the Authority reported it was to reach a positive in-year balance on this budget by the end 2027/28, although the year end deficit position for 2024/25 is £11.502m. From this we noted that as a result of some of the savings not being delivered to date, the Council has remodelled its DSG Management Plan in light of current data. Despite many improvements being made, the scale of the financial challenge will result in a revised deficit of £8m by March 2028. This position assumes the full £19.5m grant is paid. It is important to note, however, that the remodelled plan does come into an in-year balanced position in 2027/28. The Authority has requested the DfE to have a discussion on future options to address the further deficit.</p>

# VFM arrangements – Financial Sustainability

## Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

*Position as per Draft Auditor's Annual Report presented to the Audit Committee in November 2025. See page 17 for the latest position.*

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p><b>Financial sustainability (continued)</b></p> <p>Based on the most recent Medium Term Financial Plans (MTFP), the Council's general reserves have decreased significantly and, in common with many other local authorities, the Council faces challenging budget pressures, particularly in children's services and adult social care.</p> <p><b>1</b> This represents a significant risk in respect of the following principle of the financial sustainability criteria:</p> <p><i>Unsustainable planned use of reserves to bridge funding gaps or significant use/reliance on reserves to cover unplanned spending</i></p>	<p><b>Findings (continued)</b></p> <p>Given the work ongoing to address the underlying deficits we do not consider this to be evidence of a significant weakness in arrangements. Management and Members are fully aware of the financial pressures and are taking action to balance the MTFP without drawing further on the Council's reserves.</p> <p>However, we have raised an 'other recommendation' below as part of the 2024/25 audit to highlight the downward trajectory of the Council's financial reserves and the risk to its future financial sustainability should the underlying deficits not be fully addressed.</p> <p><b>Other recommendation</b></p> <p><i>The Council should continue to address the underlying deficit and reduce the reliance on general fund balances within the MTFP. Members need to continuously monitor the financial position and the delivery of any plans that are agreed to address it to secure the medium-term and long-term financial sustainability of the Council.</i></p> <p><i>In terms of the DSG deficit, the Council should carefully execute its mitigation action plans to deliver expected savings. The Authority should explore further ways to reduce the forecasted deficit of £8m (after taking into account the £19.5m grant). The Authority should also ensure its continued compliance with the Safety Valve Agreement to ensure all conditions are met.</i></p>

# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability

*Position as per Draft Auditor's Annual Report presented to the Audit Committee in November 2025.*

### **How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them**

In our assessment, we have considered various iterations of the MTFP for 2025/26 to 2028/29. The Council has an established process for developing the MTFP with a history of either meeting or underspending against its financial targets with savings consistently delivered over the past few years. In more recent years, pressures in adult and children's social care have created overspends. We discussed the process for developing the MTFP with Council officers, including how they identify pressures. Officers explained that the MTFP is a collaborative process between financial management team and other Council services, noting that significant financial pressures are identified, reviewed and addressed, as necessary.

The arrangements for approval and reporting of the budget and MTFP are also well established. Bi-monthly Performance and Financial Management reports are presented to the Cabinet throughout the year, underpinned by budget monitoring within each service line and reporting to the Senior Leadership Team. These reports provide a clear summary of the projected outturn and the actuals, along with supporting narrative to explain any significant changes. Implications of overspends and non-delivery of planned savings and efficiencies are set out in each report.

The Council has a strong track record of delivering its budget over the last decade, despite the continued pressures of funding reductions and delivery of savings. In the current financial year (2024/25) the Council continued to report significant financial pressures due to increasing demand and cost increases in service. The outturn report for 2024/25 presented a £4.151m overspend, which continues to be largely driven by cost and demand pressures in Children's services which saw a £12.5m overspend in year.

The immediate plan was to use reserves, which are adequate, to bridge the gap whilst there are also a number of MTFP projects in place to reduce the burden on the reserves in the coming years. The general reserve was decreased from £40.9m to £36m, with the required use of the strategic reserves to balance the 2023/24 and 2024/25 year-end positions. In recognition of the required use of the Strategic Reserve to balance the 2023/24 financial year and the 2024/25 financial year, the 2025-2029 MTFP includes the planned replenishment of the Strategic Reserve over the next 4 years.

The Council has an existing five-year Investment Plan. The plan is updated to reflect rolling programme projects including asset planned maintenance, technology infrastructure refresh and additional planned highways maintenance works. There are no additional high value schemes planned beyond those within the existing plan. New schemes are subject to assessment using a business case template which is challenged by Investment Programme Board, as well as scrutiny from the Major Projects Board to ensure successful delivery. The reprofiled plan was presented in June 2025 to Cabinet, which brings together the February 2024 investment plan approvals as at February 2024, and reprogramming as reported as part of the March 2025

Cabinet.

We have confirmed that there has been regular monitoring of the Council's financial position throughout the year, which included arrangements to routinely update the MTFP, enabling the Council to respond to any identified financial challenges during the life of the plan. The Council's quarterly reports clearly highlight the continued financial pressures and the need for robust budget monitoring which is crucial to its financial sustainability. Our review of these reports, plus review of minutes of the meetings, show that there is sufficient monitoring and challenge of the information provided.

### **How the body plans to bridge its funding gaps and identifies achievable savings**

Our review of the MTFP issued over the current reporting period, provides assurance that forecasts are based on prudent assumptions including the Council's latest understanding of future government funding arrangements, local revenue assumptions, service demand and other costs pressures. Arrangements for identifying and delivering savings include a timetable for consultation with stakeholders ahead of approval before each financial year. As in previous years, the Council is also forecasting the use of reserves to support the delivery of a balanced budget.

The Council has 14 MTFP workstreams which have identified £10.882m of savings which were included in 2024/25 and progressed well, with around £10m achieved at the year end. This demonstrates that the Council is able to make the required progress to meet its strategic objectives.

Between 1 February and 31 March 2025, the MTFP Programme has continued to make steady and positive progress. Of the 14 projects currently within the programme, 12 are Red, Amber, Green (RAG) rated with Green, indicating that delivery remains on track with no significant concerns. The remaining two projects are rated Green/Amber, where some elements have experienced delay or pressures, but the overall delivery of the projects remains achievable with appropriate actions in place.

In the subsequent years in the most recently published 2025/26 to 2028/29 MTFP there is a funding cumulative gap of £14.194m. This is a 57% reduction from the £33m gap initially identified from the 2024 MTFP which demonstrates that the Council is actively working towards identifying savings across programmes to reduce reliance on the use of reserves to bridge the gap.

This is significantly driven by the adults and social care demand and inflation on the Council's cost base in general, however there are anticipated savings and efficiencies within the MTFP which amount to £14.466m to help reduce the funding gap to 2028/29. Although there is still a funding gap, it is clear the Council are aware of the pressures they face, and they have implemented MTFP projects to help address these matters over the next four years. Recent updates (July 2025) across all programmes is consistent with this.

# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability - continued

*Position as per Draft Auditor’s Annual Report presented to the Audit Committee in November 2025.*

### How the body plans to bridge its funding gaps and identifies achievable savings (continued)

The Council are grappling with difficult decisions and not shying away from these, for example, it has recently initiated a school closure programme which has gained a lot of local challenge and political interest. Management have also shared a Financial Reality update which was presented widely in September 2025, which is key evidence of its openness and transparency amongst stakeholders.

Thus, in summary, the Council appears to be financially sustainable at least until 31 March 2029 but will need to rely on reserves in the near future until the effects of MTFP projects and future efficiencies and savings are delivered.

Whilst we are satisfied there are no significant weakness in arrangements, we recognise the continued challenge associated with delivering savings throughout the life of the MTFP. Therefore, we have raised an ‘other recommendation’ for the Council which is set out on page 17.

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

We confirmed the updated MTFP was based on reasonable assumptions available at the time of approving the Strategy. We confirmed the MTFP is repeatedly reviewed and, where necessary, the main assumptions used are updated. There is regular reporting including where changes in assumptions impact on the forecast financial position.

The Council’s MTFP provides a framework with the express objective of achieving a sustainable financial position over the medium-term and is based around services and service priorities. It is aligned to the Council’s strategic ‘Our North Tyneside’ priorities. The strategic approach of ‘Building A Better North Tyneside Looking To The Future’ provides the framework for delivery of the Council’s priorities. This uses the five themes of the strategic vision: Thriving, Family-Friendly, Caring, Secure and Green.

Our review confirmed there is regular budget monitoring including bi-monthly forecast of outturn reports which support the identification of in-year pressures, whether savings are being achieved and if resources need to be redirected to areas in need. We have not identified evidence of significant short-term measures. Our review of the outturn as well as the financial statements has not highlighted any apparent reliance on significant one-off accounting measures. The outturn report for 2024/25 detailed pressures faced by the Council.

### OFSTED Inspection - Children’s services

However, it is worth noting, that despite the pressures, in November 2024 the Children’s services were subject to a regulatory OFSTED inspection in which a rating of “Outstanding” was received across all measures. OFSTED further noted that services continue to develop in line with national developments and social care reforms. There is evidence that the Council’s development of their early intervention works well which is key to managing demand.

A key point in the report noting that the approach of the Council is “significantly benefiting children in care and care leavers as their needs are better understood and responded to.”

The results from the inspection provides further evidence in an external form of assurance that the Council has sound quality of assurance systems internally. This can create more opportunities for better decision making and effective allocation of resources. Findings note that the Council has a good understanding of existing cases where senior leaders are able to make effective use of performance management information on what works well, and what needs strengthening. OFSTED further noted that services continue to develop in line with national developments and social care reforms.

The outstanding rating is also noted on the effectiveness across children’s services, which is where the highest pressures are felt. This is a key service for the Council and fundamentally provides strong evidence for the future delivery of its strategies and potential outcomes.

The CQC has also rated the Council as “Good” in its adult social care provision.

### How the body ensures that its financial plan is consistent with other plans

The Council’s MTFP sets out the financial context for the Council’s resource allocation process and budget setting. Given the on-going financial pressures, the Council recognises that its budget approach needs to be more clearly linked to the hierarchy of delivering on Our North Tyneside priorities.

The Council’s Performance Management aims to support the Council’s strategy by aligning performance with the overall approach to the budget to support financial sustainability and ensure that resources are deployed on the outcomes for creating a North Tyneside that is thriving, family-friendly, caring, secure and green.

We confirmed consultation takes place with internal and external stakeholders as part of the MTFP and annual budget setting. This is designed to ensure there is consistency with other strategic plans.

# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability - continued

*Position as per Draft Auditor's Annual Report presented to the Audit Committee in November 2025.*

### How the body identifies and manages risks to financial resilience

The Council has an established MTFP process which is designed to reflect changes that affect the Council's financial plans. We confirmed the MTFP outlines uncertainties, challenges, and risks facing the Council over the life of the plan. MTFP reports to Cabinet also include risk assessment of the level of risk faced by the Council. The latest MTFP recognises the higher-than-normal risks created by high inflation, demand for services and short-term settlements. There is a clear recognition that the identification of new savings is becoming increasingly more difficult, particularly where the Council is looking to protect the impact on front line services. However, as noted above, the MTFP model is established and there is evidence that it is updated on a regular basis to address financial pressures as they emerge.

As part of the annual budget report setting, the Council's Section 151 Officer sets out his assessment of the adequacy of reserves and the robustness of budget estimates. We confirmed appropriate risk factors are considered as part of this assessment, including the level of reserves, prudential and treasury indicators and the robustness of inflationary estimates.

The Council also manages risks to its financial resilience through the maintenance of a general fund balance. The Council's policy for the level of this balance is set out in the MTFP annually, along with the Section 151 Officer's assessment. The Council will maintain its general fund unearmarked reserve at a minimum of £7m. The Council will aim to balance its revenue budget over the period of the MTFP without reliance on the use of the general reserve. Our review of the MTFP over recent years has confirmed that the Council has regularly included this requirement in their MTFP. For the year ended 31 March 2025, the Council's available general fund reserves, including earmarked reserves, decreased to £36m.

We confirmed there was regular reporting of the Council's 2024/25 financial position throughout the year. The outturn report presented to the June 2025 Cabinet meeting was consistent with the financial position reported during the year and did not indicate a weakness in the Council's budget monitoring and reporting arrangements.

Our review of committee reports and attendance of Audit Committee, provides assurance that the Council monitors and identifies mitigations to manage any changes in demand and assumptions in the MTFP. The Council also has an established risk management framework, with regular reviews and reporting to Audit Committee. Attendance at Audit Committee meetings confirm it receives regular risk management updates.

### DSG deficit position

In 2022, the Authority was invited to take part in the Safety Valve Intervention Programme.

In line with the Safety Valve Agreement the 2024/25 budget was set to achieve a year end deficit position of £9.220m, which included £1.950m Safety Valve funding. At the end of the 2nd year of the DSG Management Plan, the year-end submission to the Department for Education for 2024/25 was submitted on 2 April 2025 where the Authority reported it is on track to reach a positive in-year balance on this budget by the end 2027/28, although the year end deficit position for 2024/25 is £11.502m, an in-year pressure £2.282m.

Subsequent to the first submission to the DfE for 2025/26, they have since confirmed that the first of the three payments, amounting to £0.650m, and in line with the Safety Valve Agreement will be released.

At the end of March 2025 there were 2,338 pupils with EHCPs and 4,204 pupils with Special Educational Needs Support, which increased to the highest recorded level during 2024/25, a positive as pupils' needs are being met with a targeted offer, where an EHCP is not required. This demonstrates the success of initiatives within the DSG management plan focussed on a prevention and early intervention agenda

The Department for Education will fund the overall deficit of £19.5m over a 5-year period. At the end of financial year 2024/25 the Authority had received £11.7m. In subsequent financial years, subject to compliance with the conditions set in the Safety Valve agreement, the Authority will receive the agreed funding.

2024/25 was the second year of the Authority's 5-year DSG Management Plan as part of the Safety Valve Programme. A final submission for 2024/25 was made to the DfE which showed that, despite a worsening projection against the plan of £2.275m (actual out-turn £2.282m), the Authority is still on-track to reach an in-year balance by 2027/28 assuming the existing mitigations from the DSG management plan are met, which will bring the Authority into balance. Nevertheless, there is evidence that the Authority hasn't delivered against some of the mitigations expected savings.

Management provided details of the latest Safety Valve submission to the Department for Education from July 2025. From this we noted that as a result of some of the savings not being delivered to date, the Authority has remodelled its DSG Management Plan in light of current data. Despite many improvements being made, the scale of the financial challenge will result in a revised deficit of £8m by March 2028. This position assumes the full £19.5m grant is paid. It is important to note, however, that the remodelled plan does come into an in-year balanced position in 2027/28.

# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability - continued

### ***Position as per Draft Auditor's Annual Report presented to the Audit Committee in November 2025.***

#### **DSG deficit position (continued)**

As of July 2025, the Authority has requested a discussion with the DfE to explore further options, which could include further funding opportunities and/or an expansion of the Safety Valve Programme timescales to reduce the cumulative deficit, in addition to the £19.5m grant.

Despite the challenges which the Council has faced, with the current arrangement that it has in place, the Borough's system change programme has represented good value for money and is having the intended outcomes. For example:

- lower rises in Education, Health and Care Needs Assessments (EHCNA) requests than national;
- lower growth rates in Education, Health and Care Plans (EHCP) than regional and national;
- EHCP maintained closer to regional average;
- lower EHCPs and placements in Maintained Special Schools (MSS), Independent Specialist Provision (ISP) and Non-maintained special schools (NMSS) than unmitigated position;
- higher numbers of children in mainstream provision;
- high rates of new EHCP issued naming mainstream provision and stronger Electively Home Educated and Education, Employment and Training.

External Consultants have also been commissioned to work in partnership with Local Authority officers to evaluate the rationale for the current SEND workstreams and to explore any new initiatives that will help in delivering good outcomes for the children and young people whilst managing demand and spend.

#### **UPDATED POSITION - FEBRUARY 2026**

The Final Local Government Finance Settlement, England 2026-2027 sets out an additional funding of c£1.1m for 2026/27 includes an additional ring-fenced grant funding relating to the Homelessness, Rough Sleeping and Domestic Abuse (£147,073) as well as a new Recovery Uplift grant (£905,120). For the Council, the increase in Core Spending Power (CSP) is 5%, which represents an increase in cash terms of £13.4m

Since the development of the 2025/26 Budget and MTFP in February 2025, when a £3m gap for 2026-27 was noted, the Authority is now planning for a balanced position for 2026/27, provided that the Authority increases Council Tax in line with the Government's assumptions. However, the Authority continues to experience similar pressures on the demand and cost of its social care services, alongside impact of interest rates and inflation which has an impact on the cost of delivering services.

The review of each MTFP project area has also continued, reflecting the latest assumptions on demand and any additional savings requirements following the Provisional Settlement. The updated projected pressure the Authority is facing in 2026-27 is now over £32m, with corresponding savings or funding having been identified of over £25m resulting in a net pressure of £7m.

The position on the DSG deficit still remains a concern and a key risk for the Authority. From a recent report to Cabinet on 12 January 2026, this is forecast to be a net deficit figure of £12.9m as at March 2026. The Authority remains confident of improving the financial position and in line with the DSG plan. However, the forecast cumulative deficit has now increased so that after Safety Valve Funding and without further intervention there will be a remaining deficit in the High Needs Block of £8m. The Council remains in continuous communication with DfE.

The Our North Tyneside Plan 2025-29 approved by Council on 27<sup>th</sup> November 2025, sets out the vision and policy priorities of the Elected Mayor and Cabinet. This will be taken into account in more detail as part of the 2026-27 work.

Our recommendation and overall conclusions remain unchanged since the issue of our draft Auditor's Annual Report as follows:

#### **Other recommendation**

*The Council should continue to address the underlying deficit and reduce the reliance on general fund balances within the MTFP. Members need to continuously monitor the financial position and the delivery of any plans that are agreed to address it to secure the medium-term and long-term financial sustainability of the Council.*

*In terms of the DSG deficit, the Council should carefully execute its mitigation action plans to deliver expected savings. The Authority should explore further ways to reduce the forecasted deficit of £8m (after taking into account the £19.5m grant). The Authority should also ensure its continued compliance with the Safety Valve Agreement to ensure all conditions are met.*

***Based on the above considerations we have identified no evidence of a significant weakness in North Tyneside Council's arrangements in relation to financial sustainability. We have, however, raised an other recommendation associated with the continuing challenges associated with delivering savings targets and the risk this poses to the Council's financial sustainability.***

# VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks



# VFM arrangements – Governance

## Overall commentary on Governance

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

We confirmed North Tyneside has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The Council's Constitution, available on the Council website, is in place and sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Council also have a Local Code of Governance, which is reviewed annually by Cabinet, and which is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework – "Delivering Good Governance in Local Government". Our review of the above items has not identified any evidence of a significant weakness.

The Council's overall arrangements are set out in its Annual Governance Statement. As part of our audit procedures, we considered the Annual Governance Statement for 2024/25 and whether it is consistent with our knowledge of the Council, with no significant issues identified. Our review confirmed that the Annual Governance Statement is underpinned by a system of internal control and governance arrangements, and there is comprehensive evidence that this has been subject to annual review and appropriate reporting.

Feeding into the Annual Governance Statement, the Council obtains annual self-assessments from Cabinet Members and also service directors as to the effectiveness of the Council's corporate governance arrangements.

As part of the Council's governance framework, the Audit Committee are responsible for providing assurance over the adequacy of the Council's risk management framework and associated control environment. We have attended all Audit Committees held in the year and confirmed the Committee received regular updates on the Internal Audit Plan that was developed for 2024/25. Internal Audit reviews highlight weaknesses and recommends actions when required to strengthen processes or procedures. We have observed that the Committee monitors management actions in response to recommendations and this is reported on a regular basis. We observed that the Audit Committee challenges management if recommendations are not implemented within the agreed timeframe.

Risk management is embedded in the Council through a Risk Management Framework which includes the requirement to identify strategic and operational risks. We confirmed the Audit Committee received quarterly reports on risk management and took action to ensure that corporate business risks were being actively managed. The Committee also received the annual corporate risk management report which details the effectiveness of the Council's risk management arrangements.

In order to provide assurance over the effective operation of internal controls, including arrangements to

prevent and detect fraud, North Tyneside has a team of internal auditors, led by the Chief Internal Auditor. At the start of the financial year, the annual Internal Audit plan is agreed with management. In-year reviews then highlight weaknesses, and the Internal Audit team are able recommend actions where the Council is required to strengthen processes or procedures. Finally, at the end of the financial year, the Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements. We confirmed both the Internal Audit Plan and Internal Audit Annual Report were reviewed by the Council's Audit Committee. The Internal Audit Annual Report, reported to the May 2025 Audit Committee, concluded that the system of internal audit was 'effective' (consistent with opinions in previous years).

In addition, we confirmed an Annual Report on Counter Fraud Arrangements is presented to the Audit Committee setting out arrangements in place and examples of work carried out to counter fraud. We observed that the Council has a counter fraud response and strategy in place which includes fraud governance and arrangements to prevent, detect and pursue fraud. Our review has not identified any matters indicating a significant weakness in arrangements.

Further risk management arrangements are in place, and we noted that the Annual Risk Management Summary Report was also presented to the Audit Committee in May. Our review of these reports has not highlighted any significant weaknesses in arrangements.

### **How the body approaches and carries out its annual budget setting process**

The Council's MTFP arrangement includes the identification and evaluation of risks to the Council's finances. The annual budget setting process remained consistent year on year, and the arrangements for the 2025/26 budget setting process have largely followed the arrangements in place for 2024/25.

The process involves developing draft budget proposals which are then subject to engagement, consultation (including the public, local business and key stakeholders) and refinement, with the final Budget recommended to full Council in February each year.

The process also involves a cross-party budget study group, which is a sub-group of Overview, Scrutiny, Co-ordination and Finance Committee which reviews the process, proposals and reports its findings and offers recommendations to Cabinet.

Overall, we observed evidence that the Council is aware of the financial pressure it faces. We confirmed that scenario plans are in place to identify the potential financial impact of risks occurring. No matters have been identified indicating a significant weakness in arrangements.

# VFM arrangements – Governance

## Overall commentary on Governance- continued

**How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed**

We observed that regular reporting of the financial position took place throughout the 2024/25 financial year. Bi-monthly forecasts of outturn reports were presented to Senior Management Teams, Senior Leadership Team, and Cabinet. The reports included details of movements in the budget between quarters and remedial measures taken. The Council continue to highlight key areas of pressure consistent with other local authorities, however the bi-monthly and year-end positions, have not highlighted any weakness in the Council's monitoring and reporting arrangements.

As well as financial performance data the Cabinet received bi-monthly performance management reports which presented an overview of progress towards achieving the key outcomes of the corporate performance framework and highlighted key messages to inform strategic priorities and work programmes.

**How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency**

The Council has a comprehensive committee structure in place, as detailed in the Council Constitution. The committee structure includes the Overview and Scrutiny Co-ordination and Finance Committee. This committee is in place to oversee and coordinate work of the Council, and to allow for challenge of decisions. We have reviewed meetings held in 2024/25 and identified no evidence to suggest this function has not been fulfilled or any matters that indicate a significant weakness in arrangements.

Membership of the Audit Committee includes Councillors and independent co-opted members. We have attended all meetings held in the year since we were appointed as the external auditor and post year end and found meetings to be effective and well represented. The Terms of Reference of the Audit Committee are detailed in the Constitution, and we have identified no evidence to indicate they are not being delivered.

The Council publishes on its website notice of key decisions and all officer decisions made under the Officer Scheme of Delegations. The website also includes details on how decisions are made in the Council.

Minutes of the meetings are available on the Council website. We have reviewed Council minutes in the year and have not identified any evidence of a weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

**How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour**

The Council's Constitution sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that decisions are efficient and transparent. We are satisfied the arrangements in place do not indicate a significant weakness in arrangements.

Supporting the Constitution are Codes of Conduct for Members and Officers. As set out in the Constitution, the Monitoring Officer includes the responsibility of "ensuring lawfulness and fairness of decision making". The Monitoring Officer is currently the Head of Law. Based on review we are not aware of any evidence of this role not being delivered in the year.

Registers of gifts and hospitality and registers of interest are maintained for Members and officers. These are available on the Council website. The Statement of Accounts records material related party transactions as well as senior officer pay and Member allowances.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards. Contract registers are available on the Council website.

There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy is approved ahead of each financial year and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a significant weakness in arrangements.

The Audit Committee is responsible for promoting and maintaining high standards of conduct by councillors and co-opted members, as well as monitoring the operation of the Members' Code of Conduct.

***Based on the above considerations we have identified no evidence of a significant weakness in North Tyneside Council's arrangements in relation to governance.***

# VFM arrangements

## Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness

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

The Council has a corporate suite of strategic performance indicators. These are designed to enable effective monitoring of the Council's strategic approach through which the quality of service is measured via strategic outcome indicators. The Senior Management Group Services and Performance plays a key role in monitoring the Performance before reports are presented to Overview and Scrutiny Committees and Cabinet on a regular basis.

The Council produces Performance and Financial Management Reports on a bi-monthly basis, which have a clear focus on priorities, delivery, measurement, and analysis of impact. A key message of the Council's Performance Monitoring is how every employee and Councillor contributes to the Our North Tyneside agenda and, therefore, to its performance monitoring.

The bi-monthly reports are based on the seven key service areas. Information is informed by qualitative and quantitative assessment to inform policy and resource decisions. For each key service area, there is a summary of key performance indicators; this is then followed by relevant analysis providing valuable context.

The 2024/25 Year End assessment of performance was presented to Cabinet in June 2025. The Council recognises that performance monitoring is an area of on-going development.

As detailed in the previous sections we confirmed there was regular financial reporting during the year. The Council's financial performance is also reported on a regular basis to Cabinet with details of the financial position along with rationale for any changes and factors to be considered.

### **How the Council evaluates the services it provides to assess performance and identify areas for improvement**

Alongside the performance monitoring in place, the Council considers the output from regulators to evaluate performance and identify areas for improvement. Our review has not indicated any matters that would indicate a significant weakness in arrangements. Indeed, it is worth noting, that despite the pressures the Council faces, in November 2024 the Children's services were subject to a regulatory OFSTED inspection in which a rating of "Outstanding" was received across all measures.

The Council's Cabinet and scrutiny committees received regular performance management reports throughout 2024/25. Reports were in a consistent format and designed to report on the direction of travel of indicators and compare the Council's performance against national and regional comparatives. Our attendance at Audit Committee confirmed regular reporting by Internal Audit of recommendations raised and management's response. We observed the Committee challenging management on individual reviews and also the actions taken in following up on recommendations.

### **How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve**

The Council has arrangements in place for the consistent management of partnerships, with risk assessments carried out for the most significant partnerships.

The Council has five Local Authority Trading Companies (LATC) that it wholly owns for the purposes of trading with the private sector and individuals where there is a dominant commercial purpose. These are:

- North Tyneside Trading Company
- North Tyneside Trading Company (Consulting) Limited
- North Tyneside Trading Company (Development) Limited
- North Tyneside Trading Company Aurora Properties (Rental) Limited
- North Tyneside Trading Companies Aurora Properties (Sale) Limited

The Council's Medium-Term Financial Plan sets out the need for income generation to help reduce the funding gap the Council faces and ensure that resource is available to fund Council policy priorities.

The companies support the delivery of the Council's priorities through their activities. This includes North Tyneside Trading Company supporting the ongoing affordable housing crisis within the region as well as providing employment support to residents.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness- continued

**How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (continued)**

Yearly budget reports are presented to Cabinet to ensure there is appropriate oversight of the Council companies in their capacity as shareholder. The accounts of the Companies are subject to annual external audit.

The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, Instagram and YouTube) to reach out to and meet the needs of its communities.

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

A Corporate Procurement Plan is presented to Cabinet for consideration approximately twice a year, with the most recent report presented to Cabinet in October 2025. The report includes sufficient detail to provide Cabinet with an updated picture of all current and recently concluded procurement activity. It includes contracts that have already been awarded through delegated schemes of authority, as well as those that require Cabinet approval to either invite tenders, use appropriate frameworks or directly award. Contracts exceeding £500k in value require Cabinet approval, however details of contracts of lesser value are also included in the report to give Cabinet sufficient oversight of all procurement activity that is either planned or underway. Following approval by client, the contracts will form the basis of the Council's Procurement Pipeline. A central list of all procurement contracts awarded is also available on the Council's website.

As noted above, the Council has several companies / joint arrangements used to deliver the priorities of the Council. Discussions with officers have not indicated any evidence of a significant weakness in arrangements. Review of company accounts as part of group planning is not indicative of poor financial performance impacting on the services provided on behalf of the Council.

***Based on the above considerations we have identified no evidence of a significant weakness in North Tyneside Council's arrangements in relation to improving economy, efficiency and effectiveness.***

Other reporting responsibilities

# Other reporting responsibilities

## Wider reporting responsibilities

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the group auditor

### Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. 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 National Audit Office (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.

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Audit fees and other services

# Audit fees and other services

## Fees for our work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in July 2025. Having completed our work for the 2024/25 financial year, we can confirm that our proposed final fees are as follows, and this takes into account that we were unable to deliver the whole audit in accordance with our original plans:

Area of work	2024/25 fees	2023/24 fees
Fee for planning and disclaiming the accounts in the 2023/24 audit	-	£41,027
Fee for core VFM work	£92,800	£92,783
Fee for VFM additional risks work	£18,600	£18,557
Fees for planning and disclaiming the 2024/25 audit, including the work spent on the 2024/25 financial statements (55% of the remaining audit fees after the costs of VFM work)	£149,600	-
<b>Total fees</b>	<b>£261,000</b>	<b>£152,367</b>
PSAA Scale fees (for comparison)	£383,469	£355,170

All fees are subject to approval by Public Sector Audit Appointments (PSAA) Limited.

# Appendices

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

# Appendix A: Further information on our audit of the Authority’s financial statements

## Significant risks and audit findings

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

Risk	Our audit response and findings
Rebuilding assurance – (Group and Council)	We were not in a position to complete our work because the ‘Proof in Total’ approach was not ready for use on the 2024/25 audit.
Management override of controls - (Group and Council)	We were not been able to complete this work and give the assurances required.
Valuation of property, plant and equipment (PPE) - (Group and Council)	We were not been able to complete this work and give the assurances required.
Defined benefit pension valuation (Group and Council)	We were not been able to complete this work and give the assurances required.
Implementation of IFRS 16, Leases	We were not been able to complete this work and give the assurances required.

# Appendix A: Further information on our audit of the Authority's financial statements

## Significant internal control observation

### Implementation of IFRS 16 Leases

#### Description of deficiency

Our testing of IFRS 16 leases identified two instances where sections of multi-floor leased buildings had been subleased, but the related accounting treatment potentially does not comply with the requirements of IFRS 16. Management needs to perform an assessment of its existing arrangements to determine the correct treatment of those.

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#### Potential effects

Failure to correctly account for the subleased floors may result in misstatements of both the Right-of-Use (ROU) asset and the lease liability. This could lead to inaccurate depreciation charges, misstated interest costs, and incorrect presentation of lease-related balances in the financial statements. In addition, disclosures relating to leases and subleases may be incomplete or inaccurate, increasing the risk of non-compliance with IFRS 16.

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#### Recommendation

The Council should assess each affected lease to identify the portion of the building that has been subleased and split the ROU asset accordingly by derecognising the subleased component in line with IFRS 16 requirements. Controls should be strengthened to ensure that future subleases are reviewed by the accounting team, supported by clear documentation and a standard checklist, so that no sublease income is netted against lease liabilities and that ROU assets are appropriately separated where subleased areas are physically distinct. Management should review its current lease arrangements to ensure all have been captured and accurately accounted for in the financial statements following the implementation of IFRS 16.

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#### Management response

The Authority will ensure that the working papers are updated to ensure that any significant and distinct sublease are appropriately identified and will include a checklist to confirm accounting treatment as per the recommendation. The issue identified relates primary to Quadrant West where the level of occupation by the Authority was under review.

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# Appendix A: Further information on our audit of the Authority's financial statements

## Significant internal control observation

### Valuation of Land and Buildings

#### Description of deficiency

Property, plant and equipment (PPE) valuations are carried out on a rolling programme by the Authority. Paragraph 4.1.2.37 of the Code specifies that assets are required to be carried at current value meaning revaluations must be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the end of the reporting period. The Authority should consider every year if the assets not valued in year have changed materially in value. The Authority can perform an annual indexation exercise using appropriate indices to check that there is no material change between periods in the value of those assets not re-valued in year. Management did not perform this exercise before the draft accounts were presented for audit.

While management's approach has addressed the immediate requirement for a rolling programme, the process for identifying assets requiring indexation and the timely application of valuation updates is not yet formalised or embedded within routine financial reporting procedures. This increases reliance on year-end corrective measures rather than ongoing monitoring.

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#### Potential effects

Possibility of material changes in value between these periods.

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#### Recommendation

Management should implement a formalised, documented control to ensure that, at each year-end, all assets within the rolling revaluation programme that were valued in prior years are reviewed and indexed annually. This should include any specific considerations that may need to be made on an asset-by-asset basis, to ensure that all factors at arriving at the current value have been taken into account as part of their assessment.

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#### Management response

The Authority will ensure there is a formal, documented review as part of the valuation process to ensure continued compliance with the Code of Practice, having regard to potential use of indexation as outlined in the recent CIPFA bulletin. The Authority already values its highest value property (Council Dwellings) on an annual cycle to help ensure valuations remain materially correct at the year-end.

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# Appendix A: Further information on our audit of the Authority's financial statements

## Other internal control observation

### Preparation of accounting records and systems use

#### Description of deficiency

The audit team experienced delays and difficulties in obtaining evidence to support sample testing, as well as obtaining required reports from the Council's systems.

For example, during our work, we were unable to reconcile employee expenditure totals back to the underlying system-generated reports used to select samples for testing. This limits assurance over payroll expenditure and increases the risk that errors or irregularities could go undetected.

The absence of a clear, complete, and reconcilable audit trail meant we could not confirm the completeness or accuracy of the population from which samples were drawn.

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#### Potential effects

The inability to verify completeness and accuracy of transactions from the Council's systems used for audit testing increases the risk of unidentified errors. This would be particularly important during the 2025-26 audit cycle as we understand the Council has now migrated to a new finance system.

Payroll is a highly material balance, and this could lead to potential misstatements in employee-related expenditure, including salaries, overtime, allowances, and related costs.

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#### Recommendation

Management should ensure that they are sufficiently prepared for audit in advance of the audit commencing. This would include coordination of evidence and reports needed from areas outside of the immediate finance team to prevent further impacts on the audit opinion in subsequent years.

Management should implement a formal control to ensure that payroll expenditure totals can be fully reconciled to system-generated reports used for population and sample selection.

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#### Management response

The Council is developing its reporting framework for new finance and people systems and will liaise with our auditors to ensure this provides sufficient information.

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