



Audit Completion Report

Northumberland County Council – year ended 31 March 2024

February 2025

Audit Committee Members
Northumberland County Council
County Hall
Morpeth
Northumberland
NE61 2EF

13 February 2025

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

Dear Committee Members,

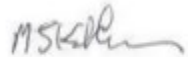
Audit Completion Report – year ended 31 March 2024

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 27 November 2024.

We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

We would like to express our thanks for the assistance of your team during our audit. If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0774 776 4529.

Yours faithfully



Mark Kirkham
Partner
Forvis Mazars LLP

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01

Executive Summary

Executive summary

Principal conclusions and significant findings

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

In section 4 of this report, we have set out our significant findings and conclusions, including those on the audit risks detailed in our Audit Strategy Memorandum, which are:

- management override of controls (Council and Group);
- valuation of the Local Government Pension Scheme net pensions (liability) / asset (Council)
- valuation of council dwellings, other land and buildings and surplus assets (Council); and
- valuation of investment properties (Group).

Misstatements and internal control recommendations

Section 5 sets out our internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2024.

At the time of preparing this report, there are matters outstanding, as outlined in section 2.

We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for money arrangements

We anticipate having no significant weaknesses to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.



Whole of Government Accounts (WGA)

We have received the Group Audit Instructions and have completed our assessment for the Council which falls below the threshold whereby detailed work is required. However, we have not yet been informed of whether this Council will be selected for further testing by the National Audit Office, therefore, this is likely to again lead to a delay in our formal certificate for 2023/24 being issued.



Wider Powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No questions or objections have been received.

02

Status of the audit

Status of our audit

Our audit work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below.

Closing procedures

Review of the revised financial statements and consideration of any post balance sheet events.
The audit team's consideration of the Technical team's review of the revised financial statements.
Engagement Partner and Engagement Quality Reviewer final reviews.



Status



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



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



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

03

Audit Approach

Audit Approach

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, presented to the November 2024 Audit Committee.

Materiality

Our provisional materiality at the planning stage of the audit was set at £23.733 million for the Group and £23.006 million for the Council using a benchmark of 2% of gross operating expenditure (prior year £21.310 million and £20.622 million for the Group and Council respectively).

Our final assessment of materiality, based on the final financial statements remains the same.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

The table below summarises the service organisation used by the Council and our audit approach.

Item of account	Service organisation	Audit approach
Firefighters' Pension Fund Account – benefits payable (including calculation of any lump sums)	West Yorkshire Pension Fund (WYPF)	Substantive testing of benefits payable.

Use of experts

Changes to our planned approach since issuing our Audit Strategy Memorandum are shown *in italics* in the following table:

Item of account	Management's expert	Our expert
Pensions (Council) <ul style="list-style-type: none"> Defined benefit pension assets & liabilities Firefighters' pension scheme defined benefit liability 	AON Hewitt (Actuary)	PWC, consulting actuary, on behalf of the National Audit Office.
Pensions (Council) Pensions legal advice for the subsumption of Active Northumberland Staff	Neon Legal Limited	We did not consider it necessary to engage an expert in this area.
Property, Plant and Equipment valuations (Council)	External Valuer (Bruton Knowles)	We did not consider it necessary to engage an expert in this area.
Energy from Waste PFI asset valuation (Council)	External Valuer (Hilco)	We did not consider it necessary to engage an expert in this area.
Advance Investment Properties (Group)	External Valuers: - <i>Advance Commercial (Cluttons)</i> - <i>Advance Housing (Align)</i>	We engaged our internal valuation team to review a sample of valuations.
<i>Financial instrument disclosures</i>	<i>Link Asset Services</i>	<i>No expert required.</i>

Audit approach

Overview of our group audit approach

Based on our risk assessment and the financial information for the year ended 31 March 2024, we determined that the components consolidated into the group financial statements should be subject to either a full scope audit or review procedures, as set out in the table below:

Group component	% of Group assets	% of Group liabilities	% of Group income	% of Group expenditure	% of Group PPE, IP & WIP**	Auditor	Scope	Changes to scope since planning?	Key points or other matters to report
Northumberland County Council (the parent)	85	79	95	96	81	Forvis Mazars	●	No	The Council has disclosed the financial performance of its interests in other entities in Note 35 Related Parties.
Advance Northumberland Group*	15	21	5	4	19	Robson Laidler	●	No	Full scope audit – reliance on the component auditor, Robson Laidler LLP. See significant risk section on Investment Properties.
Northumberland Enterprise Holdings Limited (NEHL)	0	0	0	0	0	N/A	●	No	Trivial transactions and balances only in 2023/24 which round down to zero. NEHL had a subsidiary, Northumbria Integrated Consultancy Limited, which was dissolved in October 2023.

*The Advance Northumberland Group consists of five wholly owned subsidiaries and one joint venture:

1. Advance Northumberland Limited;
2. Advance Northumberland (Commercial) Limited;
3. Advance Northumberland (Housing) Limited;
4. Advance Northumberland (Developments) Limited;
5. Advance Northumberland (Projects) Limited; and
6. Prudhoe Estates (joint venture between Advance Northumberland and Northumberland Estates Limited).

** PPE = Property, Plant and Equipment
IP = Investment Properties
WIP = Work in Progress (part of short-term Debtors)



Full audit

Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality



Review procedures

Review of the component's financial information prepared for group reporting purposes.

04

Significant findings

Significant findings

Significant findings, including key areas of management judgement

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 16 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant Risks

Significant risk: **management override of controls (Council and Group)**

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk by carrying out audit work in the following areas:

- accounting estimates impacting amounts included in the financial statements;
- journal entries and significant transactions outside the normal course of business or otherwise unusual; and
- journals that meet selected fraud risk characteristics.

Audit conclusion

There are no significant issues arising from our work that we are required to report to you.

Significant findings

Significant risk: valuation of council dwellings, other land and buildings and surplus assets (Council)

Description of the risk

As at 31 March 2024, the relevant balances per the draft financial statements were:

- council dwellings of £372.676m (prior year £366.829m);
- other land and buildings of £475.503m (prior year £510.204m); and
- surplus assets of £39.956m (prior year £16.251m).

The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of the non-current assets set out above.

The Council employs valuation experts to provide information on valuations. As expected, however, there remains a high degree of estimation uncertainty associated with the (re)valuations due to the significant judgements and number of variables involved.

How we addressed this risk

We:

- critically assessed the Council's arrangements for ensuring that the relevant valuations are reasonable and not materially misstated;
- critically assessed 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, including the PFI shared waste facility;
- considered the competence, skills and experience of the Valuers and the instructions issued to them;
- substantively tested revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated;
- where necessary, performed further audit procedures on individual assets to ensure the basis of valuations is appropriate.

Audit conclusion

Council dwellings: our testing again identified that the valuations were not always supported by the recommended minimum of three comparables.

While direct comparables may not always be available, the Valuer should use similar properties, adjusted based on the Valuer's judgement; therefore, we have reiterated our prior year internal control recommendation in this regard (see 'internal control observations' section).

Audit conclusion - continued

Other land and buildings: testing identified several non-material errors, as detailed in the 'misstatements' section, which the Council has amended for in the revised accounts, giving a revised balance of £475.503m (original balance of £471.637m).

Surplus assets: our initial testing of valuations identified non-material errors, resulting in an extrapolated £1.232m overstatement of surplus asset balances (included within 'unadjusted misstatements').

We noted the significant increase in surplus asset valuations year on year. We considered the most significant valuation increases; this showed that the increases included a number due to refinement of the Valuer's judgements e.g. valuing the assets as having development potential, whereas previously they had not. Due to this, we challenged management on whether the prior year valuations were materially understated.

The Council carried out further work to consider the surplus assets and the assumptions made by the Valuer. This led to identification of two assets which should have been classified as community assets, instead of surplus assets, for which amendments have been made in the revised accounts. This resulted in a reduction to the surplus assets balance of £4.880m, with the revised balance as at 31 March 2024 being £39.956m.

Based on the additional work carried out, we are satisfied there was no material understatement of the prior year's surplus assets balance, therefore, no prior period adjustment was required. We discussed with the Council the need to challenge and consider further any significant changes in assumptions in valuations in the future.

The Council also amended the surplus asset disclosures in the revised 2023/2024 accounts, to provide the required narrative disclosures.

Property, Plant and Equipment disclosures: some amendments were required to disclosures as a result of testing, as detailed in the 'misstatements' section.

Overall

Subject to the amendments adjusted for and the non-material unadjusted errors we have reported, we have obtained sufficient, appropriate assurance.

Significant findings

Significant risk: valuation of investment properties (Group)

Description of the risk

The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Group's holding of Investment Property, being £258.702m as at 31 March 2024 (prior year £256.389m).

n.b. the Council's investment properties balance is not material as at 31 March 2024, being £2.402m (prior year £2.265m).

The Group has material investment properties because of the consolidation of the Advance Northumberland Group. The Advance Northumberland Group employs valuation experts to provide information on the annual valuations required for investment properties, however, there remains a high degree of estimation uncertainty, due to the significant judgements and number of variables involved.

How we addressed this risk

We:

- critically assessed the Council's arrangements for ensuring that investment property valuations included in the Group financial statements were reasonable and not materially misstated;
- reviewed the audit work carried out by the auditor of the Advance Northumberland Group;
- via review of the component auditor's file, we considered the competence, skills and experience of the Advance Valuers; and
- obtained our own internal valuation team's input to review a sample of the Advance Northumberland (Commercial) investment properties.

Audit conclusion

Group investment property valuations

We topped up assurance obtained from reviewing the work of the Advance component auditor by:

- testing a sample of the Advance Housing residential properties; and
- having our internal valuation team review a sample of Advance Commercial investment properties.

We noted the change in the Advance Valuers for 2023/2024. Advance Commercial has changed its Valuers each year for at least four years. Investment properties require annual (re)valuations and assessment of the 'highest and best use'; this requires good knowledge of the assets and understanding of the local market. There is a potential efficiency point if Valuers are changed each year as well as ensuring valuations are robust.

Audit conclusion - continued

Group investment properties – Advance Housing

We noted that Advance Housing has a number of residential properties it rents out which are located in the wider North East region, i.e. not in Northumberland. Our understanding is that, when appropriate, Advance Housing is disposing of such properties, where appropriate, to focus on properties in the Northumberland area only.

Rental income and direct operating expenses disclosure

The Council has expanded its Group investment property note to disclosure the required rental income and direct operating expenses from investment properties. This amendment also required restatement of the current year (and prior year) Group Comprehensive Income and Expenditure Statement, to move the rental income and direct operating expenses from the line heading 'Council subsidiaries' to 'Financing and Investment Income and Expenditure'.

Rental income and direct operating expenses from Group investment properties totalled £22.560m and £7.701m respectively in 2023/2024 (prior year £22.341m and £6.661m).

This amendment was adjusted for in the final revised 2022/23 financial statements, however, the draft 2023/2024 financial statements were produced prior to the finalisation of the 2022/2023 audit.

Other disclosure amendments

The Group investment property disclosures were also amended to:

- provide additional narrative on the fair value hierarchy assumptions used when valuing the residential properties, including those which are 'affordable properties'; and
- amend the value of investment properties categorised in the fair value 'levels' disclosed.

We challenged management on whether there was a clear description of the type of investment properties making up the total balance; as a result, the Council has included additional narrative setting out the split of investment properties between Advance Commercial and Advance Housing. We also recommended the rental income and expenses disclosure similarly provide this level of detail.

We also reported an unadjusted non-material error in respect of the valuation of the Investment Properties, in relation to those rented out on an 'affordable property' basis.

Overall

Subject to the amendments adjusted for and the non-material unadjusted errors we have reported, we have obtained sufficient, appropriate assurance.

Significant findings

Significant risk: [net defined benefit liabilities / assets \(Council\)](#)

Description of the risk

As at 31 March 2024, the relevant balances per the draft financial statements were:

- net pensions asset of £50.250 million (prior year £nil) in respect of Local Government Pension Scheme (LGPS) funded obligations; and
- net pensions liabilities of £204.313 million (prior year £259.243m) in respect of LGPS unfunded, Teachers' Pensions unfunded and Firefighter Pension Scheme liabilities. For the year ended 31 March 2023, it was in respect of *all* pension obligations.

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of the net pensions asset / (liability), made up of the gross pension assets and gross pension 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.

How we addressed this risk

We:

- critically assessed the competency, objectivity and independence of the Tyne and Wear Pension Fund's Actuary, Aon Hewitt, and the Firefighters' Pension Scheme Actuary, who is also Aon Hewitt;
 - liaised with the auditors of the Tyne and Wear Pension Fund to obtain confirmation that the controls are designed and implemented appropriately - this included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund is complete and accurate;
 - reviewed the appropriateness of the gross pension asset and gross pension liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation - this included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office;
 - agreed the data in the Actuary's valuation reports provided by the Fund's Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements;
 - critically reviewed the subsumption by the Council of the Active Northumberland gross pension assets and liabilities as at 31 March 2024; and
 - ensured all required disclosures are reflected in the financial statements and relevant notes.
-

Audit conclusion

Revised Actuary's report: similarly to prior years, the Council obtained a revised Actuary's report for its Local Government Pension Scheme obligations. This included updated calculations in respect of schools converting to Academy status as well as updated asset returns. There has been a resulting increase to the net pensions asset by £15.870m in the revised financial statements.

Net pensions asset: we assessed the calculation of the asset ceiling, as compared to the net pensions asset recognised by the Council and discussed the Council's judgement in respect of surplus recognition.

Pension Fund auditor assurance: we critically reviewed the assurance obtained from the Pension Fund auditor and as a result, we have reported a £4.853m unadjusted non-material potential understatement of the Council's share of Pension Fund assets.

Active Northumberland: we carried out procedures to understand and test the transfer in of the gross pension assets and gross pensions liabilities of Active Northumberland staff who are part of the Local Government Pension Scheme as at 31 March 2024. This resulted in a net transfer in of £6.170m in 2023/24 (gross pension assets of £28.360m and gross pension liabilities of £22.190m).

We obtained evidence of the transfer of pension obligations from Active Northumberland to the Council (legal subsumption agreement) and sought to understand the timing of recognition of those liabilities, which linked to the award of the leisure services contract to a new provider in December 2023, with the new contract starting on 1 April 2024.

Some amendments were made to disclosures in respect of this Active Northumberland 'transfer in' following our audit work.

Pension disclosures: the Council has amended the pension disclosures to reference the following:

- the Virgin Media legal case, following the High Court ruling of the summer of 2024; and
- the impact of the Matthews case (retained firefighter eligibility to join the pension scheme), relevant to its Firefighters' Pension Scheme obligations.

Overall

Subject to the amendments set out above and our reporting of the impact of the unadjusted non-material adjustments, we have obtained sufficient, appropriate assurance.

Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 appropriately tailored to the Council's circumstances, subject to some amendments made.

Draft financial statements were received from the Council by the statutory deadline of 31 May 2024.

Significant matters discussed with management

During our audit we discussed the following significant matters with management:

Property, plant and equipment (PPE) – surplus asset valuations: we challenged management on the significant increase year on year in the valuation of surplus assets and whether this indicated the prior year valuations were understated. The Council undertook further work and amended the accounts.

Group investment properties: we discussed the presentation of investment properties and challenged them on whether greater detail could be provided on the split between commercial and residential properties as well as the adequacy of the disclosures on the fair value valuations

Pensions: we discussed the net pensions asset as at 31 March 2024 reported, as this is the first time the Council has reported this. We considered the Council's assessment of whether any restriction, under accounting standards, was required. We also discussed with management the transfer back to the Council of pension obligations in respect of former Active Northumberland staff following the Council's guarantee, as a result of the award of the new leisure contract to a new provider.

Grant income: we challenged management on the classification of grants as either 'specific (or ringfenced)' or 'non-specific', which impacts on which line on the face of the Comprehensive Income and Expenditure Statement (CIES) such income is disclosed. As a result of the audit, various amendments have been made to the presentation of grant income, both on the face of the CIES and in the underlying disclosure notes.

Preparing for the implementation of IFRS 16 from 2024/25: we discussed how prepared the Council is for implementing the new leasing standard, IFRS 16 from 1 April 2024 and recommended disclosures in the 2023/24 financial statements were updated to reflect the Council's assessment of the impact of this new standard.

Northumberland Line project: there were significant balances and transactions included in our 2023/24 testing, including grant income, debtors and expenditure relating to this project. Our testing did not identify any material errors.

Testing of year-end debtor balances: our testing did not identify any material issues arising, however, there were issues identified for two out of four 'residual' debtor balances tested, indicating there is scope for improvement. We have, therefore, raised an internal control recommendation in this area for the Council to consider strengthening arrangements, before any issues arising become more significant.

Testing of expenditure: our testing did not identify any material issues, but we did note matters which required extended sample testing and unadjusted non-material errors (see our "unadjusted misstatements" summary). The issues arose in accounting for expenditure which straddles different financial years. We discussed the controls in place in this area, i.e., accruals, and are informed of management's intention to reiterate guidance to officers and prevent similar issues in the future.

Significant difficulties during the audit

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

We note the draft 2023/2024 financial statements were produced in May 2024, prior to the finalisation of the audited 2022/2023 financial statements in September 2024. As a result, there were a number of amendments required to the 2023/2024 financial statements for issues and disclosures amended as part of the prior year audit.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2023/24 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised.

05

Internal control conclusions

Internal control conclusions

Overview of engagement

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

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

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

If we had performed more extensive procedures, we might have identified deficiencies to report. 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 an observation categorised as a significant deficiency is of sufficient importance to merit the attention of the Audit Committee.

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, though they do not constitute significant deficiencies in internal control, in our professional judgement, there is a need to strengthen internal controls or enhance business efficiency, which we view as being important for consideration by management.

Our other internal control observations, as at the date of this report, are set out in this section. These have been reported to management directly and have been included in this report for your information. These are:

- **Property, Plant and Equipment - reliance on a manual excel fixed asset register;**
- **Property, Plant and Equipment - valuation component splits;**
- **Property, Plant and Equipment - accounting for assets under construction;**
- **impairment of debtors allowance – Advance Northumberland allowance;**
- **review of year-end debtor balances;**
- **compliance with the policy on earmarked reserves transfers;** and
- **analytical review of the accounts.**

We have also set out in this section our follow-up of observations we previously raised, being:

- **Property, Plant and Equipment - ensuring council dwelling valuations are supported by three comparables** (remains an 'open' recommendation);
- **Property, Plant and Equipment - retention of evidence to support valuations of property, plant and equipment** (assessed as 'closed');
- **missing related party Member returns** (now assessed as 'closed'); and
- **journals controls** (now assessed as 'closed').

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

Internal control conclusions

Other internal control observations on internal controls

In our view, there is a need to address the internal control observations set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of observation – **Property, Plant & Equipment: reliance on a manual excel fixed asset register**

The Council uses a manual excel fixed asset register. This leaves calculations susceptible to human error. In addition, the update of the register requires significant manual input which is reliant on one key officer.

Potential effects

Risk of material misstatement.

Recommendation

The Council should revisit its fixed asset register arrangements to consider if they can be improved. We note this was a recommendation raised back in 2018/2019 by the previous auditors and at that time the Council was considering implementing a new fixed asset register system, which has not since been actioned.

Management response

In 2022 the Council procured a new cloud-based, integrated asset management system to move reliance away from manual excel spreadsheets as its primary way of maintaining its fixed asset register.

It has not been possible to implement this fully due to the audit delays in approving prior years accounts, as the system is designed to start from a point of fully audited, accurate opening balances. As all prior year accounts have now been fully approved and signed off, data loading has now commenced with the expectation that the system will be implemented for the 2024-2025 year end accounts.

Description of observation – **Property, Plant & Equipment: valuation component splits**

The current accounting for the split of components may lead to misstatements.

For one of the twenty assets sampled in our Property, Plant and Equipment valuations testing, which had been valued on a depreciated replacement cost (DRC) basis, we noted an error in the component split of the building element: the percentages applied were those for a middle school, rather than a nursery or first school.

In this instance, there was no impact on the figures in the accounts as valuation movements for all components had been accounted for in the same way. However, this may not be the case for this asset in future years, or for other assets where the component splits are inconsistent, as accounting entries may be incorrectly posted to the Income and Expenditure Statement rather than the revaluation reserve, or vice versa.

Potential effects

Risk of misstatement due to error. Valuation movements could be accounted for incorrectly.

Recommendation

The Council should carry out a check of the component splits of all primary schools, particularly those which were former middle schools, to ensure the component split percentages are appropriate.

Management response

The component split by building type will be checked for all assets as at 1 April in future years.

Internal control conclusions

Other observations on internal controls - continued

Description of observation – **Property, Plant & Equipment: treatment of assets under construction**

Accounting for assets under construction may lead to misstatement.

For capital schemes / assets under construction (AUC) completed during the year, only the prior year spend (i.e. the brought forward AUC balance) is reclassified from AUC to the operational asset category; any in-year capital spend is treated as an additions to the new asset category, even if incurred up to the point of practical completion and/or before the asset becomes operational.

The reclassification is deemed to take place as at 31st March, even if the point of practical completion was earlier in the year, so no depreciation is charged and any revaluation does not take place until the year-end, when indices or prices may have changed.

However, at most other clients we see all capital spend on ongoing schemes treated as additions within AUC up to the point of practical completion, then the total cost is transferred to the appropriate operational category, then any revaluation in the new category (if applicable) as at that point.

Potential effects

Risk of incorrect classification of additions & reclassifications. Also, misstatement in respect of depreciation.

Recommendation

Consider the accounting treatment of additions to 'assets under constructions' - both their presentation and the potential impact on depreciation charges.

Management response

The PPE note has been amended in 2023-24 to comply. Officers will review processes to ensure it is classified and presented correctly going forward.

Description of observation – **impairment of debtors allowance – Advance Northumberland allowance**

The Council should not, generally, be impairing debts with its wholly owned subsidiaries.

Testing identified that an impairment of debtors allowance had been raised for outstanding debts between the Council and its wholly owned subsidiary, the Advance Northumberland Group.

The allowance for impaired debtors that had been made was clearly trivial at £0.208m, however, this should be reviewed as the Council should not have outstanding debtors requiring impairment with its wholly owned subsidiary.

The balance of outstanding debtors was £0.687m, of which £0.675m was accounted for by three balances, with the largest dating back to November 2023 and described as 'business support'.

Potential effects

Misstatement of debtors.

Recommendation

The Council should ensure it agrees debtors and their prompt payment with its wholly owned organisation, such that no impairment of those debtors is required.

Management response

The Council will update its processes relating to the impairment of debtors with its subsidiary companies. No impairment will be provided in subsequent years.

Internal control conclusions

Other observations on internal controls - continued

Description of observation – review of year-end debtor balances

There is scope for improvement in controls over debtor balances.

Our testing of year-end debtor balances did not identify any material issues, however, there were non-material errors identified for two out of the four balances being:

- an unreconciled cyclescheme debtor balance; and
- an incorrectly coded debtor.

Whilst there is no material impact, for issues to be identified with two out of four samples, this indicates there is scope for improvement. Therefore, we recommend the Council revisits its year-end debtor balances review procedures to see if they can be strengthened.

Potential effects

Misstatement of debtors.

Recommendation

The Council should revisit its year-end debtor balances review procedures to see if they can be strengthened. In particular:

- the Council should ensure that debtor working papers which support the accounting entries do not include unreconciled amounts; and
- the Council should ensure there are appropriate handover procedures when officers leave.

Management response

Year-end debtor review procedures are already in place. We will reiterate procedures in place in light of the errors arising.

Description of observation – compliance with the policy on earmarked reserves transfers

The Council should ensure evidence is retained to support compliance with its own Reserves Policy.

The Council's Reserves Policy for 2023/24, approved by Cabinet in February 2023, requires the completion of a movement in earmarked reserves form for each drawdown or addition to an existing reserve. These forms require approval from the relevant Executive Director or Service Director, and Section 151 or Deputy Section 151 Officer (in the absence of the S151 Officer), unless agreed otherwise by Cabinet. Our testing of a sample of transfers to and from reserves found that most had been reported to Cabinet, which as per the policy serves as the approval of the transfer.

However, for one transfer *out of*, and one transfer *into* the Strategic Management Reserve, no specific evidence of approval was initially available in terms of a completed form or reference in any report to Cabinet. In mitigation, the amounts involved were trivial.

Potential effects

Earmarked reserves are not used for the specific purposes intended.

Recommendation

The Council should ensure that approval for all drawdowns of, and contributions to, earmarked reserves follow the Reserves Policy and evidence of this is retained.

The Council could consider amending its policy, to allow for the s151 officer to have delegated authority for smaller amounts, other than what is the case currently.

Management response

The Council will ensure that approvals for all drawdowns follow the Reserves Policy and evidence is retained. As set out above, the amounts were trivial.

Internal control conclusions

Other observations on internal controls - continued

Description of observation – analytical review of the accounts

There is scope for improvement in the Council's own analytical review procedures.

The Council provided us with analytical review explanations, when requested, however, it should be carrying out its own analytical review *prior* to the accounts being authorised for issue. Where the Council uses wider team members to explain variances on their areas of responsibility, it is important that a 'sense check' is done on those explanations to make sure they are accurate and complete as some initial explanations for variances provided to us were not sufficient.

Good practice is that key areas of the accounts are supported by proforma 'lead schedules' summarising the audit evidence and including analytical review showing critical review of key variances as part of the preparation of the working papers.

Potential effects

Material misstatements, whether due to fraud or error, are not detected.

Recommendation

The Council should ensure it carries out an analytical review of the accounts prior to the accounts being authorised for issue.

It should also ensure that explanations for variances are accurate and complete.

Management response

The Council will review processes for the analytical review of the accounts prior to the accounts being authorised and ensure the explanations for variances are sense checked.

Internal control conclusions

Follow up on previous internal control observations

We set out below an update on internal control observations raised in the prior year.

Description of observation – ensuring council dwelling valuations are supported by three comparables

Our testing of council dwellings highlighted that the majority of beacons tested either had one comparable property or no comparable property sales taken into account for their valuation. The Stock Valuation Guidance 2016 states that three comparable sales of a *similar* nature should be considered.

This is a not uncommon issue, in particular for council dwelling valuations, where direct comparables are often not readily available. However, the Valuer should, regardless, consider other comparables that are available and then make adjustments to them.

Potential effects

Potential material misstatement with regards to the valuation of council dwellings.

Recommendation

Management should ensure that the Valuer has used an appropriate number of comparable properties for the beacons valued in year to comply with the Stock Valuation Guidance 2016.

Management's previous response

A point to note is that on average the Council only has 50 sales per year so the likelihood of comparable sales in each beacon would be low. Some property areas sell more frequently than others. The diverse nature of properties that the Council has could mean that there are only one or two sales in a beacon.

Current position

This recommendation was first raised as part of our 2019/2020 audit and remains an issue.

Our 2023/24 testing showed that one out of five beacons had only two comparables and one had no comparables. The Valuer has again referred to section 4.8.1 of the stock valuation guidance which accepts that there will be situations where the evidence is limited, and these situations should be noted. The Valuer also notes this is an annual review and the limited evidence is set out in their analysis.

However, our recommendation remains 'open' as the Valuer should be able to reference valuations of *similar* properties, adjusted using Valuer judgement, in order to provide the minimum three comparables required for council dwelling valuations.

Management response following the 2023/2024 audit

The Council strives to use three comparables for the beacon valuations, however, sometimes there is very little or no comparable evidence for certain types of properties in certain areas and little evidence of similar sale of properties within the portfolio. In these instances, the Valuers would try to use similar properties in similar locations as evidence and may use less comparable sales but also use experienced Valuers' judgement to assess if the movement in valuations are material.

Internal control conclusions

Follow up on previous internal control observations - continued

Description of observation – retention of evidence to support valuations of property, plant and equipment

The Valuer should ensure evidence is retained for their judgements - for example, insufficient evidence was readily available to support the Valuer's land values per acre used in valuations.

Our audit testing found that responses were not readily available or were slow and follow-up queries were required.

We will consider how we can work with the Valuer for 2023/2024, to ensure delays are minimised e.g. regular Valuer update meetings where queries are discussed.

Potential effects

Risk of misstatement due to error. Delays in timely completion of testing, where evidence is not readily available.

Recommendation

The Council should ensure the Valuer retains evidence to support valuations or it is readily available - otherwise this can lead to significant delays in testing.

Current position

No similar issues were identified from our 2023/2024 testing; therefore, this recommendation is assessed as 'closed'.

Description of observation – missing related party Member returns

Three Members' declarations were not received by the Council for 2022/2023 - with the Council using the previous year's declaration instead. Therefore, declarations might be incomplete and / or inaccurate.

Potential effects

Risk of misstatement due to error.

Recommendation

The Council should carry out completeness checks of the Member declarations.

Current position

No similar issues were identified from our 2023/2024 testing; therefore, this recommendation is assessed as 'closed'.

Internal control conclusions

Follow up on previous internal control observations - continued

Description of observation – journal controls

We noted that there is a journals “control list “which is the Council’s mitigating control for review of journals, given the in-built system controls do not require separate approval of journals, i.e. the same person can post and approve journals.

Based on our review of the journal control list for 2022/2023, we noted a journal which was not evidenced as being separately approved. This was due to a late valuation adjustment journal.

Potential effects

The Council’s control is not operating as designed, due to the lack of evidence of a second person authorising / approving the journal.

Risk of material misstatement, whether due to fraud and / or error.

Recommendation

Ensure there is appropriate evidence retained of all journals being authorised before being posted.

Current position

No similar issues were identified from our 2023/2024 testing of journals; therefore, this recommendation is assessed as ‘closed’.

06

Summary of misstatements

Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £0.712 million for the Group and £0.690 million for the Council.

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, presented during the meeting of the Audit Committee in November. Any subsequent changes to those figures are set out in the section 3 of this report.

Unadjusted misstatements

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

	Details of adjustment	Assets £000s	Liabilities £000s	Reserves £000s	Income & Expenditure Statement £000s
1	Dr: Revaluation Reserve / Capital Adjustment Account			1,232	
	Cr: Property, Plant and Equipment (surplus assets)	-1,232			
	Being the actual and extrapolated errors identified from our valuation testing for surplus assets.				
2	Dr: net pensions asset	4,853			
	Cr: remeasurement of the net defined benefit asset / (liability)				-4,853
	Being the estimated understatement of the Council's share of gross pension assets, arising from our review of the letter of assurance from the Pension Fund auditor.				
					Continued overleaf

Summary of misstatements

Unadjusted misstatements - continued

	Details of adjustment	Assets £000s	Liabilities £000s	Reserves £000s	Income & Expenditure Statement £000s
3	Dr: Debtors (Prepayments)	5,490			
	Cr: Transformation & Resources				-2,801
	Cr: Children, Education and Young People				-2,689
	Being the extrapolated errors from our testing of gross expenditure debited to the net cost of services. Errors due to expenditure relating to later years not being correctly accounted for.				
4	Dr: Debtors (NHS bodies)	3,137			
	Cr: Debtors (Other Entities & Individuals)	-3,137			
	Being the error identified from our cut-off testing: misclassification of accruals between lines of the debtors note – classified as "other entities & individuals" in the disclosure note, when it should have been classified as "NHS bodies".				
5	Dr: Debtors (Other Entities & Individuals)	1,654			
	Cr: Debtors (Central Government Bodies)	-413			
	Cr: Creditors (Other Entities & Individuals)		-1,241		
	Dr: Creditors (Central Government Bodies)		717		
	Cr: Debtors (Central Government Bodies)	-717			
	Being the extrapolation of errors arising from short term debtors testing: > error in respect of the Cyclescheme debtor: credit balances within the Cyclescheme debtor and misclassification of VAT: extrapolated error £1.654m; and > overaccrual of debtors and creditors based on estimated costs provided by a contractor: extrapolated error £0.717m.				
6	Dr: Gross Expenditure – Adults, Ageing & Wellbeing				3,465
	Cr: Creditors (Other Entities & Individuals)		-3,465		
	Being the extrapolation of an error of £0.058m arising from Creditor testing; extrapolated error £3.465m. Being the understatement of a year-end accrual.				
Sub-total: unadjusted misstatements (Council only)		9,635	-3,989	1,232	-6,878
Continued overleaf					

Summary of misstatements

Unadjusted misstatements - continued

	Details of adjustment	Assets £000s	Liabilities £000s	Reserves £000s	Income & Expenditure Statement £000s
7	Dr: Group Creditors (Deferred income)		1,468		
	Dr: Group expenditure – subsidiaries				1,249
	Cr: Group income – subsidiaries				-1,468
	Cr: Group Work in Progress (current assets)	-1,249			
	Being an unadjusted error arising from the audit of Advance.				
8	Dr: Group Long-term borrowing		463		
	Cr: Group expenditure – subsidiaries				-463
	Being an outstanding historic loan balance in Advance's accounts, which needs to be released as it was previously repaid.				
9	Dr: Group Investment Properties (Advance Housing)	1,475			
	Cr: Group Usable Reserves – subsidiaries			-1,475	
	Being the understatement of the valuation of some Investment Properties (IPs), which have been valued as affordable properties by Advance, but no restrictions on them exist (IPs are valued on a 'highest and best use', not on the basis of current use, unless there are restrictions in place which a 'market participant' would have to adhere to).				
10	Dr: Group Taxation – subsidiaries				3,448
	Cr: Group Taxation and Non-specific grant income				-3,448
	Being the misclassification of the Group deferred tax adjustment.				
Total: unadjusted misstatements (Council & Group)		9,861	-2,058	-243	-7,560
PRIOR YEAR UNADJUSTED MISSTATEMENTS WITH A BROUGHT FORWARD IMPACT					
11	Dr: deficit / (surplus) from investments in equity instruments designated at fair value through other comprehensive income				1,170
	Cr: long-term investments	-1,170			
	Being the downward valuation of the Council's investment in Newcastle Airport shares.				
Total: unadjusted misstatements (Council & Group) including prior year unadjusted misstatements		8,691	-2,058	-243	-6,390

Summary of misstatements

Adjusted misstatements

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

	Details of adjustment	Assets £000s	Liabilities £000s	Reserves £000s	Income & Expenditure Statement £000s
1	Dr: net pensions asset	15,870			
	Cr: net cost of services				-3,900
	Cr: financing and investment income and expenditure – net interest expense				-2,700
	Cr: remeasurement of the net defined benefit asset / (liability)				-9,270
	Being the amendment for the revised pensions report the Council obtained from the Actuary in respect of its Local Government Pension Scheme obligations; this included updated figures in respect of schools converting to Academy status as well as updated asset returns.				
2	Dr: Property, Plant and Equipment	3,867			
	Dr: Movement in Reserves Statement			1,468	
	Cr: Gross Income – revaluation adjustments				-3,014
	Dr: CIES gross expenditure - revaluation adjustments				1,813
	Cr: Other Operating I&E - gains/losses on disposal				-267
	Cr: Unusable Reserve: Capital Adjustment Account			-1,335	
	Cr: Unusable Reserve: Revaluation Reserve			-2,532	
	Amendment for Property, Plant and Equipment adjustments required after the 2022/23 audit.				
3	Dr: Taxation and non-specific grant income				39,866
	Cr: Gross income: Children, Education & Young People				-10,246
	Cr: Gross income: Adults, Ageing & Wellbeing				-29,620
	Being the amendment from non-specific grants to specific grants for Adult Social Care Grants and the Social Care Grant (latter split between Children & Adults). Amendment as these grants were incorrectly classified as a non-specific grants, when they are specific (ring-fenced).				

Continued overleaf

Summary of misstatements

Adjusted misstatements - continued

	Details of adjustment	Assets £000s	Liabilities £000s	Reserves £000s	Income & Expenditure Statement £000s
4	Dr: Taxation and non-specific grant income				61,829
	Cr: Gross income: Adults, Ageing & Wellbeing				-2,852
	Cr: Gross income: Children, Education & Young People				-2,299
	Cr; Gross income: Corporate Expenditure & Income				-1,794
	Cr: Gross income: Place & Regeneration				-54,884
	Being the amendment for capital grants applied to REFCUS (Revenue Expenditure Funded from Capital Under Statute) being matched with the relevant service line where the expenditure is shown.				
5	Dr: Property, Plant and Equipment (Assets Under Construction)	2,388			
	Cr: Gross expenditure: Place & Regeneration				-2,388
	Dr: Movement in Reserves Statement			2,388	
	Cr: Unusable Reserves: Capital Adjustment Account			-2,388	
	Being the amendment for expenditure by the Council relating to the Northumberland Line, which had been incorrectly treated as REFCUS (Revenue Expenditure Funded from Capital Under Statute), when it related to Council-owned assets (largely Bebside Station cycle bridge and a level crossing).				
6	Dr: Property, Plant and Equipment (Community Assets)	283			
	Dr: Revaluation Reserve			4,597	
	Cr: Property, Plant and Equipment (Surplus Assets)	-4,880			
	Being the amendment to reclassify two assets from Surplus to Community Assets. Includes reversal of the previous revaluation increase, as Community Assets are held at cost.				
7	Dr: Gross income				1,513
	Cr: Gross expenditure				-1,513
	Being an adjustment to remove entries relating to grants where the Council was acting as an agent.				
Sub-total: adjusted misstatements (Council)		17,528	0	2,198	-19,726

Summary of misstatements

Adjusted misstatements - continued

	Details of adjustment	Assets £000s	Liabilities £000s	Reserves £000s	Income & Expenditure Statement £000s
8	Dr: Group Comprehensive Income and Expenditure Statement (CIES) heading 'subsidiaries'				2,269
	Cr: Group work in progress (Debtors)	-2,269			
	Dr: Group Taxation – subsidiaries				3,448
	Cr: Group deferred tax		-3,448		
	Being adjustments to the Group consolidated figures following the Advance external audit.				
9	Dr: Group Investments	849			
	Cr: Group long-term Debtors	-849			
	Amendment due to omission of a soft loan adjustment in the Group accounts.				
10	Dr: Group Debtors (Work in Progress)	2,816			
	Cr: Group Debtors	-536			
	Dr: Group Creditors		536		
	Cr: Group Creditors		-2,816		
	Being an unadjusted error from the Advance external audit which have been adjusted for in the Northumberland County Council group accounts.				
11	Dr: Group Financing and Investment I & E: expenditure				7,701
	Cr: Group – subsidiaries (gross expenditure)				-7,701
	Dr: Group – subsidiaries (gross income)				22,560
	Cr: Group Financing and Investment I & E: income				-22,560
	Amendment to move rental income and direct operating expenses from Investment Properties (IPs) from above the net cost of services line to the Financing and Investment I & E line heading. Net 'nil' impact - between two line headings.				
Total: adjusted misstatements (Council and Group)		17,539	-5,728	2,198	-14,009

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management, split into adjusted and unadjusted misstatements.

Adjusted disclosure misstatements

- **Comparators:** comparator figures and disclosures were added where required, namely Note 10 Dedicated Schools Grant and Note 19 financial instruments 'investments in equity instruments designated at fair value through other comprehensive income', Note 27 capital commitments and Note 37 impairment losses.
- **Note 6 Better Care Fund:** amendment of £0.907m between two lines (net nil impact).
- **Note 8 officers' remuneration (senior officers' table):** for the senior officers who were in post for only part of the year, the salary disclosure has been amended so that only their salary in respect of their role as a senior officer has been included in this table.
- **Note 8 officers' remuneration (exit packages):** amendment due to incorrect presentation of 'strain on the fund' expenditure. No change to the overall cost of exit packages in 2023/2024, just the split between 'bandings' in the table. Also, 'bandings' of £20,000 were combined, as required, so that individual exit packages were not identifiable, other than where disclosure required elsewhere under regulations.
- **Note 9 external audit costs:** amendment required to include the 2019/2020 to 2022/2023 fee variations which have now been approved by the Public Sector Audit Appointments Limited.
- **Note 11 grant income:** various amendments, due to misclassification of grants between the categories of 'specific' and 'non-specific' – which impacts on where these grants are included on the face of the Comprehensive Income and Expenditure Statement only. Amendments also to ensure consistency of presentation year on year in the disclosure note. See detail in the 'adjusted' misstatements earlier table.
- **Note 13 earmarked reserves:** transfers to and from the Strategic Management Reserve were overstated by £17.316m due to the incorrect inclusion of corrections and other adjustments. Amendment also to the narrative of the Council Tax Hardship and Discount Scheme. The volume of narrative to support the table was reduced where possible.
- **Note 14 Property, Plant & Equipment (surplus assets narrative):** addition of narrative on surplus assets to meet the Code requirements.
- **Note 14 Property, Plant & Equipment (revaluation table):** addition of a footnote to explain the valuation basis of other land and buildings included against the 'historic cost' line heading. Minor amendments to other narrative in this note.
- **Note 17 Capital Financing Requirement:** amendment to the presentation of the line headings at the foot of the disclosure. Also amendment for the presentation of the Minimum Revenue Provision (MRP), which is now split into three sub-categories: provision for the financing of capital investment, additional provision for the financing of capital investment and set-aside of capital receipts to repay debt. Similar presentation amendments required to Note 12 adjustments between accounting and funding basis and Note 29 Capital Adjustment Account.
- **Note 19 financial instruments (main table):** amendment to the main table to include Advance loans. These had been previously excluded on the basis they were not classed as financial instruments; reclassified as financial instruments following completion of the prior year audits. Associated amendment to the narrative at the foot of the table. Knock-on impact on two of the other disclosures in this note, namely income, expense, gains and losses and also the fair value disclosures.
- **Note 19 financial instruments (fair values):** amendment required to the PWLB fair values which had been included based on the premature repayment rate instead of the new rate of borrowing. Corresponding amendment to narrative in this section.

Summary of misstatements

Adjusted disclosure misstatements - continued

- **Note 20 financial instruments (expected credit loss):** amendment to narrative, to mirror the revised wording of the 2022/2023 revised financial statements.
- **Note 20 financial instruments (financial guarantees):** amendment to remove the reference to Northumbria Healthcare NHS Foundation Trust, as there is no longer any pension fund guarantee.
- **Note 20 financial instruments (impairment of debtors allowance):** various presentational amendments.
- **Note 21 operating leases (where the Council is a lessor):** addition of narrative to disclose the value of land and buildings for leases where the Council is a lessor, the most significant of which are the leisure centres *n.b. this partially meets the disclosure requirements; see also unadjusted disclosure misstatements.*
- **Note 21 finance leases (where the Council is a lessee):** additional narrative added to the disclosure to set out the net book value of the leased assets.
- **Note 25 private finance initiative (PFI):** amendment to the net book values of the PFI assets by £2.782m. Knock-on impact on the main property, plant and equipment Note 14.
- **Note 28 provisions:** addition of narrative in respect of the NNDR appeals provision.
- **Note 31 pensions:** amendment to include narrative in respect of several on-going legal cases relevant to the Council's pension disclosures, namely the Virgin Media Case and the Matthews case. Also, amendment to the main income and expenditure table in Note 31 to include a specific line for the transfer in of net Active Northumberland pension obligations as at 31 March 2024, along with associated explanatory narrative. The main table summarising the net pensions asset / (liability) was also amended so that it more clearly reconciled back to the face of the balance sheet, given the net pensions asset for the first time as at 31 March 2024 for the Council's Local Government Pension Scheme obligations.
- **Note 33 cash flows from investing activities:** errors in respect of the investment 'proceeds' and 'purchases' lines. Net nil impact, but both figures misstated by £105m.
- **Note 35 related party transactions:** amendment to the narrative for Members and Officers disclosed interests, to clarify that the values disclosed exclude transactions and balances with the Advance Northumberland Group (on the grounds it is already disclosed elsewhere in the note and in the group accounts).
Amendment to the value of disclosures for Members, to exclude some totals which upon challenge, did not appear to be true related parties.
Amendment also to the value of disclosures for Officers, to clarify the most significant amounts in 2023/2024 related to the Energy Central Campus Limited company.
- **Note 38 contingent liabilities:** amendment to remove the Water Rates contingent liability following discussion of whether this remained a liability. Also, amendment to the disclosure in respect of the potential Union Chain Bridge liability and the latest position.
- **Note 41 accounting standards issued but not yet adopted:** amendment made to the narrative disclosure in respect of the implementation of IFRS 16 (leases), which will impact on 2024/2025.
- **Note 42 critical judgements:** amendment to the narrative in respect of schools, to reflect actual accounting treatment based on 2023/2024 testing.
- **Note 43 assumptions:** amendments to the values disclosed due to amendments elsewhere in the accounts, plus also to expand the property, plant and equipment disclosure to cover surplus assets.
- **Note 44 events after the reporting period:** non-material amendment to the values of schools converting to Academy status post the balance sheet date. Deletion of the disclosure in respect of Northumberland Energy Park (NEP3) on the basis that it was not a post balance sheet event requiring disclosure.
- **Note 45 restatements:** amendments to this note due to amendments as a result of the audit (draft disclosure set out the impact of portfolio changes).

Summary of misstatements

Disclosure misstatements – continued

Adjusted disclosure misstatements - continued

- **Group Comprehensive Income and Expenditure Statement (CIES) 2022/2023:** the 2022/2023 financial statements originally presented for audit have been revised following the audit, however, when the 2023/2024 accounts were prepared the final revised 2022/2023 accounts were not available so comparators in the draft 2023/2024 CIES required amendment – impacting on the Group only.
- **Group accounting policies:** amendment to disclose the financial reporting framework each body applies and what adjustments may be required to align the accounting policies.
- **Group Note 2 investment properties:** note amended to expand the disclosures to cover rental income and expenditure from investment properties, similar to the amendment made after the 2022/2023 audit. Other amendments to the disclosures in this note to correct the names of the Advance Valuers, and the value of the fair value hierarchy the investment properties are valued within, as required. Narrative added to set out the split of investment properties between those held by Advance Commercial and Advance Housing.
- **Group Note 4 pension schemes accounted for as defined contribution schemes:** disclosure of employer contributions for 2023/2024 and an estimate for 2024/2025.
- **Group long term debtors and long term borrowing:** an additional note required to explain the material differences between the Council and Group statement values.
- **Annual Governance Statement:** amendment to the ‘post 2023/2024 events’ section to remove the Northumberland Energy Park (NEP3) disclosure, on the basis that it did not disclose any significant governance matter. Amendment to the body of the AGS to include an update in respect of the follow-up to the Peer Review later in 2024.

Unadjusted disclosure misstatements

- **Note 21 operating leases (where the Council is a lessor):** the Council has not provided the full required land and buildings disclosures for operating leases where it is a lessor (note that the Council has included summary narrative to quantify net book values – see adjusted misstatements).

07

Value for money arrangements

Value for money arrangements

Our approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report; this will be issued after this Audit Completion Report has been presented.

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2024.

As set out in the tables overleaf, we have followed-up the prior year significant weakness in arrangements and concluded that there is no carried forward significant weakness in arrangements. Further details will be set out in our Auditor's Annual Report.

From our other audit work, we have not identified any significant weaknesses in arrangements that have required us to make a significant recommendation.

Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses.

As noted earlier, our commentary on the Council's arrangements is set out in our separate Auditor's Annual Report.

Value for Money

Follow up of previously reported significant weaknesses in arrangements

In September 2024, we reported our follow-up of prior year significant weaknesses to the Council; these were weaknesses we had identified and reported in 2019/2020 to 2022/2023. As part of our work in 2023/2024, we followed up the progress made by the Council against the recommendations made and determined whether the significant weaknesses remained during the year.

Significant weaknesses in arrangements	Financial sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
<p>Significant weakness</p> <p>Our work identified evidence of the following significant weaknesses in governance arrangements:</p> <ul style="list-style-type: none"> • how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency: weaknesses identified in respect of: <ul style="list-style-type: none"> - the Council's Constitution which required redrafting to be fit for purpose; - how the Council delivered its 'best value' responsibilities; and - governance and approval processes for exit packages; • how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations / conflicts of interests): weaknesses identified in relation to: <ul style="list-style-type: none"> - the lack of adequate governance and transparency underpinning international activities; - the lack of stability at the senior officer level; and - weaknesses in ensuring appropriate Member and officer standards were maintained. <p>Recommendation</p> <p>In order to fully address weaknesses identified by the SOLACE independent governance review report of June 2022, statutory notices and follow-up reports, the Council should continue to ensure that the improvements made in its arrangements from 2022 to-date are maintained and that robust monitoring and reporting processes remain in place to sustain progress in implementing the actions to address identified weaknesses.</p>		●		<p>Progress against the recommendation</p> <p>The Council's Constitution was reviewed and redrafted in 2022/2023; annual review of the Constitution now takes place, which is good practice.</p> <p>Work in respect of the Council delivering its 'Best Value' responsibilities continues, with significant work being carried out in this area. Further work is being carried out to develop the Council's approach and embed it.</p> <p>We identified no weaknesses in relation to exit packages from our 2023/2024 audit work.</p> <p>The matters reported in respect of international activities no longer apply.</p> <p>Stability at senior officer level has improved.</p> <p>There has been a significant reduction in Member complaints in respect of other Members. Work continues to promote constructive relationships between Members and between Members and Officers.</p> <p>Conclusions</p> <p>While there is scope for continued improvement, we identified no evidence of significant weaknesses in 2023/2024.</p>

Value for Money

Follow up of previously reported significant weaknesses in arrangements

In September 2024, we reported our follow-up of prior year significant weaknesses to the Council; these were weaknesses we had identified in 2019/2020 to 2022/2023. As part of our work in 2023/2024, we followed up the progress made by the Council against the recommendations made and determined whether the significant weaknesses remained during the year.

Significant weaknesses in arrangements	Financial sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
<p>Significant weakness</p> <p>Our work also identified evidence of significant weaknesses in arrangements for improving economy, efficiency and effectiveness, as follows:</p> <ul style="list-style-type: none"> • how financial and performance information has been used to assess performance to identify areas for improvement: weaknesses identified in respect of: <ul style="list-style-type: none"> - a corporate plan which did not drive and link performance throughout the Council appropriately; and - an inconsistent and inadequate performance management framework. • 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: weaknesses identified, arising from: <ul style="list-style-type: none"> - governance failings in the Council's subsidiary companies, the Advance Northumberland Group (the Group), as well as the Council's own oversight role of the Group. <p>Recommendation</p> <p>In order to fully address weaknesses identified by the SOLACE independent governance review report of June 2022, statutory notices and follow-up reports, the Council should continue to ensure that the improvements made in its arrangements from 2022 to-date are maintained and that robust monitoring and reporting processes remain in place to sustain progress in implementing the actions to address identified weaknesses.</p>			<ul style="list-style-type: none"> ● 	<p>Progress against the recommendation</p> <p>A revised Corporate Plan was approved in May 2023 and a Planning and Performance Accountability Framework document was completed in March 2024. The Peer Review of 2024 highlighted further work required in order to translate the plan into delivery and performance monitoring.</p> <p>Progress continues to be made by the Advance Northumberland Group to address prior year recommendations, with Internal Audit reporting there were no longer any high priority recommendations outstanding.</p> <p>A stakeholder committee is in place to provide oversight.</p> <p>Conclusions</p> <p>While there is scope for continued improvement, we identified no evidence of significant weaknesses in 2023/2024.</p>

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

Mr Mark Kirkham
Partner
Forvis Mazars LLP

Date:

To be provided on letter-headed paper and not dated any earlier than one day before the auditor's report is signed. Please note this is a draft management representation letter, containing required representations up to and including 13 February 2025.

Northumberland County Council and Group - audit for year ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of Northumberland County Council (the Council) and Group for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Executive Director of Transformation and Resources (s151 officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

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

Appendix A: Draft management representation letter

Accounting policies

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

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

I acknowledge my responsibility as Executive Director of Transformation and Resources (s151 officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

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;

Appendix A: Draft management representation letter

- all knowledge of fraud or suspected fraud affecting the Council and Group involving;
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

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

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law. I have disclosed to you the identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

Charges on assets

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

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 below their carrying value at the balance sheet date. An impairment review is, therefore, not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service concession arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Council's PFI schemes that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Reinforced Autoclaved Aerated Concrete (RAAC)

I confirm I have disclosed to you the extent of RAAC in Council-owned buildings and to date, there is no indication of any significant issues.

Appendix A: Draft management representation letter

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will cease to 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 financial statements.

Annual Governance Statement

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

Narrative Report

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

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. **[Please make sure an appendix is attached to the letter setting out unadjusted disclosures and misstatements].**

Yours faithfully

s151 Officer – Executive Director of Transformation and Resources

Signature:

Date:

Appendix B: Draft audit report

Independent auditor's report to the Members of Northumberland County Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Northumberland Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2024, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Account, the Firefighters' Pension Fund Account and Net Assets Statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 .

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2024 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Transformation and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council and Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Transformation and Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Executive Director of Transformation and Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Appendix B: Draft audit report

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Executive Director of Transformation and Resources for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2015 and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to :

- inquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and the Group which were contrary to applicable laws and regulations, including fraud.

Appendix B: Draft audit report

We evaluated the Executive Director of Transformation and Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to :

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Executive Director of Transformation and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

Report on the Council's arrangements for securing economy, efficiency, and effectiveness in 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 2024.

We have nothing to report in this respect.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its 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. 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 May 2024.

Appendix B: Draft audit report

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.

Use of the audit report

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

Delay in certification of completion of the audit

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

Mark Kirkham
Partner
For and on behalf of Forvis Mazars LLP

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

Date

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

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

Appendix D: 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 significant 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> <ol style="list-style-type: none"> 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 b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Executive Director of Transformation and Resources that the Council will be a going concern, therefore, we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements..</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
<p>Subsequent events</p>	<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>
<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and where appropriate the Audit Committee, confirming that:</p> <ul style="list-style-type: none"> a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b) they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Contact

Forvis Mazars

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Partner

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

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