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25 February 2025

Dear Committee Members

**Conclusion of pending matters– Audit Completion Report for Redcar and Cleveland Borough Council - 2023/24 audit**

As required by International Standards on Auditing (UK), we are writing to confirm matters arising that were marked as outstanding within our Audit Completion Report dated 27 January 2025 and to update you on any further matters arising.

Outstanding matter	Conclusion reached
Significant risk: Pensions	<p>We reported in January 2025 that we were unable to complete our work on pensions as we were waiting for assurances from the pension fund auditor.</p> <p>We received the letter of assurance on 14 February 2025. The auditor of the Teesside Pension Fund has communicated their intention to issue a disclaimed audit opinion for the year ended 31 March 2024. The Pension Fund auditor intends to provide detail of work that they have performed on benefits paid and transfer values in and out. We expect to be able to conclude on the material accuracy of the pension liability. Work on asset valuations is unlikely to be completed before the 28 February 2025 backstop date. As a result we are unlikely to have sufficient appropriate audit evidence to conclude our work on the valuation of the defined benefit assets. We will modify our audit opinion for the Council to reflect this.</p>

Outstanding matter	Conclusion reached
	<p>The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence over the following material elements of the financial statements:</p> <ul style="list-style-type: none"> <li>the value of scheme assets as at 31 March 2024 (£632.475 million) as disclosed in note 36; and</li> <li>the return on plan assets for the year ended 31 March 2024 (£39.528 million) as disclosed in note 36.</li> </ul> <p>As a consequence, we are unable to determine whether any adjustments to the following amounts are necessary:</p> <ul style="list-style-type: none"> <li>the gross assets included in the net defined benefit asset; and</li> <li>the return on plan assets, and the consequential effects on the remeasurements of the net defined benefit asset included in other comprehensive income and expenditure and the pension reserve.</li> </ul> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion which is included as a draft in Appendix 1.</p> <p><b>Other disclosure amendments</b></p> <p>We identified two further amendments to the pensions disclosure note.</p> <p><u>Asset Ceiling</u></p> <ul style="list-style-type: none"> <li>The asset ceiling of £128.202 million is shown as an adjustment to the Council's share of pension assets which is incorrect. Instead, there should be a separate table presenting the gross value of pension assets and liabilities and a separate line for the asset ceiling.</li> </ul> <p>This has now been amended in the financial statements.</p> <p><u>Benefits paid amendments</u></p> <p>The total shown as benefits paid in the Pension Fund Assurance letter is £24.960m which is different to the amount shown in the financial statements (note 36) of £29.517m. The financial statements are therefore overstated by £4.957m in the gross liabilities and gross assets tables and have been amended. The tables for 'Scheme History' and 'Sensitivity Analysis' have also been amended for consistency.</p> <p>For absolute clarity, this does not impact on any primary statements and does not change the overall net assets figure which is still £7,925k for the Local Government Pension Scheme.</p>

Outstanding matter	Conclusion reached
	<p><u>Virgin Media UK High Court Case</u></p> <p>Additional disclosures were required to the pensions note to reflect the outcome of the UK High Court judgement (Virgin Media Limited v NTL Pension Trustees II Limited) in June 2023 which was subsequently upheld by the Court of Appeal.</p> <p>The Council does not currently consider it necessary at this time to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements. This will be kept under review.</p>
<p>Review and closure processes, including reviews of completed work, checking the final version of the financial statements and consideration of the management letter of representation and any post balance sheet events.</p>	<p>We are awaiting the final signed version of the financial statements. Once received we will undertake our final closure procedures including a review of the management representation letter and post balance sheet events.</p>

If you wish to discuss these or any other points, please do not hesitate to contact us.

Yours faithfully



**James Collins**

Director

For and on behalf of Forvis Mazars LLP

# APPENDIX 1

## Independent auditor's report to the Members of Redcar and Cleveland Borough Council

### Report on the audit of the financial statements

#### Qualified opinion

We have audited the financial statements of Redcar and Cleveland Borough Council ("the Council") for the year ended 31 March 2024, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund 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, except for the possible effects of the matter described in the 'Basis for Qualified Opinion' section of our report, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2024 and of its 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 Qualified Opinion

The Council's status as an admitted body to the Teesside Pension Fund is described in note 36. The net defined benefit asset as at 31 March 2024 is £17.909 million which comprises £768.602 million of gross assets and £632.475 million of gross liabilities and £128.202 million effect of the asset ceiling as disclosed in note 36.

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

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence over the following material elements of the financial statements:

- the value of scheme assets as at 31 March 2024 (£632.475 million) as disclosed in note 36; and
- the return on plan assets for the year ended 31 March 2024 (£39.528 million) as disclosed in note 36.

As a consequence, we were unable to determine whether any adjustments to the following amounts were necessary:

- the gross assets included in the net defined benefit asset; and
- the return on plan assets, and the consequential effects on the remeasurements of the net defined benefit asset included in other comprehensive income and expenditure and the pension reserve.

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 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 qualified opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Director of Resources (s151 Officer)'s 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'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 Director of Resources (s151 Officer) with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Resources (s151 Officer) 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.

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 Director of Resources (s151 Officer) for the financial statements**

As explained more fully in the Statement of the Director of Resources (s151 Officer)'s Responsibilities, the Director of Resources (s151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Director of Resources (s151 Officer) is also responsible for such internal control as the Director of Resources (s151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resources (s151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational

existence for the foreseeable future. The Director of Resources (s151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

Our 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, 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 Governance 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 which were contrary to applicable laws and regulations, including fraud.

We evaluated the Director of Resources (s151 Officer)'s 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 Governance 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 Governance

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 Director of Resources (s151 Officer)'s 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 statements and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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

## **Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources**

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

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

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

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

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

We have nothing to report in these respects.

## Use of the audit report

This report is made solely to the Members of Redcar and Cleveland Borough 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.

[Signature]

James Collins, Key Audit Partner  
For and on behalf of Forvis Mazars LLP

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26 Mosley Street  
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Date: [to be confirmed]