

A meeting of the: **Audit and Standards Committee**
will be held on: **Tuesday 18 September 2025**
at: **10.00am**
in: **The Council Chamber, City Hall, Plater Way, Sunderland,
SR1 3AA**

SUPPLEMENTARY AGENDA

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Further to the agenda previously circulated for the above meeting please find attached reports in relation to the following agenda items:	
7. Audit Completion Report and Auditor's Annual Reports 2022/23 for former North East Combined Authority and North of Tyne Combined Authority To consider the External Auditor's Audit Completion Reports and Annual Reports 2023/24 in relation to the former North East Combined Authority and North of Tyne Combined Authority.	364 - 528
8. Strengthening the Standards and Conduct Framework for Local Authorities An overview of the existing standards arrangements across the region and an update on the government's consultation on possible changes to the standards regime.	529 -545

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Audit and Standards Committee

18 February 2025

Subject: Audit Completion Report and Auditor's Annual Reports 2023/24 for former North East Combined Authority and North of Tyne Combined Authority
Report of: External Auditor

Report Summary

The purpose of this report is to present the Audit Completion Reports and Draft Auditor's Annual Reports for the former North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA) for the 2023/24 financial year.

At the time of writing this report the audit of both former combined authorities is substantially complete and the auditors anticipate issuing an unqualified opinion, without modification, on the financial statements, subject to the satisfactory completion of their closing procedures. The Audit Completion Reports are attached as Appendix 1 for NECA and Appendix 2 for NTCA.

Also attached as Appendix 3 for NECA and Appendix 4 for NTCA are the draft Auditor's Annual Reports for the two demised combined authorities. These reports are in draft form, and will be finalised following the completion of the audit, and summarise the work Forvis Mazars have undertaken as the auditor for NECA and NTCA for the period ended 6 May 2024.

Recommendations

The Audit and Standards Committee is recommended to review the reports of the external auditor included as Appendices 1-4.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 The reports of the external auditors, Forvis Mazars, are set out at Appendices 1-4.
- 1.2 Subject to the satisfactory completion of closing procedures, the two Audit Completion Reports set out the following conclusions:
- Audit opinion – the external auditors anticipate issuing an unqualified opinion, without modification, on the financial statements. The proposed audit opinion is included in the draft auditor's report. The report does include an emphasis of matter paragraph, drawing attention to the disclosures around the demise of the Authority and the transfer of its functions to the new Mayoral Combined Authority from 7 May 2024.
 - Value for Money – the external auditors anticipate having no significant weaknesses in arrangements or recommendations to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on Value for Money work is provided in section 7 of this report.
- 1.3 The Auditor's Annual Reports for both former combined authorities are presented in draft form as they will be completed following the conclusion of the audit. These summarise the work Forvis Mazars have undertaken as the auditors for NECA and NTCA for the period ending 6 May 2024.

2. Potential Impact on Objectives

There are no direct implications arising from this report in respect of the North East CA's vision, policies and priorities.

3. Key Risks

3.1 There are no specific risk implications directly arising from this report.

4. Financial and Other Resources Implications

4.1 There are no financial implications directly arising from this report.

5. Legal Implications

5.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

6. Equalities Implications

6.1 There are no equalities and diversity implications arising from this report.

7. Consultation and Engagement

7.1 Draft reports have been discussed with Combined Authority statutory officers and the Chair of Audit and Standards Committee.

8. Appendices

Appendix 1 – Audit Completion Report – North East Combined Authority – period ending 6 May 2024

Appendix 2 – Audit Completion Report – North of Tyne Combined Authority – period ending 6 May 2024

Appendix 3 – Auditor's Annual Report – North East Combined Authority – period ending 6 May 2024

Appendix 4 – Auditor's Annual Report – North of Tyne Combined Authority – period ending 6 May 2024

9. Background Papers

None

10. Contact Officers

Eleanor Goodman, Interim Head of Finance, North East Combined Authority,
Eleanor.goodman@northeast-ca.gov.uk

11. Glossary

CIPFA	Chartered Institute of Public Finance and Accountancy
JTC	Joint Transport Committee
NECA	North East Combined Authority (former)
NTCA	North of Tyne Combined Authority

Audit Completion Report
North East Combined Authority (in respect of demised North East Combined Authority)
– Period ended 6 May 2024

11 February 2025

Members of the Audit and Standards Committee (and Cabinet)

North East Combined Authority

The Lumen

St James' Boulevard

Newcastle-upon-Tyne NE4 5BZ

11 February 2025

Dear Committee Members

Audit Completion Report – Period ended 6 May 2024

We are pleased to present our Audit Completion Report for the period ended 6 May 2024. This report is related to our audit of the now demised North East Combined Authority, and we are reporting to you as the successor body for the former North East Combined Authority. 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 17 September 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 +44 (0)7896 684 771.

Yours faithfully

Gavin Barker

Gavin Barker

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 up to the extended period end 6 May 2024 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 conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of controls;
- revenue recognition;
- the net defined benefit liability / asset valuation; and
- estimation used for the extended financial period to 6 May 2024.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £1.185M for the Authority and £1.849m for the Group. Section 7 outlines our work on the Authority'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 6 May 2024.

At the time of preparing this report, the matters outstanding are set out in Section 2.

We will issue a follow up letter to this report at the point that we are ready to issue our audit report, and this will document how the outstanding issues in this report have been addressed.

Subject to the satisfactory completion of our closing procedures, 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. The report does include an emphasis of matter paragraph, drawing attention to the disclosures around the demise of the Authority and the transfer of its functions to the new Mayoral Combined Authority from 7 May 2024.



Value for Money

We anticipate having no significant weaknesses in arrangements or recommendations to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.



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 Authority and to consider any objection made to the accounts. We have received no questions or objections relating to the Authority.

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 completion of our closing procedures.

Closing procedures

Completion procedures will continue up to the point where we receive the final signed set of financial statements and the signed letter of representation from management. These procedures include ongoing completion and review of our audit file and considering any events after the balance sheet date up to the point that we issue our audit opinion.



Consolidated Accounts

Work is substantially complete in this area with a few areas outstanding.



WGA

We have not completed our work in this area. We are waiting for clarification from the NAO in regard to audit requirements. Once this is issued, we will work with management to complete this work as soon as possible.



Value for money arrangements

This work has been completed, and there are no exceptions to report.



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.



Work on value for money arrangements

03

Audit Approach

Audit Approach

Changes to our audit approach

As part of our ongoing risk assessment procedures, we have identified an additional significant risk related to income and expenditure cut-off. This risk has increased due to the extended year-end period. Other than this, there have been no changes to the audit approach as communicated in our Audit Strategy Memorandum issued on 5 September 2024 and presented to Audit and Standards Committee on 17 September 2024.

Materiality

Our provisional materiality at the planning stage of the audit was set at £17.340m for the Group and 8.426m for NECA using a benchmark of 2% of gross operating expenditure. Based on the final financial statement figures and other qualitative factors the final overall materiality we applied was £17.436m for the Group and £8.424m for NECA, final performance materiality was £13.077m for the Group and £6.318m for NECA, final clearly trivial threshold was £0.523m for the Group and £0.253m for NECA.

Reliance on internal audit

As outlined in the Audit Strategy Memorandum, we have not relied upon the work of internal audit, however the work of internal audit was used to inform our assessment of the control environment.

Use of experts

Where relevant and necessary, information from the experts has been used as part of the audit as outlined in the Audit Strategy Memorandum and there have been no changes to the planned approach.




Group audit approach

The Group consists of NECA, Nexus and Tyneside Transport Services Limited. We are responsible for the direction, supervision and performance of the group audit

Audit approach

Overview of our group audit approach

Based on our risk assessment and the financial information for the period ending 6 May 2024, we determined that certain components consolidated into the group financial statements should be subject to either a full scope audit or a specific scope audit, as set out in the table below.

Group component	Auditor	Scope	Changes to scope since planning?
North East Combined Authority	Forvis Mazars		None
Nexus (Audited for the period ending 31 March 2024)	Forvis Mazars		None
Tyneside Transport Services Limited	Not Applicable		None

- 
Full audit
 Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality
- 
Audit of balances and/or disclosures
 Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality
- 
Specific audit procedures
 Performance of specific audit procedures on the component's financial information
- 
Review procedures
 Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

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 17 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

Management override of controls

(Single entity and the Group accounts)

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override would occur. Management at various levels within an organization 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

We have completed our work and there was no evidence of management override of controls.

Significant findings

Revenue recognition - in relation to Tyne Tunnel tolls and grant income

(Single entity and the Group accounts)

Description of the risk

The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.

For the Authority we deem the risk to relate specifically to:

- cut off considerations for Tyne Tunnel toll income; and
- grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income is recognised in the correct period;
- Tyne Tunnel toll income around the year end to ensure it has been recognised in the right year;
- the judgements made by management in determining when grant income is recognised;
- for Tyne Tunnel toll income, performing a substantive analytical review; and
- for major grant income, obtaining counterparty confirmation.

Audit conclusion

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

Significant findings

Net defined benefit liability / asset valuation

Description of the risk

(Single entity and the Group accounts)

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

In 2023/24 there is a net pensions asset, and the appropriate method of accounting for this is uncertain and complex.

How we addressed this risk

We discussed with management any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we have performed the following procedures:

- evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and
- Considered the reasonableness of the actuary’s outputs, referring to an expert’s report on all actuaries nationally which is commissioned annually by the National Audit Office.
- We also obtained an assurance letter from the auditor of Tyne & Wear Pension Fund. We also specifically reviewed the accounting treatment of the net pension asset against the latest technical guidance available confirming that a pension asset ceiling calculation had been undertaken in accordance with IFRIC 14 and that the disclosures were properly supported by the information provided by the actuary.

Audit conclusion

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

Significant findings

Estimation used for the extended financial period to 06 May 2024

(Single entity and the Group accounts)

Description of the risk

The financial period end has been extended to 6 May 2024, making an accounting period of just over 13 months. This is a significant risk because this is a new situation for NECA to deal with and there will be considerable use of management estimation and judgement in how to account for the extended period and the source of transactions.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;
- reviewing the accounting treatments adopted and any estimation techniques used by management to ensure that the risk of material misstatement is mitigated;
- reviewed events occurring after the extended period end that may impact the financial statements;
- ensured all relevant disclosures are in accordance with applicable accounting standards.

We identified a substantial increase in estimation risk stemming from the consolidation of Nexus into the Group financial statements. Nexus prepares its financial accounts with a year end date of 31 March 2024, whereas NECA's financial year concluded on 06 May 2024. This misalignment in reporting dates necessitated a considerable degree of reliance on management's estimation and judgment. As a result, we undertook a series of additional procedures to ensure the accurate consolidation of Nexus into the Group's accounts. These procedures included, but were not limited to:

- examination and critical assessment of the management's consolidation working papers and underlying assumptions;
- technical review of the consolidation treatment of Nexus in accordance with Code guidance;
- comprehensive testing of the revised Nexus pensions position, which including a thorough review of the updated actuarial assumptions;
- examination of Nexus's capital activity within Assets Under Construction (AUC) and the subsequent transfers to infrastructure;
- examination of the investment balances;
- reviews of cash movement analysis assessing the cash position to year end.

Audit conclusion

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

Significant findings

Income and Expenditure Cut-off

(Single entity and the Group accounts)

Description of the risk

Following the formation of the new North East Mayoral Combined Authority on 7 May 2024, NECA reported on an extended period of accounting from 1 April 2023 to 6 May 2024 resulting in an accounting period that spans just over 13 months. As a result we note that there is a likelihood of a risk of material misstatement in income and expenditure recognition at cut-off date. As a consequence, we carried out additional testing focused on this area as part of our audit.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;
- the judgements made by management in determining when income and expenditure is recognised;
- sample testing transactions around year end ensuring that transactions are recorded in the correct accounting period..

Audit conclusion

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

Significant findings

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority'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 Authority's circumstances. There were no significant changes in accounting policies this year.

Draft accounts were published by the Authority on 1 November 2024, and this was not within the timeframes required by the Accounts and Audit Regulation 2015. We acknowledge that the transition to the North East Mayoral Combined Authority has placed significant and competing demands on management. We also observe that the quality of the draft accounts did not meet the standards we have come to expect from the Authority in the past, and we believe the quality of the draft financial statements was impacted by several factors, including a relatively small team, a number of retirements of experienced staff, and issues caused by the non-coterminous year end of the Authority and Nexus. This required increased audit input to facilitate a number of drafting errors to be addressed.

Significant matters discussed with management

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

- Discussions and correspondence in connection with the extended financial year end; and
- Consolidation of the Group accounts including management estimation and judgement, resolution of technical issues arising from the misaligned year-end dates between the authority and Nexus.

Significant difficulties during the audit

During the course of the audit we encountered a number of difficulties this included the following:

- Timing of the publication of draft accounts;
- Quality of the draft financial statements;
- Consolidation issues arising out of the extended year end; and
- Delays due to competing demands on staff time and the impact of a number of retirements of experienced officers.

However, we fully acknowledge that throughout the audit we received the full co-operation of management. We could not have completed the audit within the challenging backstop timetable without the commitment and dedication of the Authority's relatively small finance team.

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 questions or objections were raised with us as part of the 2023/24 audit.

05

Internal control conclusions

Our observations on internal control

Overview of engagement

As part of our planning procedures, we obtained an understanding of Authority's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to inform our audit strategy. Although our audit was not designed to express an opinion on the effectiveness of the Authority's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

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 Authority'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 Authority'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 through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified other matters 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.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

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

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Standards Committee as 'Those Charged With Governance'.

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

Other observations on internal control

We also report to you, our observations on the Authority's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

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

06

Summary of misstatements

Summary of misstatements

We set out below a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £253k for NECA and £523k for the Group.

The 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 Summary Memorandum, issued on 5 September 2024. Any subsequent changes to those figures are set out in the section 3 of this report.

Unadjusted misstatements – the Authority as Single Entity

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.

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Debtors			892	
	CR Income		(892)		
NECA have not recognised any levy for the 6 days in May. We note that the Levy is monthly and as such NECA should have recognised 6 days in May 2024. We performed a recalculation based on the April levy figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.					

Summary of misstatements

Unadjusted misstatements - Continued

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
2	DR Expenditure	579			
	CR Short Term Creditors				(579)
NECA have not recognised any Transport Tyne & Wear expenditure for the 6 days in May. We note that the expenditure is monthly and as such NECA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.					

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	DR Expenditure	273			
	CR Short Term Creditors				(273)
NECA have not recognised any Transport Durham expenditure for the 6 days in May. We note that the expenditure is monthly and as such NECA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May.					

Summary of misstatements

Unadjusted misstatements - Continued

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	DR Income	333			
	CR Short Term Debtors				(333)
<p>Reflecting the net extrapolated error due to the Quarter 1 LTP grant for April, May, and June being entirely accounted for in the 2023/2024 fiscal year, instead of being allocated between the 2023/2024 and 2024/2025 financial periods. This demonstrates that the impact was not material.</p>					
Aggregate effect of unadjusted misstatements on Pages 21 to 23		1,185	(892)	892	(1,185)

Summary of misstatements

Group Unadjusted misstatements

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	Aggregate unadjusted misstatements from Page 23 also impact on the Group position	1,185	(892)	892	(1,185)
4	DR Net Pension Assets			957	
	CR Remeasurement of Net defined Pension Liability		(957)		
	Our review of the Pension Fund auditor report identified that the value of pension fund assets was understated compared to those originally reported, which was entirely due to timing issues compared to when the actuary prepares their report, and the final valuations received during the Pension Fund auditor's audit of the pension fund. The Group share of the pension fund assets misstatement is £957k. This is an estimate and is designed to demonstrate that the impact of this is not material.				
	Aggregate effect of unadjusted misstatements	1,185	(1,849)	1,849	(1,185)

During the audit procedures conducted for the Group consolidation, it was observed that the volume of transactions recorded for Nexus was notably low during the 36-day period from April 1, 2024, to May 6, 2024. As part of our audit work, we performed several procedures to ensure the accuracy and completeness of the financial records. While we have not enumerated the specific adjustments made during this process, we can confirm that our audit work has not identified any material issues that warrant reporting.

Summary of misstatements

Adjusted misstatements

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	DR Cash			24,442	
	CR Debtors				(24,442)
Subsequent to the issuance of the draft accounts, the client identified a substantial overstatement in the debtors balance attributable to unapplied cash. This discovery necessitated a comprehensive adjustment to accurately reflect the correct year-end debtors position.					

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Creditors			19,999	
	CR Cash				(19,999)
Subsequent to the issuance of the draft accounts, the client identified a substantial overstatement in the creditors balance. This discovery necessitated a comprehensive adjustment to accurately reflect the correct year-end debtors position.					
Aggregate effect of adjusted misstatements		0	0	44,441	(44,441)

Summary of misstatements

Disclosure misstatements

We have identified the following disclosure misstatements during our audit that have been considered and addressed by management:

- A certificate needs to be added to record the approval of the accounts by the Mayor of the new Combined Authority, so there is a certificate from the Chief Financial Officer and one from the Mayor.
- Note 01A (North East Mayoral Combined Authority) within the second paragraph the wording 'the accounts for 2023/24' should be changed to 'the accounts for the extended year ending 6 May 2024'.
- Note 10 (Related Parties) additional points were added to the accounts confirming additional procedures performed by NECA to gain comfort over related parties to the extended period ending 6 May 2024.
- Note 11 (Property Plant and Equipment) the opening cost position for AUC and Total PPE did not agree to the prior year signed accounts.
- Note 11 (Property Plant and Equipment) the table incorrectly stated as at 31 March 2024 throughout. This should reflect the year end which is 06th May 2024.
- Note 13 (Nature and Extent of risks arising from Financial Instruments) Total Cash Equivalents showed as £18,674k however per note 16 cash equivalents is stated as £37,417k.
- Note 13 (Nature and Extent of risks arising from Financial Instruments) the maturity analysis does not agree to the total borrowings.
- Note 13 (Nature and Extent of risks arising from Financial Instruments) the Market (Interest Rate) risk paragraph required updates to reflect current year.
- Note 19 (Defined Benefit Pension Scheme) disclosure required in respect of the UK High Court Case of Virgin Media Limited v NTL Pension Trustees II Limited and its consequences.
- Note 22 (Unusable Reserves) the unusable reserves figure did not agree to the balance sheet figure.
- Note 22 (Unusable Reserves) the Capital Adjustment account figures are incorrect. We note that the NTCA devolution split figures had incorrectly been used instead of the NECA figures.
- Note 30 (Accounting Policies) the accounting policies included were the 2022/23 accounting policies.
- Note G06 (Group Property Plant and Equipment) the figures per the prior year comparative 2022/23 fixed assets note did not agree back to the prior year signed accounts.
- Note G11 (Group Short Term Creditors) the short term creditors figure per the balance sheet did not agree to note G11.
- Annual Governance Statement required updates to reflect group relationship with other entities.
- Annual Governance Statement required updates to reflect that it covered the extended financial year ending 6 May 2024, to demonstrate that appropriate governance was in place up to the point that the Authority ceased to exist.
- Various minor and immaterial presentational points including corrections to reflect the correct year end date and corrections of typographical errors;

07

Value for Money

Value for Money

Approach to Value for Money

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

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Authority 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 Authority 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.

For the Authority, we did not identify any risks of significant weaknesses in arrangements either at the planning stage or throughout the audit.

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 Authority arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report at the same date that we issue our audit opinion on the financial statements.

Status of our work

We have completed our work in respect of the Authority's arrangements for the period ended 6 May 2024 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Authority's arrangements will be provided in the Auditor's Annual Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

Address to:

Gavin Barker

Audit Director

Forvis Mazars LLP

Dear Mr Barker

North East Combined Authority - Audit for Period Ended 6 May 2024

This representation letter is provided in connection with your audit of the financial statements of North East Combined Authority (the Authority and Group) for the period ended 6 May 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Director of Finance and Investment 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.

Appendix A: Draft management representation letter

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at current and fair value

I confirm that the methods, significant assumptions and the data used by the Authority and Group in making the accounting estimates, including those measured at current and fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

I confirm:

- that the significant judgments made in making the accounting estimates have taken into account all relevant information of which management is aware;
- the consistency and appropriateness in the selection or application of the methods, assumptions and data used by management in making the accounting estimates;
- that the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, when relevant to the accounting estimates and disclosures;
- that disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework;
- that appropriate specialised skills or expertise has been applied in making the accounting estimates; and
- that no subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.

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.

Appendix A: Draft management representation letter

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority 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, as amended by 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 Authority 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 Director of Finance and Investment for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority 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 Authority and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix A: Draft management representation letter

Related party transactions

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

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

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

Future commitments

The Authority and Group has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Authority and Group's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Authority and Group, including the impact of mitigation measures and uncertainties, and that the financial statements fairly reflects that assessment.

Covid-19

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

Appendix A: Draft management representation letter

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the financial statements fairly reflect that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Authority and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts. **[TAILOR AS APPROPRIATE]**

Specific representation

Estimation techniques for the period ended 6 May 2024

In preparing the financial statements to the period ended 6 May 2024, I have taken all reasonable steps to ensure that the Authority and Group financial statements are materially fairly stated. I am not aware of any transactions, balances or disclosures that could be materially misstated as a result of the approach adopted.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority 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 Authority and Group's financial and operating performance over the period covered by the financial statements.

[ONLY INCLUDE THE FOLLOWING SECTION IF UNADJUSTED MISSTATEMENTS HAVE BEEN IDENTIFIED.]

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix. **Please make sure the appendix is attached to the letter and not just cross-referenced to the appendix in the ACR.**

Appendix A: Draft management representation letter

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully

[Name]

Director of Finance and Investment

[Date]

Appendix A: Draft management representation letter

[ONLY INCLUDE THIS APPENDIX IF UNADJUSTED MISSTATEMENTS HAVE BEEN IDENTIFIED.]

Appendix

Schedule of unadjusted misstatements

Appendix B: Draft audit report

Independent auditor's report to the Members of the North East Combined Authority as successor body of the North East Combined Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of the North East Combined Authority ('the Authority') and its subsidiaries ('the Group') for the period ended 6 May 2024, which comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 6th May 2024 and of the Authority's and the Group's expenditure and income for the period 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 Authority and the 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.

Emphasis of Matter – transfer of the North East Combined Authority's functions to the North East Mayoral Combined Authority

We draw attention to note 01.a (North East Mayoral Combined Authority), note 28 (critical judgements in applying accounting policies) note 30.1 (accounting policies, general principles) and note 31 (events after the balance sheet date) of the financial statements, which highlight that as a result of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, the North East Combined Authority's functions transferred to the new North East Mayoral Combined Authority from 7 May 2024. These notes further disclose that as services continued to be provided by another public sector entity, the financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the the Chief Finance 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, other than the issue highlighted above in the Emphasis of Matter paragraph, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority'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 Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit report

Other information

The other information comprises the Narrative Report, Annual Governance Statement and the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance 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 Chief Finance Officer for the financial statements

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

The Chief Finance 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 Authority will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing whether or not it is appropriate for the Authority and the 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 Authority, 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.

Appendix B: Draft audit report

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 and Standards Committee, as to whether the Authority 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 Authority and the Group which were contrary to applicable laws and regulations, including fraud.

We evaluated the Chief Finance 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 Audit and Standards 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 and Standards 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 Chief Finance 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 statement 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. This description forms part of our auditor's report.

Appendix B: Draft audit report

Report on the Authority'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 Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 6 May 2024.

We have nothing to report in this respect.

Responsibilities of the Authority

The Authority 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 Authority 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 Authority'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 the North East Combined Authority, 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 North East Combined Authority 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 North East Combined Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Appendix B: Draft audit report

Delay in certification of completion of the audit

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

[Signature]

Gavin Barker
Key Audit Partner
For and on behalf of Forvis Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

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 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 Chief Finance Officer that Authority will be a going concern, and 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 Those Charged With Governance, 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

Gavin Barker

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Audit Completion Report
North East Combined Authority (in respect of demised North of Tyne Combined Authority)
– Period ended 6 May 2024

11 February 2025

Members of the Audit and Standards Committee (and Cabinet)

North East Combined Authority

The Lumen

St James' Boulevard

Newcastle-upon-Tyne NE4 5BZ

11 February 2025

Dear Committee Members

Audit Completion Report – Period ended 6 May 2024

We are pleased to present our Audit Completion Report for the period ended 6 May 2024. This report is related to our audit of the now demised North of Tyne Combined Authority, and we are reporting to you as the successor body for the former North of Tyne Combined Authority. 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 17 September 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 +44 (0)7896 684 771.

Yours faithfully

Gavin Barker

Gavin Barker

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 up to the extended period end 6 May 2024 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 conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of controls;
- revenue recognition;
- the net defined benefit liability / asset valuation; and
- estimation used for the extended financial period to 6 May 2024.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £748k for the single entity and £1.195m for the Group. Section 7 outlines our work on the Authority'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 6 May 2024.

At the time of preparing this report, the matters outstanding are set out in Section 2.

We will issue a follow up letter to this report at the point that we are ready to issue our audit report, and this will document how the outstanding issues in this report have been addressed.

Subject to the satisfactory completion of our closing procedures, 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. The report does include an emphasis of matter paragraph, drawing attention to the disclosures around the demise of the Authority and the transfer of its functions to the new Mayoral Combined Authority from 7 May 2024.



Value for Money

We anticipate having no significant weaknesses in arrangements or recommendations to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.



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 Authority and to consider any objection made to the accounts. We have received no questions or objections relating to the Authority.

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 completion of our closing procedures.

<p>Statutory records Work is substantially complete in this area with a few areas outstanding.</p>	●
<p>Movement in Reserves Statement Work is substantially complete in this area with a few areas outstanding.</p>	●
<p>Cashflow Statement Work is substantially complete in this area with a few areas outstanding.</p>	●
<p>Financial Instruments Work is substantially complete in this area with a few areas outstanding.</p>	●
<p>Closing procedures Completion procedures will continue up to the point where we receive the final signed set of financial statements and the signed letter of representation from management. These procedures include ongoing completion and review of our audit file, and considering any events after the balance sheet date up to the point that we issue our audit opinion.</p>	●
<p>Consolidated Accounts Work is substantially complete in this area with a few areas outstanding.</p>	●
<p>WGA We have not completed our work in this area. We are waiting for clarification from the NAO in regard to audit requirements. Once this is issued, we will work with management to complete this work as soon as possible.</p>	●
<p>Value for money arrangements This work has been completed, and there are no exceptions to report.</p>	●

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.
-  Work on value for money arrangements

03

Audit Approach

Audit Approach

Changes to our audit approach

As part of our ongoing risk assessment procedures, we have identified an additional significant risk related to income and expenditure cutoff. This risk has increased due to the extended year-end period. Other than this, there have been no changes to the audit approach as communicated in our Audit Strategy Memorandum issued on 5 September 2024 and presented to Audit and Standards Committee on 17 September 2024.

Materiality

Our provisional materiality at the planning stage of the audit was set at £17.112m for the Group and 9.826m for NTCA using a benchmark of 2% of gross operating expenditure. Based on the final financial statement figures and other qualitative factors the final overall materiality we applied was £18.727m for the Group and £11.331m for NTCA, final performance materiality was £14.045 for the Group and £8.498m for NTCA, final clearly trivial threshold was £0.562m for the Group and £0.340m for NTCA.

Reliance on internal audit

As outlined in the Audit Strategy Memorandum, we have not relied upon the work of internal audit, however the work of internal audit was used to inform our assessment of the control environment.

Use of experts

Where relevant and necessary, information from the experts has been used as part of the audit as outlined in the Audit Strategy Memorandum and there have been no changes to the planned approach.




Group audit approach

The Group consists of NTCA, Nexus and Tyneside Transport Services Limited. We are responsible for the direction, supervision and performance of the group audit

Audit approach

Overview of our group audit approach

Based on our risk assessment and the financial information for the period ending 6 May 2024, we determined that certain components consolidated into the group financial statements should be subject to either a full scope audit or a specific scope audit, as set out in the table below.

Group component	Auditor	Scope	Changes to scope since planning?
North of Tyne Combined Authority	Forvis Mazars		None
Nexus (Audited for the period ending 31 March 2024)	Forvis Mazars		None
Tyneside Transport Services Limited	Not Applicable		None

- 
Full audit
 Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality
- 
Audit of balances and/or disclosures
 Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality
- 
Specific audit procedures
 Performance of specific audit procedures on the component's financial information
- 
Review procedures
 Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

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 17 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

Management override of controls

(Single entity and the Group accounts)

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override would occur. Management at various levels within an organization 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

We have completed our work and there was no evidence of management override of controls.

Significant findings

Revenue recognition - in relation to Tyne Tunnel tolls and grant income

(Single entity and the Group accounts)

Description of the risk

The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.

For the Authority we deem the risk to relate specifically to:

- cut off considerations for Tyne Tunnel toll income; and
- grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income is recognised in the correct period;
- Tyne Tunnel toll income around the year end to ensure it has been recognised in the right year;
- the judgements made by management in determining when grant income is recognised;
- for Tyne Tunnel toll income, performing a substantive analytical review; and
- for major grant income, obtaining counterparty confirmation.

Audit conclusion

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

Significant findings

Net defined benefit liability / asset valuation

Description of the risk

(Single entity and the Group accounts)

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We discussed with management any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we have performed the following procedures:

- evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and
- Considered the reasonableness of the actuary's outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.
- We also obtained an assurance letter from the auditor of Tyne & Wear Pension Fund. We also specifically reviewed the accounting treatment of the net pension asset against the latest technical guidance available confirming that a pension asset ceiling calculation had been undertaken in accordance with IFRIC 14 and that the disclosures were properly supported by the information provided by the actuary.

Audit conclusion

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

Significant findings

Estimation used for the extended financial period to 06 May 2024

(Single entity and the Group accounts)

Description of the risk

The financial period end has been extended to 6 May 2024, making an accounting period of just over 13 months. This is a significant risk because this is a new situation for NTCA to deal with and there will be considerable use of management estimation and judgement in how to account for the extended period and the source of transactions.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;
- reviewing the accounting treatments adopted and any estimation techniques used by management to ensure that the risk of material misstatement is mitigated;
- reviewed events occurring after the extended period end that may impact the financial statements;
- ensured all relevant disclosures are in accordance with applicable accounting standards.

We identified a substantial increase in estimation risk stemming from the consolidation of Nexus into the Group financial statements. Nexus prepares its financial accounts with a year end date of 31 March 2024, whereas NTCA's financial year concludes on 6 May 2024. This misalignment in reporting dates necessitated a considerable degree of reliance on management's estimation and judgment. As a result, we undertook a series of additional procedures to ensure the accurate consolidation of Nexus into the Group's accounts. These procedures included, but were not limited to:

- examination and critical assessment of the management's consolidation working papers and underlying assumptions;
- technical review of the consolidation treatment of Nexus in accordance with Code guidance;
- comprehensive testing of the revised Nexus pensions position, which including a thorough review of the updated actuarial assumptions;
- examination of Nexus's capital activity within Assets Under Construction (AUC) and the subsequent transfers to infrastructure;
- examination of the investment balances;
- reviews of cash movement analysis assessing the cash position to year end.

Audit conclusion

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

Significant findings

Income and Expenditure Cut-off

(Single entity and the Group accounts)

Description of the risk

Following the formation of the new North East Mayoral Combined Authority on 7 May 2024 NECA has an extended period of accounting from 1 April 2023 to 6 May 2024 resulting in an accounting period that spans just over 13 months. As a result we note that there is a likelihood of a risk of material misstatement in income and expenditure recognition at cut-off date. As a consequence, we carried out additional testing focused on this area as part of our audit.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;
- the judgements made by management in determining when income and expenditure is recognised;
- sample testing transactions around year end ensuring that transactions are recorded in the correct accounting period..

Audit conclusion

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

Significant findings

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority'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 Authority's circumstances. There were no significant changes in accounting policies this year.

Draft accounts were published by the Authority on 1 November 2024, and this was not within the timeframes required by the Accounts and Audit Regulation 2015. We acknowledge that the transition to the North East Mayoral Combined Authority has placed significant and competing demands on management. We also observe that the quality of the draft accounts did not meet the standards we have come to expect from the Authority in the past, and we believe the quality of the draft financial statements was impacted by several factors, including a relatively small team, a number of retirements of experienced staff, and issues caused by the non-coterminous year end of the Authority and Nexus. This required increased audit input to facilitate a number of drafting errors to be addressed.

Significant matters discussed with management

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

- Discussions and correspondence in connection with the extended financial year end.
- Consolidation of the Group accounts including management estimation and judgement, resolution of technical issues arising from the misaligned year-end dates between the authority and Nexus.

Significant difficulties during the audit

During the course of the audit we encountered a number of difficulties this included the following:

- Timing of the publication of draft accounts.
- Quality of the draft financial statements.
- Consolidation issues arising out of the extended year end.
- Delays due to competing demands on staff time and the impact of a number of retirements of experienced officers.

However, we fully acknowledge that throughout the audit we received the full co-operation of management. We could not have completed the audit within the challenging backstop timetable without the commitment and dedication of the Authority's relatively small finance team.

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 questions or objections were raised with us as part of the 2023/24 audit.

05

Internal control conclusions

Our observations on internal control

Overview of engagement

As part of our planning procedures, we obtained an understanding of Authority's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to inform our audit strategy. Although our audit was not designed to express an opinion on the effectiveness of the Authority's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

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 Authority'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 Authority'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 through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified other matters 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.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

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

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Standards Committee as 'Those Charged With Governance'.

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

Other observations on internal control

We also report to you, our observations on the Authority's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We have identified one internal control observation to bring to your attention as at the date of this report. This is set out on page 20.

Internal control conclusions

Observation on internal control

Related party transactions

Description of deficiency

Our audit identified that some related party declarations were missing. To ensure full compliance and transparency, it is recommended that related party declarations be updated and collected annually from all members and reviewed.

Potential effects

Related party declarations may be incomplete as a result there may be conflicts of interest which the authority are unaware of.

Recommendation

To address this issue, it is important that related party declarations be updated and obtained annually for all members. Implementing a systematic and comprehensive review process will ensure that all declarations are accurately recorded and promptly reviewed.

Management response

Additional processes have been carried out in 2023/24 to ensure all material transactions with related parties to 6 May 2024 have been recorded, since this runs beyond the usual year end of 31 March. All transactions which took place between 1 April 2024 and 6 May 2024 were reviewed and no material transactions other than those with parties already recorded as related parties were found to have taken place.

06

Summary of misstatements

Summary of misstatements

We set out below a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £340k for NTCA and £562k for the Group.

The 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 Summary Memorandum, issued on 5 September 2024. Any subsequent changes to those figures are set out in the section 3 of this report.

Unadjusted misstatements – the Authority as Single Entity

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.

In this case, the main purpose of the reported item was to demonstrate that the pension fund auditor's reported findings would not have a material impact on the Authority's disclosures and consequently, the decision not to adjust for these is not unreasonable.

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Debtors			515	
	CR Income		(515)		
	NTCA have not recognised any levy for the 6 days in May. We note that the Levy is monthly and as such NTCA should have recognised 6 days in May 2024. We performed a recalculation based on the April levy figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.				

Summary of misstatements

Unadjusted misstatements - Continued

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
2	DR Expenditure	475			
	CR Short Term Creditors				(475)
<p>NTCA have not recognised any Transport Tyne & Wear expenditure for the 6 days in May. We note that the expenditure is monthly and as such NTCA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.</p>					
Aggregate effect of unadjusted misstatements on Pages 22 and 23		475	(515)	515	(475)

Summary of misstatements

Group Unadjusted misstatements

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	Aggregate unadjusted misstatements from Page 23 also impact on the Group position	475	(515)	515	(475)
1	DR Net Pension Assets			680	
	CR Remeasurement of Net defined Pension Liability		(680)		
	Our review of the Pension Fund auditor report identified that the value of pension fund assets was understated compared to those originally reported, which was entirely due to timing issues compared to when the actuary prepares their report, and the final valuations received during the Pension Fund auditor's audit of the pension fund. The Group share of the pension fund assets misstatement is £680k. This is an estimate and is designed to demonstrate that the impact of this is not material.				
	Aggregate effect of unadjusted misstatements	475	(1,195)	1,195	(475)

During the audit procedures conducted for the Group consolidation, it was observed that the volume of transactions recorded for Nexus was notably low during the 36-day period from April 1, 2024, to May 6, 2024. As part of our audit work, we performed several procedures to ensure the accuracy and completeness of the financial records. While we have not enumerated the specific adjustments made during this process, we can confirm that our audit work has not identified any material issues that warrant reporting.

Summary of misstatements

Adjusted misstatements

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Cash			18,144	
	CR Debtors				(18,144)
Subsequent to the issuance of the draft accounts, the client identified a substantial overstatement in the debtors balance attributable to unapplied cash. This discovery necessitated a comprehensive adjustment to accurately reflect the correct year-end debtors position.					

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
2	DR Creditors			16,414	
	CR Cash				(16,414)
Subsequent to the issuance of the draft accounts, the client identified a substantial overstatement in the creditors balance. This discovery necessitated a comprehensive adjustment to accurately reflect the correct year-end debtors position.					

Summary of misstatements

Adjusted misstatements

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	DR Income	7,991			
	CR Expenditure		(7,991)		
<p>We note that there was an error on an accrual journal which was posted to move the full £7,991k Adult Education Budget 24/25 income received in April 23/24 to the 24/25 period therefore recognising the income in the correct period. However the journal was incorrectly posted to the Adult Expenditure Budget expenditure code instead, thereby overstating both of Adult Education Budget income & expenditure lines the CIES. This adjustment has been posted to correct the misallocation.</p>					
Aggregate effect of adjusted misstatements on Pages 25 and 26		7,991	(7,991)	34,558	(34,558)

Summary of misstatements

Disclosure misstatements

We have identified the following disclosure misstatements during our audit that have been considered and addressed by management:

- Statement of responsibilities - There is a certificate for the new Mayor, but the certificate should ideally record confirmation that the accounts have been properly approved.
- Statement of responsibilities - In the CFO certificate there is a reference to 31 March 2023 which needs to be changed to 6 May 2024.
- Note 4 (Adjustments between Accounting Basis and Funding Basis under Regulations. Within the adjustments primarily involving the Capital Adjustment Account table in the Unusable reserves column a figure of £8.937m has been added in for the application of reserves to finance Capital Expenditure Capital expenditure charged against the general fund. This shows that the prior comparative has been restated and as such will need the word "Restated" included in the heading.
- Note 15 (Nature and Extent of risks arising from Financial Instruments) In the rating table the Total Cash Equivalents figure shows as £24,297k. This does not agree to the cash equivalents figure in note 18.
- Note 15 (Nature and Extent of risks arising from Financial Instruments) the Market (Interest Rate) risk paragraph required updates to reflect current year.
- Pensions disclosure required in respect of the UK High Court Case of Virgin Media Limited v NTL Pension Trustees II Limited and its consequences.
- Termination Benefits - there is mention in the accounting policies however the termination benefits note is missing from the accounts.
- Note 20 (Private Finance Initiatives and Similar Contracts) Deferred Income release table the total is incorrect this should be £31,908k and not £32,134k as stated in the table.
- Note G1 (Group Accounts) needs to include narrative which describe 'impracticalities' of Nexus accounts at 6 May 2024 and how this was tackled in materiality terms.
- Note G7a (Group Property Plant and Equipment) the Structures net book value needs to be updated for current year.
- Note G13 (Group Defined Benefit Pension Scheme) the figures in the total contributions expected to be made to the Local Government Pension Scheme by the Authority need to be updated to reflect the current year.
- Annual Governance Statement wording to be updated to reflect that it covers the extended financial year ending 06 May 2024 to demonstrate that appropriate governance was in place up to the point that the Authority ceased to exist.
- Annual Governance Statement signatories to be updated and additional wording added to highlight that the Annual Governance Statement has been signed by the Head of Paid Service and Mayor of the new North East Combined Authority which is the successor body to the Authority.
- Annual Governance Statement Section 6, North East Devolution Deal and Election of a Mayor has been written as if 7th May 2024 was in the future, as these events have now happened the wording needs to be updated to reflect this.
- Various minor and immaterial presentational points including corrections to reflect the correct year end date and corrections of typographical errors.

07

Value for Money

Value for Money

Approach to Value for Money

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

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Authority 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 Authority 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.

For the Authority, we did not identify any risks of significant weaknesses in arrangements either at the planning stage or throughout the audit.

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 Authority arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report at the same date that we issue our audit opinion on the financial statements.

Status of our work

We have completed our work in respect of the Authority's arrangements for the period ended 6 May 2024 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Authority's arrangements will be provided in the Auditor's Annual Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

Address to:

Gavin Barker

Audit Director

Forvis Mazars LLP

Dear Mr Barker

North of Tyne Combined Authority - Audit for Period Ended 6 May 2024

This representation letter is provided in connection with your audit of the financial statements of North of Tyne Combined Authority (the Authority and Group) for the period ended 6 May 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Director of Finance and Investment 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.

Appendix A: Draft management representation letter

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at current and fair value

I confirm that the methods, significant assumptions and the data used by the Authority and Group in making the accounting estimates, including those measured at current and fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

I confirm:

- that the significant judgments made in making the accounting estimates have taken into account all relevant information of which management is aware;
- the consistency and appropriateness in the selection or application of the methods, assumptions and data used by management in making the accounting estimates;
- that the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, when relevant to the accounting estimates and disclosures;
- that disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework;
- that appropriate specialised skills or expertise has been applied in making the accounting estimates; and
- that no subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.

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.

Appendix A: Draft management representation letter

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority 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, as amended by 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 Authority 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 Director of Finance and Investment for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority 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 Authority and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix A: Draft management representation letter

Related party transactions

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

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

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

Future commitments

The Authority and Group has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Authority and Group's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Authority and Group, including the impact of mitigation measures and uncertainties, and that the financial statements fairly reflects that assessment.

Covid-19

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

Appendix A: Draft management representation letter

Brexit

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

Going concern

To the best of my knowledge there is nothing to indicate that the Authority and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts. **[TAILOR AS APPROPRIATE]**

Specific representation

Estimation techniques for the period ended 6 May 2024

In preparing the financial statements to the period ended 6 May 2024, I have taken all reasonable steps to ensure that the Authority and Group financial statements are materially fairly stated. I am not aware of any transactions, balances or disclosures that could be materially misstated as a result of the approach adopted.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority 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 Authority and Group's financial and operating performance over the period covered by the financial statements.

[ONLY INCLUDE THE FOLLOWING SECTION IF UNADJUSTED MISSTATEMENTS HAVE BEEN IDENTIFIED.]

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix. **Please make sure the appendix is attached to the letter and not just cross-referenced to the appendix in the ACR.**

Appendix A: Draft management representation letter

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully

[Name]

Director of Finance and Investment

[Date]

Appendix A: Draft management representation letter

[ONLY INCLUDE THIS APPENDIX IF UNADJUSTED MISSTATEMENTS HAVE BEEN IDENTIFIED.]

Appendix

Schedule of unadjusted misstatements

Appendix B: Draft audit report

Independent auditor's report to the Members of the North East Combined Authority as successor body of the North of Tyne Combined Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of the North of Tyne Combined Authority ('the Authority') and its subsidiaries ('the Group') for the period ended 6 May 2024, which comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 6th May 2024 and of the Authority's and the Group's expenditure and income for the period 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 Authority and the 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.

Emphasis of Matter – transfer of the North of Tyne Combined Authority's functions to the North East Mayoral Combined Authority

We draw attention to note 1 (narrative explanatory note on devolution)33.1 (accounting policies, general principles) and note 34 (events after the balance sheet date) of the financial statements, which highlight that as a result of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, the North of Tyne Combined Authority's functions transfer to the new North East Mayoral Combined Authority from 7 May 2024. These notes further disclose that as services continue to be provided by another public sector entity, the financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the the Chief Finance 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, other than the issue highlighted above in the Emphasis of Matter paragraph, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority'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 Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit report

Other information

The other information comprises the Narrative Report, Annual Governance Statement and the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance 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 Chief Finance Officer for the financial statements

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

The Chief Finance 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 Authority will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing whether or not it is appropriate for the Authority and the 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 Authority, 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.

Appendix B: Draft audit report

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 and Standards Committee, as to whether the Authority 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 Authority and the Group which were contrary to applicable laws and regulations, including fraud.

We evaluated the Chief Finance 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 Audit and Standards 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 and Standards 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 Chief Finance 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 statement 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. This description forms part of our auditor's report.

Appendix B: Draft audit report

Report on the Authority'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 Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 6 May 2024.

We have nothing to report in this respect.

Responsibilities of the Authority

The Authority 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 Authority 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 Authority'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 the North East Combined Authority in respect of the North of Tyne Combined Authority, 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 North East Combined Authority 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 North East Combined Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Appendix B: Draft audit report

Delay in certification of completion of the audit

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

[Signature]

Gavin Barker
Key Audit Partner
For and on behalf of Forvis Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

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 issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> 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 Chief Finance Officer that Authority will be a going concern, and 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 Those Charged With Governance, 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

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Auditor's Annual Report
North East Combined Authority (in respect of demised North East Combined Authority)
– period ended 6 May 2024

11 February 2025 – **DRAFT FOR AUDIT AND STANDARDS COMMITTEE**

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- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities
- 05** Audit fees and other services

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

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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01

Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for the North East Combined Authority ('the Authority') for the period ended 6 May 2024. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders. This report is addressed to the North East Combined Authority as the successor body to the now demised North East Combined Authority.

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



Opinion on the financial statements

We issued our audit report on [date to be inserted when audit has been signed off]. Our opinion on the financial statements was unqualified [to be confirmed on completion].



Value for Money arrangements

We did not identify any significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority's arrangements.



Wider reporting responsibilities

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 6 May 2024 and of its financial performance for the period then ended. Our audit report, issued on [date to be inserted when the audit has been signed off] gave an unqualified opinion on the financial statements for the period ended 6 May 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Authority's accounting practices

We reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2023/24 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances.

Significant difficulties during the audit

During the course of the audit we encountered a number of difficulties this included the following:

- Timing of the publication of draft accounts;
- Quality of the draft financial statements;
- Consolidation issues arising out of the extended year end; and
- Delays due to competing demands on staff time and the impact of a number of retirements of experienced officers.

However, we fully acknowledge that throughout the audit we received the full co-operation of management. We could not have completed the audit within the challenging backstop timetable without the commitment and dedication of the Authority's relatively small finance team.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the Narrative Report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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



Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

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

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

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




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

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

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North East Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North East Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

How NECA identifies significant financial pressures that are relevant to its short and medium-term plans

The North East Combined Authority (the Authority) covers the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland.

The 2023/24 Revenue Budget and Medium-Term Financial Strategy (MTFS), was approved by the Leadership Board in February 2023.

Due to Transport being of such a strategic importance to the North East, collaborative working of both Combined Authorities allows effective decision making across the region, which helps to ensure that the local needs and priorities are delivered. This resulted in the introduction of the North East Joint Transport Committee (JTC) which brings together all seven of the Constituent Authorities of the region, being the four Members from the North East Combined Authority and three Members from the North of Tyne Combined Authority (NTCA) in accordance with the Order that was created on the 2nd November 2018.

Regular budget monitoring reports are presented to the Authority's Leadership Board and JTC throughout the year. These reports monitor financial pressures and delivery of savings to help ensure that the Authority remains within budget. The Authority's Leadership Board (NELB) reports are agreed by the constituent authorities Chief Executive's and are scrutinised by the Overview and Scrutiny Committee. In addition, JTC reports are agreed with the Transport North East Senior Officers Oversight Group, the Transport Strategy Board and are scrutinised by JTC Overview and Scrutiny Committee.

As at 6 May 2024, the Authority reported useable reserves of £126.3 million in the draft accounts (£145.5 million as at 31 March 2023).

A timetable for the production and consultation of the 2023/24 Revenue Budget/MTFS was in place and builds in financial information from JTC's delivery bodies (Nexus, Durham, Northumberland) as well as the Transport Strategy Unit and Tyne Tunnels.

How NECA plans to bridge its funding gaps and identifies achievable savings

The annual budget/MTFS process sets out the Authority's spending plans over the period and how any funding gaps will be met. This process is developed through working with key delivery partners for public transport services (Nexus, Durham and Northumberland) and the constituent local authorities of the Authority and the JTC.

Regular budget monitoring/forecast of outturn reports highlight any financial pressures developing, allowing action to be taken at an early stage.

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

The budget development process enables resources to be identified to support the delivery of services in accordance with the strategic priorities of the Authority and the JTC. This is developed through working with key delivery partners for public transport services (Nexus, Durham, Northumberland) and the constituent local authorities of the Authority and the JTC.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

How NECA ensures that its financial plan is consistent with other plans

Consultation on budget proposals is built into Part 4.4 (Budget and Policy Framework Rules of Procedure) of the Authority's Constitution (updated June 2023) and aims to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget.

In line with the Prudential Code, revenue implications of capital investment decisions are fully considered and form part of the budget setting process ensuring that investments are fully funded – e.g. agreement of Minimum Revenue Provision (MRP) strategy.

The annual budget/MTFS report considers relevant implications including resources, equality, legal, human rights and risks as part of the approval process.

How NECA identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

There is an established risk management framework for the Authority and the JTC with regular reviews and reporting to the Authority's Audit & Standards Committee and JTC Audit Committee. This includes risks to financial resilience. Support is provided to the Authority by Sunderland City Council through a service level agreement.

As set out in the Risk Management Policy and Strategy Framework, Designated Officers are responsible for ensuring that risk management is an integral part of their management processes and activities within their respective areas of responsibility.

Budget managers have direct access to the financial management system for up-to-date financial information but also get the support of the Authority's finance officers. The Authority uses Durham County Council's (DCC) financial systems. DCC has been streamlining its financial systems which are continuously being developed to meet the need of service users and to enable the Authority to meet internal deadlines and statutory reporting. Systems have been developed to enable more up-to-date budget information to be obtained from Service budget managers and finance staff.

Revenue Budget Monitoring/Forecast of Outturn reports are brought to the Leadership Board and JTC on a regular basis for challenge and comment before subsequently being reported to the relevant Overview & Scrutiny Committee.

The Chief Finance Officer and Finance Manager are part of the Transport North East (TNE) Senior Officers Oversight Group which meets monthly to discuss TNE service and budget issues with the JTC Statutory Officers. There is a monthly meeting with all TNE budget managers and the Authority's Finance Manager to discuss any service and budget issues.

Financial Management Standards support the Authority's Financial Regulations set out in the Constitution. The Financial Regulations provide the overall high-level framework for managing the authority's financial affairs, and Financial Procedure Notes set out in more detail how these procedures are implemented to embed sound financial management across the authority.

The 2023/24 Revenue Budget and Medium-Term Financial Strategy (MTFS), was approved by the Leadership Board in February 2023.

The Authority has a history of achieving financial targets as evidenced by financial and performance reports. Relevant HR policies and procedures are in place.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North East Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

VFM arrangements

Governance

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



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North East Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North East Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

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

The Authority has an Anti-Fraud and Corruption Policy in place and seeks in the first instance to prevent fraud and corruption through staffing policies, making members aware of their responsibilities, internal control systems and liaison with outside agencies.

The Authority is a participant in the National Fraud Initiative, a data matching exercise that helps prevent and detect fraud across the public sector.

The Authority endeavours to deal effectively with fraud and corruption, misuse of power and breaches of legal and regulatory provisions. They also seek to align the risk management strategy and policies on internal control with achieving objectives, as well as evaluating and monitoring risk management and internal control on a regular basis.

The Authority uses an Internal Audit service provided by Sunderland City Council. They produce a risk-based Internal Audit plan to determine the priorities of the internal audit activity, consistent with the authority's goals.

Internal audit reviews highlight weaknesses and recommend action when required to strengthen process/procedures. These are regularly reported to Audit and Standards Committee.

How NECA approaches and carries out its annual budget setting process

The Constitution (updated) June 2023 sets out the Authority's budget setting process, including in its role as accountable body for the JTC. This must be followed to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget and that it is agreed in accordance with the requirements of the Constitution and the JTC Standing Orders.

Outline proposals are developed in discussion with member and officer groups. In addition, Finance Directors across the Authority area will be involved throughout the process.

Proposals made by the JTC, in relation to levies and the distribution of those levies to the Constituted Authorities and Combined Authorities, will be considered by the Leadership Board. The Leadership Board also consider the funding necessary to discharge the functions of the Authority and make proposals for the funding of the Authority taking into account the JTC's proposals or decisions in relation to the levies and the wider transport budget.

Once the consultation process has been completed, details of the finalised proposals will be referred to the Overview and Scrutiny Committee together with the relevant background information on which the proposals have been based. It is the responsibilities of the Chair of the Leadership Board and relevant officers to ensure that the Overview and Scrutiny Committee has sufficient background information to enable it to evaluate the proposals against that background information.

The proposals will then be referred back to the Leadership Board, together with any recommendations and/or observations from the Overview and Scrutiny Committee.

The final proposals (including consideration of the final proposals and decision of the JTC) will then be considered by the Leadership Board, which may or may not include the recommendations and/or observations from the Overview and Scrutiny Committee. The Leadership Board must agree the final proposals in relation to the Authority's budget unanimously. The JTC must approve the final proposals in relation to the North East Transport Budget unanimously.

How NECA ensures effective processes and systems are in place to ensure budgetary control

Quarterly forecasts of outturn reports were presented to the Chief Officers' Group, Cabinet and Scrutiny Committees during the 2023/24 financial year. The reports included details of movements in the budget between quarters and remedial measures taken. These did not indicate a weakness in monitoring and reporting arrangements.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

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

There is an up-to-date Constitution (June 2023) in place.

Principles of decision making are set out in the Authority's constitution and all decisions are made in accordance with these. Report templates are set out to prompt consideration of each of the principles/implications of the decision under consideration.

The Authority has an Overview and Scrutiny Committee established to enable local councillors, on behalf of their communities, to scrutinise and challenge all matters within the remit of the Combined Authority. The Overview and Scrutiny Committee also investigates matters of significant importance to residents within the areas covered by the four councils with a view to influencing decisions made in respect of all matters within the remit of the Combined Authority.

There is also an established JTC Overview and Scrutiny Committee, which also enables local councillors to scrutinise and challenge the JTC, its committees and the Authority, and to investigate matters of strategic importance to residents within the LA7 Area (being the 5 Councils of Tyne and Wear along with Durham and Northumberland Counties) with a view to influencing and adding value to the decisions.

The North East Leadership Board is made up of the Leaders of the four constituent bodies and is supplemented by elected members who serve on a number of committees along with non-executives.

The Authority publishes a Forward Plan which lists all decisions that committees or officers of the Authority intend to take in the coming months. Details of each are usually included 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that the Combined Authority is planning to take, to review any related reports and background papers, and to submit comments to the decision maker in advance of the decision being made.

Briefings for members are held between key public meetings to discuss particular topics in depth and allow for challenge and informed decision making by members of committees such as the Joint Transport Committee and the Tyne and Wear Sub Committee.

The Authority's Leadership Board receive appropriate and regular reports on the financial position of the Authority.

The Head of Paid Service and Chief Executive leads a very experienced senior officer team at the Authority.

Risk management arrangements along with an up-to-date risk register are in place. A risk update is reported regularly to the Audit and Standards Committee, who provide challenge in this area.

An annual governance statement is prepared, reviewed and approved before being included in the financial statements.

How NECA monitors and ensures appropriate standards are maintained

The Authority's constitution sets out the how the authority operates, how decisions are made and the procedures that are followed to ensure that the Authority operates efficiently, effectively and is both transparent and accountable.

The Authority has an agreed Code of Conduct for Members which sets out the conduct that is expected of elected members appointed to the Authority when they are acting in that capacity, and which is consistent with Nolan's Seven Principles of Public Life.

In addition, the Authority has a Code of Conduct for Officers which is intended to support officers in maintaining standards and to help protect officers from misunderstanding or criticism. The Code applies to all officers of the Authority.

A Member/Officer Relations Protocol is also in place to provide general guidance for Members and Officers in their relations with one another. It reflects the basic principles underlying the respective rules of conduct that apply to Members and Officers and is intended to offer guidance on some of the issues that commonly arise.

With the exception of co-opted Independent Members on the Audit & Standards and Overview & Scrutiny Committees, Members are elected councillors of constituent local authorities and also subject to their own Council's Codes of Conduct.

The Authority has an Audit and Standards Committee, which seeks to promote and maintain high standards of conduct by the Authority's members and co-opted members, and ensure the Authority's members and co-opted members observe the Members' Code of Conduct.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

An Authority Register of Members Interests is in place which contains declarations of any Disclosable Pecuniary Interest and any other interest. These are published on the Authority website and must be registered within 28 days of appointment as a member of the Authority or any change taking place. Non-registerable interests in an item of business must be disclosed by members to the meeting before consideration of that item begins, and this is a standing item on the meeting agendas. Interests for Senior Officers are also recorded.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North East Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North East Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North East Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

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

The Narrative Report accompanying the Statement of Accounts includes key financial performance information to help inform users of the accounts.

Final Outturn reports build on the quarterly reporting during the year to set out financial performance against budget for the Authority and JTC for both revenue budgets and Capital Programme. The outturn is used to update the forecasts for the year as part of the regular forecast of outturn reports.

Treasury Management Prudential Indicators are set and updated through the Treasury Management Policy and Strategy, mid-year update and outturn update.

How NECA evaluates the services it provides to assess performance and identify areas for improvement

Durham County Council and Northumberland County Council report to the JTC on the Discharge of Transport Functions setting out performance against the Transport Functions delegated to them by the JTC.

The Authority report to the Tyne and Wear Sub Committee on its performance against its agreed Corporate Plan priorities.

The new Transport Plan for the whole JTC area sets out Key Performance Indicators that are designed to monitor the overall progress of the Transport Plan with respect to the 5 key objectives (Carbon neutral North East, Overcome inequality and grow our economy, Healthier North East, Sustainable transport choices and Safe, secure network).

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

The Authority's Constitution sets out that the Procurement Procedure Rules for the Constituent Authority designated as lead authority for the following exercises shall apply and be followed wherever the Combined Authority wishes to arrange for:

- The purchases of goods, materials and related services;
- The execution of works; or
- The provision of other services (including consultancy).

The Authority receives procurement services from Durham County Council via a Service Level Agreement. The service specification includes the undertaking of legally compliant procurement and production of procurement documentation and correspondence via competitive quote/tender process.

All Procurement staff are either fully qualified or studying for Chartered Institute of Procurement and Supply to ensure the highest performance standards are achieved and is the first Council team to achieve the CIPS Corporate Ethics Standard.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

A service concession exists in relation to the Tyne Tunnel. This is subject to a detailed 30 year agreement with the operator TT2 Ltd which was introduced in 2008. The partnership with TT2 Ltd is governed by the Project Agreement which specifies levels of performance which must be met and roles and responsibilities of both partners, and is managed by the Tyne Tunnels Contract Manager.

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

The Authority works very closely with the North East Local Enterprise Partnership (NELEP). This is a business-led, strategic partnership responsible for promoting and developing economic growth in the area. The Authority supports the work of the enterprise partnership and they work together to ensure co-ordination across their range of activities.

The NELEP Board includes representatives from across the private and public sectors. Each of the leaders and the elected Mayor representing the seven local authorities that are members of the NELEP and the Chair of the NELEP is a non-voting member of the NELB.

There is a register which sets out associated partners to the Authority, the purpose of the partnerships, link officer and review dates for each one.

Nexus is not included in the significant partner register due to its status as an officer of the Combined Authority. The Authority reports regularly to the Joint Transport Committee and the Tyne and Wear Sub Committee on its financial performance, and performance against its Corporate Business Plan and Risk Register. The relationship between the Authority and Nexus is set out in the Constitution.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North East Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

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

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

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Audit fees and other services

Audit fees and other services

Fees for our work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum dated 5 September 2024 which was presented to the Audit and Standards Committee on 17 September 2024. This reflected the scale fee set by Public Sector Audit Appointments (PSAA) as part of the latest national procurement exercise.

Having completed our work for the 2023/24 financial year, we are able to confirm the final fee for the audit as set out below.

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice (PSAA scale fee)	£66,274	£19,404
2022/23 Additional fees in agreed fee variations		£16,500
Additional fees in respect of ISA 315 (risks of material misstatement) and ISA 240 (auditor's responsibilities relating to fraud) *	£9,410*	
Additional fees in respect of consideration of the accounting treatment adopted for the extended period end to 6 May 2024	£8,200	
Additional fees in respect of impact of errors in the draft financial statements	£2,900	
Total fees	£86,784	£35,904

*The additional fee of £9,410 is because PSAA did not consolidate additional fees for these aspects into the 2023/24 scale fees, because at the time the 2023/24 scale fees were set PSAA had not reached a conclusion on what would be the appropriate fee for this. An explanation for this including that there would therefore be a need to treat this as an additional fee variation is set out on the PSAA website: <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2023-24-auditor-appointments-and-audit-fee-scale/consultation-document-2023-24-audit-fee-scale/3/>

PSAA have subsequently determined the appropriate fees for these aspects as part of its 2024/25 scale fee process <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/>

Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.

Appendices

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

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

Significant risks and audit findings

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

Management override of controls (Single entity and the Group accounts)	<p>Description of the risk</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override would occur. Management at various levels within an organization 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <hr/> <p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• accounting estimates impacting amounts included in the financial statements;• consideration of identified significant transactions outside the normal course of business; and• journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. <hr/> <p>Audit conclusion</p> <p>We have completed our work and there was no evidence of management override of controls.</p>
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Appendix A: Further information on our audit of the Authority's financial statements

Significant risks and audit findings (continued)

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

Revenue recognition - in relation to Tyne Tunnel tolls and grant income
(Single entity and the Group accounts)

Description of the risk

The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.

For the Authority we deem the risk to relate specifically to:

- cut off considerations for Tyne Tunnel toll income; and
- grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income is recognised in the correct period;
- Tyne Tunnel toll income around the year end to ensure it has been recognised in the right year;
- the judgements made by management in determining when grant income is recognised;
- for Tyne Tunnel toll income, performing a substantive analytical review; and
- for major grant income, obtaining counterparty confirmation.

Audit conclusion

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

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

Significant risks and audit findings (continued)

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

Net defined benefit liability / asset valuation	Description of the risk
(Single entity and the Group accounts)	<p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p> <p>In 2023/24 there is a net pensions asset, and the appropriate method of accounting for this is uncertain and complex.</p> <hr/> <p>How we addressed this risk</p> <p>We discussed with management any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we have performed the following procedures:</p> <ul style="list-style-type: none">• evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and• Considered the reasonableness of the actuary’s outputs, referring to an expert’s report on all actuaries nationally which is commissioned annually by the National Audit Office.• We also obtained an assurance letter from the auditor of Tyne & Wear Pension Fund. We also specifically reviewed the accounting treatment of the net pension asset against the latest technical guidance available confirming that a pension asset ceiling calculation had been undertaken in accordance with IFRIC 14 and that the disclosures were properly supported by the information provided by the actuary. <hr/> <p>Audit conclusion</p> <p>There are no issues arising from our work that we are required to report to you.</p>

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

Significant risks and audit findings (continued)

Estimation used for the extended financial period to 06 May 2024

Description of the risk

The financial period end has been extended to 6 May 2024, making an accounting period of just over 13 months. This is a significant risk because this is a new situation for NECA to deal with and there will be considerable use of management estimation and judgement in how to account for the extended period and the source of transactions.

(Single entity and the Group accounts)

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;
- reviewing the accounting treatments adopted and any estimation techniques used by management to ensure that the risk of material misstatement is mitigated;
- reviewed events occurring after the extended period end that may impact the financial statements;
- ensured all relevant disclosures are in accordance with applicable accounting standards.

We identified a substantial increase in estimation risk stemming from the consolidation of Nexus into the Group financial statements. Nexus prepares its financial accounts with a year end date of 31 March 2024, whereas NECA's financial year concluded on 06 May 2024. This misalignment in reporting dates necessitated a considerable degree of reliance on management's estimation and judgment. As a result, we undertook a series of additional procedures to ensure the accurate consolidation of Nexus into the Group's accounts. These procedures included, but were not limited to:

- examination and critical assessment of the management's consolidation working papers and underlying assumptions;
- technical review of the consolidation treatment of Nexus in accordance with Code guidance;
- comprehensive testing of the revised Nexus pensions position, which including a thorough review of the updated actuarial assumptions;
- examination of Nexus's capital activity within Assets Under Construction (AUC) and the subsequent transfers to infrastructure;
- examination of the investment balances;
- reviews of cash movement analysis assessing the cash position to year end.

Audit conclusion

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

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

Significant risks and audit findings (continued)

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

Income and Expenditure Cut-off

Description of the risk

(Single entity and the Group accounts)

Following the formation of the new North East Mayoral Combined Authority on 7 May 2024, NECA reported on an extended period of accounting from 1 April 2023 to 6 May 2024 resulting in an accounting period that spans just over 13 months. As a result we note that there is a likelihood of a risk of material misstatement in income and expenditure recognition at cut-off date. As a consequence, we carried out additional testing focused on this area as part of our audit.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;
- the judgements made by management in determining when income and expenditure is recognised;
- sample testing transactions around year end ensuring that transactions are recorded in the correct accounting period..

Audit conclusion

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

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

Summary of uncorrected misstatements – the Authority as Single Entity

Management assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust for these in the financial statements. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Debtors			892	
	CR Income		(892)		
NECA have not recognised any levy for the 6 days in May. We note that the Levy is monthly and as such NECA should have recognised 6 days in May 2024. We performed a recalculation based on the April levy figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.					

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

Summary of uncorrected misstatements – the Authority as Single Entity (continued)

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
2	DR Expenditure	579			
	CR Short Term Creditors				(579)
NECA have not recognised any Transport Tyne & Wear expenditure for the 6 days in May. We note that the expenditure is monthly and as such NECA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.					

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	DR Expenditure	273			
	CR Short Term Creditors				(273)
NECA have not recognised any Transport Durham expenditure for the 6 days in May. We note that the expenditure is monthly and as such NECA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May.					

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

Summary of uncorrected misstatements – the Authority as Single Entity

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	DR Income	333			
	CR Short Term Debtors				(333)
Reflecting the net extrapolated error due to the Quarter 1 LTP grant for April, May, and June being entirely accounted for in the 2023/2024 fiscal year, instead of being allocated between the 2023/2024 and 2024/2025 financial periods. This demonstrates that the impact was not material.					
Aggregate effect of unadjusted misstatements on Pages 30 to 32		1,185	(892)	892	(1,185)

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

Summary of uncorrected misstatements – Group

Management assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust for these in the financial statements. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	Aggregate unadjusted misstatements from Page 23 also impact on the Group position	1,185	(892)	892	(1,185)
4	DR Net Pension Assets			957	
	CR Remeasurement of Net defined Pension Liability		(957)		
	Our review of the Pension Fund auditor report identified that the value of pension fund assets was understated compared to those originally reported, which was entirely due to timing issues compared to when the actuary prepares their report, and the final valuations received during the Pension Fund auditor's audit of the pension fund. The Group share of the pension fund assets misstatement is £957k. This is an estimate and is designed to demonstrate that the impact of this is not material.				
	Aggregate effect of unadjusted misstatements	1,185	(1,849)	1,849	(1,185)

During the audit procedures conducted for the Group consolidation, it was observed that the volume of transactions recorded for Nexus was notably low during the 36-day period from April 1, 2024, to May 6, 2024. As part of our audit work, we performed several procedures to ensure the accuracy and completeness of the financial records. While we have not enumerated the specific adjustments made during this process, we can confirm that our audit work has not identified any material issues that warrant reporting.

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

Internal control observations for the Authority

We did not identify any significant deficiencies in the Authority's internal controls or any other internal control observations as part of our audit.

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Auditor's Annual Report
North East Combined Authority (in respect of demised North of Tyne Combined Authority)
– period ended 6 May 2024

11 February 2025 – **DRAFT FOR AUDIT AND STANDARDS COMMITTEE**

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for the North of Tyne Combined Authority ('the Authority') for the period ended 6 May 2024. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders. This report is addressed to the North East Combined Authority as the successor body to the now demised North of Tyne Combined Authority.

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



Opinion on the financial statements

We issued our audit report on [date to be inserted when audit has been signed off]. Our opinion on the financial statements was unqualified [to be confirmed on completion].



Value for Money arrangements

We did not identify any significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority's arrangements.



Wider reporting responsibilities

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 6 May 2024 and of its financial performance for the period then ended. Our audit report, issued on [date to be inserted when the audit has been signed off] gave an unqualified opinion on the financial statements for the period ended 6 May 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Authority's accounting practices

We reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2023/24 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances.

Significant difficulties during the audit

During the course of the audit we encountered a number of difficulties this included the following:

- Timing of the publication of draft accounts;
- Quality of the draft financial statements;
- Consolidation issues arising out of the extended year end; and
- Delays due to competing demands on staff time and the impact of a number of retirements of experienced officers.

However, we fully acknowledge that throughout the audit we received the full co-operation of management. We could not have completed the audit within the challenging backstop timetable without the commitment and dedication of the Authority's relatively small finance team.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the Narrative Report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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



Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

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

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

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




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

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

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

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



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North of Tyne Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North of Tyne Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

How NTCA identifies significant financial pressures that are relevant to its short and medium-term plans

The North of Tyne Combined Authority (NTCA) covers the local authorities of Newcastle, North Tyneside and Northumberland.

The 2023/24 Revenue Budget and Medium-Term Financial Strategy (MTFS), was approved by the Cabinet in January 2023.

Due to Transport being of such a strategic importance to the North East, collaborative working of both Combined Authorities allows effective decision making across the region, which helps to ensure that the local needs and priorities are delivered. This resulted in the introduction of the North East Joint Transport Committee (JTC) which brings together all seven of the constituent authorities of the region, being the three Members from NTCA and the four Members from the North East Combined Authority (NECA) in accordance with the Order that was created on the 2nd November 2018.

Regular budget monitoring/forecast of outturn reports are presented to the Cabinet, including updates on the North East Local Enterprise Partnership (LEP) and Invest North East budgets. The LEP Budget and Outturn is reported first to the LEP Board prior to appending the NTCA Cabinet Budget and Outturn report.

Budget monitoring is reported quarterly to Cabinet to monitor any financial pressures to help ensure that NTCA remains within budget. Cabinet membership includes the Lead Member and their Deputy of each of the three constituent authorities as well as the Mayor and the Head of Paid Service of NTCA. All budget monitoring, budget and outturn reports are approved by Cabinet and are then subsequently scrutinised by the Overview and Scrutiny Committee.

As at 6 May 2024, NTCA reported useable reserves of £267.8 million in the draft accounts (£217.8 million as at 31 March 2023).

A timetable for the production and consultation of the 2023/24 Budget / Medium Term Financial Strategy (MTFS) was agreed by Cabinet in September 2022. The budget and MTFS has a clear link to the Corporate Plan which is taken to the NTCA Annual Meeting annually, in June.

How NTCA plans to bridge its funding gaps and identifies achievable savings

The annual Budget/MTFS sets out NTCA's spending plans over the period and how any funding gaps will be met. This is developed through and consulted with the constituent local authorities of NTCA.

Regular budget monitoring/forecast of outturn reports highlight any financial pressures developing, allowing action to be taken at an early stage.

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

The budget development process enables resources to be identified to support the delivery of services in accordance with the strategic priorities of NTCA through its clear links with the Corporate Plan. This developed through working with key delivery partners and the constituent local authorities of NTCA.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

How NTCA ensures that its financial plan is consistent with other plans

Consultation on budget proposals is built into Part 3.2 (Budget and Policy Framework) of the Authority's Constitution and aims to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget.

In line with the Prudential Code, revenue implications of capital investment decisions are fully considered and form part of the budget setting process ensuring that investments are fully funded –e.g. agreement of Minimum Revenue Provision (MRP) strategy.

The annual budget/MTFS report considers relevant implications including resources, equality, legal, human rights and risks as part of the approval process.

How NTCA identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

There is an established risk management framework for the Authority and the JTC with regular reviews and reporting to the Authority's Audit & Standards Committee and JTC Audit Committee. This includes risks to financial resilience. Support is provided to NTCA by Newcastle City Council through a service level agreement (SLA).

Designated Officers are responsible for ensuring that risk management is an integral part of their management processes and activities within their respective areas of responsibility.

Budget managers have direct access to the financial management system for up-to-date financial information but also get the support of the Authority's finance officers. The Authority uses North Tyneside Council's financial systems. Financial systems are being developed to meet the need of service users and to enable the Authority to meet internal deadlines and statutory reporting. Systems have been developed to enable more up-to-date budget information to be obtained from Service budget managers and finance staff.

Revenue Budget Monitoring/Forecast of Outturn reports are brought to the Cabinet and JTC on a regular basis for challenge and comment before subsequently being reported to the relevant Overview & Scrutiny Committee.

Financial Management Standards support the NTCA Financial Regulations set out in the Constitution. The Financial Regulations provide the overall high-level framework for managing the authority's financial affairs, and Financial Procedure Notes set out in more detail how these procedures are implemented to embed sound financial management across the authority.

The 2023/24 Revenue Budget and Medium-Term Financial Strategy (MTFS), was approved by the Cabinet in January 2023.

The Authority has a history of achieving financial targets as evidenced by financial and performance reports.

Relevant HR policies and procedures are in place.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North of Tyne Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

VFM arrangements

Governance

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



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North of Tyne Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North of Tyne Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

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

NTCA has an Anti-Fraud and Corruption Policy (Constitution Part 5.4) and seeks in the first instance to prevent fraud and corruption through staffing policies, making members aware of their responsibilities, internal control systems and liaison with outside agencies.

NTCA is a participant in the National Fraud Initiative, a data matching exercise that helps prevent and detect fraud across the public sector.

NTCA endeavours to deal effectively with fraud and corruption, misuse of power and breaches of legal and regulatory provisions.

NTCA seeks to align the risk management strategy and policies on internal control with achieving objectives, as well as evaluating and monitoring risk management and internal control on a regular basis.

The Authority uses an Internal Audit service provided by Newcastle City Council. They produce a risk-based Internal Audit plan to determine the priorities of the internal audit activity, consistent with the authority's goals.

Internal audit reviews highlight weaknesses and recommend action when required to strengthen process/procedures. These are regularly reported to Audit and Standards Committee.

The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of

How NTCA approaches and carries out its annual budget setting process

The Constitution outlines NTCA's budget setting process, including in its role as accountable body for the North East LEP. This must be followed to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the budget and that it is agreed in accordance with the requirements of the Constitution and the JTC Standing Orders.

Outline proposals are developed in discussion with member and officer groups, including North of Tyne Chief Executives, Economic Development Directors, Voluntary and Community Sector and Business Community in addition to the Public consultation notice on the website. Finance Directors across the NTCA area and wider region, in relation to the North East LEP will be involved throughout the process.

After consideration and comment by the Overview and Scrutiny Committees (NTCA and JTC) and the results of consultation, the final proposals (including consideration of the final proposals and decision of the JTC) are then considered by the Cabinet, which may or may not include the recommendations and/or observations from the Overview and Scrutiny Committees. The Cabinet must agree the final proposals in relation to NTCA's budget unanimously. The JTC must approve the final proposals in relation to the North East Transport Budget unanimously.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How NTCA ensures effective processes and systems are in place to ensure budgetary control

We noted that regular reporting of the financial position took place throughout the 2023/24 financial year. Quarterly forecasts of outturn reports were presented to the Cabinet and Scrutiny Committees. The reports included details of movements in the budget between quarters and remedial measures taken. The positions reported did not indicate a weakness in the Council’s monitoring and reporting arrangements.

Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

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

NTCA has a Constitution in place.

Principles of decision making are set out in the Authority’s constitution and all decisions are made in accordance with these. Report templates are set out to prompt consideration of each of the principles/implications of the decision under consideration.

The Authority has an Overview and Scrutiny Committee established to enable local councillors, on behalf of their communities, to scrutinise and challenge all matters within the remit of the Combined Authority. The Overview and Scrutiny Committee also investigates matters of significant importance to residents within the areas covered by the four councils with a view to influencing decisions made in respect of all matters within the remit of the Combined Authority.

From a JTC perspective, there is also an established JTC Overview and Scrutiny Committee, which enables local councillors to scrutinise and challenge the JTC, its committees and Nexus, and to investigate matters of strategic importance to residents within the LA7 Area with a view to influencing and adding value to the decisions.

The Cabinet is made up of the Leaders of the three constituent bodies and is supplemented by elected members who serve on a number of committees along with non-executives.

The Authority publishes a Forward Plan which lists all decisions that committees or officers of the Authority intend to take in the coming months. Details of each are usually included 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that the Combined Authority is planning to take, to review any related reports and background papers, and to submit comments to the decision maker in advance of the decision being made.

Briefings for members are held between key public meetings to discuss particular topics in depth and allow for challenge and informed decision making by members of committees such as the Joint Transport Committee and the Tyne and Wear Sub Committee.

The Authority’s Leadership Board receive appropriate and regular reports on the financial position of the Authority.

The Head of Paid Service and Chief Executive leads a very experienced senior officer team at the Authority.

Risk management arrangements along with an up to date risk register are in place. A risk update is reported regularly to the Audit and Standards Committee, who provide challenge in this area.

An annual governance statement is prepared, reviewed and approved before being included in the financial statements.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How NTCA monitors and ensures appropriate standards are maintained

The NTCA Constitution sets out the how the authority operates, how its decisions are made and the procedures that are followed to ensure that NTCA operates efficiently, effectively and is both transparent and accountable.

NTCA has an agreed Code of Conduct for Members which sets out the conduct that is expected of elected members appointed to NTCA when they are acting in that capacity, and which is consistent with Nolan's Seven Principles of Public Life.

NTCA has a Code of Conduct for Officers which is intended to support officers in maintaining standards and to help protect officers from misunderstanding or criticism. The Code applies to all officers of NTCA.

NTCA has a Member/Officer Relations Protocol to provide general guidance for Members and Officers in their relations with one another. It reflects the basic principles underlying the respective rules of conduct that apply to Members and Officers and is intended to offer guidance on some of the issues that commonly arise.

With the exception of co-opted Independent Members on the Audit & Standards and Overview & Scrutiny Committees, Members are elected councillors of constituent local authorities and also subject to their own Council's Codes of Conduct.

There is a NTCA Register of Members Interests which contains declarations of any Disclosable Pecuniary Interest and any other interest. These are published on the NTCA website Interests for Senior Officers are also recorded.

NTCA has an Audit and Standards Committee, which seeks to promote and maintain high standards of conduct by NTCA members and co-opted members, and ensure NTCA members and co-opted members observe the Members' Code of Conduct.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North of Tyne Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

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



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North of Tyne Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North of Tyne Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

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

The Narrative Report accompanying the Statement of Accounts includes key financial performance information to help inform users of the accounts.

Final Outturn reports build on the regular reporting during the year to set out financial performance against budget for the NTCA revenue budgets and Capital element of the NTCA Investment Programme. The outturn is used to update the forecasts for the year as part of the regular forecast of outturn reports.

Treasury Management Prudential Indicators are set and updated through the Treasury Management Policy and Strategy, mid-year update and outturn update.

How NTCA evaluates the services it provides to assess performance and identify areas for improvement

The new Transport Plan for the whole JTC area sets out Key Performance Indicators that are designed to monitor the overall progress of the Transport Plan with respect to the 5 key objectives (Carbon neutral North East, Overcome inequality and grow our economy, Healthier North East, Sustainable transport choices and Safe, secure network).

NTCA deliver against the Investment Plan, Adult Education Devolved Budget and the Brownfield Housing Fund. Regular updates are taken to Investment Panel which is attended by Senior Officers of the NTCA constituent authorities and to Cabinet to inform on performance against delivery.

There is a 5-year Gateway Review led by Central Government to determine delivery at 5 year intervals against the Investment Fund and ensure economic growth has been achieved. The North East LEP report regularly to their LEP Board on delivery against their Economic Plan.

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

The Authority's Constitution sets out that the Procurement Procedure Rules for the Constituent Authority designated as lead authority for the following exercises shall apply and be followed wherever the Combined Authority wishes to arrange for:

- The purchases of goods, materials and related services;
- The execution of works; or
- The provision of other services (including consultancy).

The Authority receives procurement services from North Tyneside Council via a Service Level Agreement. The service specification includes the undertaking of legally compliant procurement and production of procurement documentation and correspondence via competitive quote/tender process.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Newcastle City Council Legal Officers provide a Legal SLA, part of which is to sign off all contracts and provide legal advice on contracts NTCA and the North East LEP enter into.

A service concession exists in relation to the Tyne Tunnel. This is subject to a detailed 30 year agreement with the operator TT2 Ltd which was introduced in 2008. The partnership with TT2 Ltd is governed by the Project Agreement which specifies levels of performance which must be met and roles and responsibilities of both partners, and is managed by the Tyne Tunnels Contract Manager.

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

There is a register which sets out associated partners to NTCA, the purpose of the partnerships, link officer and review dates for each one.

The Authority works very closely with the North East Local Enterprise Partnership (NELEP). This is a business-led, strategic partnership responsible for promoting and developing economic growth in the area. The Authority supports the work of the enterprise partnership and they work together to ensure co-ordination across their range of activities.

The NELEP Chief Executive attends Cabinet and Overview and Scrutiny to provide an update on the LEP. The Chair of NELEP Board sits on the NTCA Cabinet.

NTCA provides the formal accountability arrangements for the enterprise partnership.

Organisational change took place on 1 April 2020 with the transfer of Accountable Body responsibility for North East LEP to North of Tyne Combined Authority and resulting TUPE of staff from NECA to NTCA

NTCA meets regularly and engages with the Voluntary and Community Sector and Business Community Sector.

There is a register which sets out associated partners to NTCA, the purpose of the partnerships, link officer and review dates for each one.

Nexus is not included in the significant partner register due to its status as an officer of the Combined Authority. NTCA reports regularly to the Joint Transport Committee and the Tyne and Wear Sub Committee on its financial performance, and performance against its Corporate Business Plan and Risk Register. The relationship between NTCA and Nexus is set out in the Constitution.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North of Tyne Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

04

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

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

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

05

Audit fees and other services

Audit fees and other services

Fees for our work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum dated 5 September 2024 which was presented to the Audit and Standards Committee on 17 September 2024. This reflected the scale fee set by Public Sector Audit Appointments (PSAA) as part of the latest national procurement exercise.

Having completed our work for the 2023/24 financial year, we are able to confirm the final fee for the audit as set out below.

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice (PSAA scale fee)	£88,339	£28,195
2022/23 Additional fees in agreed fee variations		£18,500
Additional fees in respect of ISA 315 (risks of material misstatement) and ISA 240 (auditor's responsibilities relating to fraud) *	£9,410*	
Additional fees in respect of consideration of the accounting treatment adopted for the extended period end to 6 May 2024	£8,200	
Additional fees in respect of impact of errors in the draft financial statements	£2,900	
Total fees	£108,849	£46,695

*The additional fee of £9,410 is because PSAA did not consolidate additional fees for these aspects into the 2023/24 scale fees, because at the time the 2023/24 scale fees were set PSAA had not reached a conclusion on what would be the appropriate fee for this. An explanation for this including that there would therefore be a need to treat this as an additional fee variation is set out on the PSAA website: <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2023-24-auditor-appointments-and-audit-fee-scale/consultation-document-2023-24-audit-fee-scale/3/>

PSAA have subsequently determined the appropriate fees for these aspects as part of its 2024/25 scale fee process <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/>

Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.

Appendices

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

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

Significant risks and audit findings

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

Management override of controls (Single entity and the Group accounts)	<p data-bbox="550 394 805 415">Description of the risk</p> <p data-bbox="550 436 2453 544">This is a mandatory significant risk on all audits due to the unpredictable way in such override would occur. Management at various levels within an organization 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <hr/> <p data-bbox="550 565 868 586">How we addressed this risk</p> <p data-bbox="550 608 1174 629">We addressed this risk through performing audit work over:</p> <ul data-bbox="550 651 1811 765" style="list-style-type: none">• accounting estimates impacting amounts included in the financial statements;• consideration of identified significant transactions outside the normal course of business; and• journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. <hr/> <p data-bbox="550 793 754 815">Audit conclusion</p> <p data-bbox="550 836 1556 858">We have completed our work and there was no evidence of management override of controls.</p>
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Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings (continued)

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

Revenue recognition - in relation to Tyne Tunnel tolls and grant income
(Single entity and the Group accounts)

Description of the risk

The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.

For the Authority we deem the risk to relate specifically to:

- cut off considerations for Tyne Tunnel toll income; and
- grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income is recognised in the correct period;
- Tyne Tunnel toll income around the year end to ensure it has been recognised in the right year;
- the judgements made by management in determining when grant income is recognised;
- for Tyne Tunnel toll income, performing a substantive analytical review; and
- for major grant income, obtaining counterparty confirmation.

Audit conclusion

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

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

Significant risks and audit findings (continued)

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

Net defined benefit liability / asset valuation	Description of the risk
(Single entity and the Group accounts)	<p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p> <p>In 2023/24 there is a net pensions asset, and the appropriate method of accounting for this is uncertain and complex.</p> <hr/> <p>How we addressed this risk</p> <p>We discussed with management any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we have performed the following procedures:</p> <ul style="list-style-type: none">• evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and• Considered the reasonableness of the actuary’s outputs, referring to an expert’s report on all actuaries nationally which is commissioned annually by the National Audit Office.• We also obtained an assurance letter from the auditor of Tyne & Wear Pension Fund. We also specifically reviewed the accounting treatment of the net pension asset against the latest technical guidance available confirming that a pension asset ceiling calculation had been undertaken in accordance with IFRIC 14 and that the disclosures were properly supported by the information provided by the actuary. <hr/> <p>Audit conclusion</p> <p>There are no issues arising from our work that we are required to report to you.</p>

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

Significant risks and audit findings (continued)

Estimation used for the extended financial period to 06 May 2024

Description of the risk

The financial period end has been extended to 6 May 2024, making an accounting period of just over 13 months. This is a significant risk because this is a new situation for NTCA to deal with and there will be considerable use of management estimation and judgement in how to account for the extended period and the source of transactions.

(Single entity and the Group accounts)

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;
- reviewing the accounting treatments adopted and any estimation techniques used by management to ensure that the risk of material misstatement is mitigated;
- reviewed events occurring after the extended period end that may impact the financial statements;
- ensured all relevant disclosures are in accordance with applicable accounting standards.

We identified a substantial increase in estimation risk stemming from the consolidation of Nexus into the Group financial statements. Nexus prepares its financial accounts with a year end date of 31 March 2024, whereas NTCA's financial year concluded on 6 May 2024. This misalignment in reporting dates necessitated a considerable degree of reliance on management's estimation and judgment. As a result, we undertook a series of additional procedures to ensure the accurate consolidation of Nexus into the Group's accounts. These procedures included, but were not limited to:

- examination and critical assessment of the management's consolidation working papers and underlying assumptions;
- technical review of the consolidation treatment of Nexus in accordance with Code guidance;
- comprehensive testing of the revised Nexus pensions position, which including a thorough review of the updated actuarial assumptions;
- examination of Nexus's capital activity within Assets Under Construction (AUC) and the subsequent transfers to infrastructure;
- examination of the investment balances;
- reviews of cash movement analysis assessing the cash position to year end.

Audit conclusion

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

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

Significant risks and audit findings (continued)

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

Income and Expenditure Cut-off

Description of the risk

(Single entity and the Group accounts)

Following the formation of the new North East Mayoral Combined Authority on 7 May 2024, NTCA reported on an extended period of accounting from 1 April 2023 to 6 May 2024 resulting in an accounting period that spans just over 13 months. As a result we note that there is a likelihood of a risk of material misstatement in income and expenditure recognition at cut-off date. As a consequence, we carried out additional testing focused on this area as part of our audit.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;
- the judgements made by management in determining when income and expenditure is recognised;
- sample testing transactions around year end ensuring that transactions are recorded in the correct accounting period..

Audit conclusion

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

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

Summary of uncorrected misstatements – the Authority as Single Entity

Management assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust for these in the financial statements. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Debtors			515	
	CR Income		(515)		
<p>NTCA have not recognised any levy for the 6 days in May. We note that the Levy is monthly and as such NTCA should have recognised 6 days in May 2024. We performed a recalculation based on the April levy figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.</p>					

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

Summary of uncorrected misstatements – the Authority as Single Entity (continued)

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
2	DR Expenditure	475			
	CR Short Term Creditors				(475)
<p>NTCA have not recognised any Transport Tyne & Wear expenditure for the 6 days in May. We note that the expenditure is monthly and as such NTCA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.</p>					
Aggregate effect of unadjusted misstatements on Pages 31 and 32					
		475	(515)	515	(475)

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

Summary of uncorrected misstatements – Group

Management assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust for these in the financial statements. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	Aggregate unadjusted misstatements from Page 23 also impact on the Group position	475	(515)	515	(475)
1	DR Net Pension Assets			680	
	CR Remeasurement of Net defined Pension Liability		(680)		
	Our review of the Pension Fund auditor report identified that the value of pension fund assets was understated compared to those originally reported, which was entirely due to timing issues compared to when the actuary prepares their report, and the final valuations received during the Pension Fund auditor's audit of the pension fund. The Group share of the pension fund assets misstatement is £680k. This is an estimate and is designed to demonstrate that the impact of this is not material.				
	Aggregate effect of unadjusted misstatements	475	(1,195)	1,195	(475)

During the audit procedures conducted for the Group consolidation, it was observed that the volume of transactions recorded for Nexus was notably low during the 36-day period from April 1, 2024, to May 6, 2024. As part of our audit work, we performed several procedures to ensure the accuracy and completeness of the financial records. While we have not enumerated the specific adjustments made during this process, we can confirm that our audit work has not identified any material issues that warrant reporting.

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

Internal control observations for the Authority

We did not identify any deficiencies or significant deficiencies in the Authority’s internal controls; we do have one other internal control observation as part of our audit and this is set out below.

Related party transactions

Description of deficiency

Our audit identified that some related party declarations were missing. To ensure full compliance and transparency, it is recommended that related party declarations be updated and collected annually from all members and reviewed.

Potential effects

Related party declarations may be incomplete as a result there may be conflicts of interest which the authority are unaware of.

Recommendation

To address this issue, it is important that related party declarations be updated and obtained annually for all members. Implementing a systematic and comprehensive review process will ensure that all declarations are accurately recorded and promptly reviewed.

Management response

Additional processes have been carried out in 2023/24 to ensure all material transactions with related parties to 6 May 2024 have been recorded, since this runs beyond the usual year end of 31 March. All transactions which took place between 1 April 2024 and 6 May 2024 were reviewed and no material transactions other than those with parties already recorded as related parties were found to have taken place.

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Audit and Standards Committee

18 February 2025

Subject: Strengthening the standards and conduct framework for local authorities in England

Report of: John Softly, Monitoring Officer

Report Summary

This report provides an overview of the standards regimes currently in place across the region and an update on central government's consultation on potential changes to the legislative framework.

Recommendations

The Committee is recommended to consider and comment on the content of this report.

1. Introduction

1.1 At its meeting in September 2024 the Committee requested an overview of the standards arrangements in place across the region. Since that meeting, central government has launched a consultation on possible changes to the legislation relating to standards.

2. Existing arrangements in the North East region

2.1 As Members will be aware, local authorities are currently required by the Localism Act 2011 to promote and maintain high standards of conduct by elected and co-opted members, and to adopt a code of conduct setting out what is expected of members when they are acting in that capacity. The Act also requires authorities to have in place arrangements for dealing with allegations that a member has breached the code. However, the Act does not prescribe the form and content of the code which a local authority must adopt. (NB a statutory instrument does stipulate a number of interests – disclosable pecuniary interests – which all local authority members must record on their register of interests).

2.3 Work has been undertaken by officers from the North East CA and all seven constituent authorities to produce a summary of the content of their respective codes of conduct and their arrangements for dealing with complaints made under the code.

2.4 Appendix A sets out a summary of the content of each code of conduct. It is understood that a number of the authorities (ie Gateshead, Northumberland and South Tyneside) adopted the suggested model code of conduct published by the Local Government Association in 2020. It is understood that other authorities did not adopt the LGA's suggested model code as their existing codes substantially covered the content of the suggested model code already. It will be seen from the table in Appendix A that there is a high degree of consistency across the region in terms of the content of the respective codes.

2.5 Appendix B sets out a summary of each authority's arrangements for dealing with complaints that a member has breached the code of conduct, including the sanctions which an authority may impose where a complaint is upheld. Again, there is a high degree of consistency across the region.

3. Central government consultation on potential changes to the legislation relating to standards

3.1 In October 2024, the Government announced that it would consult on changing the standards and conduct regime. It considers that the current regime “is in certain key aspects ineffectual” and “lacking in adequate powers to effectively sanction members found in serious breach of their codes of conduct”. That consultation was launched on 18 December 2024 and runs until 26 February 2024. It can be found at:

[Strengthening the standards and conduct framework for local authorities in England - GOV.UK](#)

3.2 The consultation questions are set out in Appendix C to this report. A number of the constituent authorities have indicated that they will be submitting responses to the consultation.

4. Potential Impact on Objectives

4.1 The duty to promote and maintain high standards of conduct by elected and co-opted members supports the Authority’s democratic governance arrangements.

5. Key Risks

5.1 None.

6 Financial and Other Resources Implications

6.1 None.

7 Legal Implications

7.1 The Monitoring officer is the author of this report.

8 Equalities Implications

8.1 In developing their respective codes and arrangements for dealing with complaints, all local authorities must be mindful of their Public Sector Equality Duty.

9 Consultation and Engagement

9.1 As set out above, the summaries included in this report have been developed in conjunction with officers from the constituent authorities.

10 Appendices

Appendix A – Summary and comparison of codes of conduct across the region

Appendix B - Summary and comparison of arrangements across the region for dealing with alleged breaches of the codes

Appendix C – extract of consultation questions from “Strengthening the standards and conduct framework for local authorities in England” – MHCLG Consultation Paper

11 Background Papers

The following background documents have been used in the compilation of this report and are available for inspection from the author or by clicking on the links below:

- [Strengthening the standards and conduct framework for local authorities in England – MHCLG Consultation Paper](#)
- [Local Government Association - Model Councillor Code of Conduct 2020](#)

- [Durham County Council - Code of Conduct for Members](#)
- [Durham County Council - Procedure for Member Code of Conduct Complaints](#)
- [Gateshead Council - Code of Conduct for Members](#)
- [Gateshead Council - Arrangements for Dealing with Allegations of Breaches of the Code of Conduct for Members and Co-opted Members](#)
- [Newcastle City Council - Code of Conduct for Members](#)
- [Newcastle City Council - Arrangements for dealing with standards allegations against members under the Localism Act 2011](#)
- [North Tyneside Council - Code of Conduct for Elected Members and Co-opted Members](#)
- [North Tyneside Council - Arrangements for Dealing with Allegations of Breaches of the Code of Conduct for Members and Co-opted Members](#)
- [Northumberland County Council - Code of Conduct for Elected Members](#)
- [Northumberland County Council - Arrangements for dealing with standards allegations under the Localism Act 2011](#)
- [South Tyneside Council – Code of Conduct for Elected Members](#)
- [South Tyneside Council – Protocol for Dealing with Allegations of Breaches of the Members’ Code of Conduct](#)
- [Sunderland City Council – Code of Conduct for Members](#)
- [Sunderland City Council - Arrangements for Dealing with Complaints](#)

12 Contact Officers

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13 Glossary

MO	Monitoring Officer
IO	Investigating Officer
IP	Independent Person
LA	Local Authority
MHCLG	Ministry of Housing, Communities and local Government

Summary and Comparison of Standards of Conduct Expected of Members

LGA	Durham	Gateshead	Newcastle	North Tyneside	Northumberland	South Tyneside	Sunderland	North East CA
1. treat others with respect.	Always treat people with respect	1. treat others with respect.	1. treat others with respect.	1. treat others with respect.	2.6.1 treat others with respect.	12.1 treat others with respect and endear the Council's PROUD values	1. treat others with respect.	1. treat others with respect
2. do not bully, harass or discriminate	Not to bully or harass any person and not intimidate or improperly influence	2. do not bully, harass or discriminate	2. do not bully, harass or discriminate	2. do not bully, harass or discriminate	2.7 do not bully, harass or discriminate	12.2 must not bully, harass or discriminate	2. should comply with Equalities legislation and not discriminate unlawfully 3. must not bully, harass or discriminate	2. must not bully or harass and must not intimidate or improperly influence
3. do not compromise impartiality of officers	Value colleagues and staff and engage with them in an appropriate manner	3. do not compromise impartiality of officers	3 do not compromise impartiality of officers	3 do not compromise impartiality of officers	2.8 do not compromise impartiality of officers	12.3 must not compromise impartiality of officers	4. do not compromise impartiality of officers	3. must not compromise impartiality of officers.
4. do not disclose information, use knowledge for personal advancement or prevent anyone from getting information.	Not disclose information given to them in confidence	4. do not disclose information, use knowledge for personal advancement or prevent anyone from getting information.	8 do not prevent access to information 9. must not disclose confidential information	8 do not prevent access to information 9. must not disclose confidential information	2.9 do not disclose information, use knowledge for personal advancement or prevent anyone from getting information.	12.4 must not disclose information, use knowledge for personal advancement or prevent anyone from getting information.	9. do not prevent access to information 10. must not disclose confidential information	8 do not prevent access to information 9. must not disclose confidential information
5. do not bring role or local authority into disrepute.	Not to bring the role of Member or the local authority into disrepute	5. do not bring role or local authority into disrepute.	4. do not bring Council or your office into disrepute	4. do not bring Council or your office into disrepute	2.10 do not bring role or local authority into disrepute.	12.5 must not bring role or local authority into disrepute.	5. do not bring Council or your office into disrepute.	4. do not bring Authority or your office into disrepute
6. do not use position improperly for advantage or disadvantage	Not allow the financial interests of themselves or others, to deter from pursuing the interests of the Council	6. do not use position improperly for advantage or disadvantage	5. do not use position improperly for advantage or disadvantage	5. do not use position improperly for advantage or disadvantage	2.11 do not use position improperly for advantage or disadvantage	12.6 must not use position improperly for advantage or disadvantage	6. do not use position improperly for advantage or disadvantage	5. do not use position improperly for advantage or disadvantage
7. do not misuse council resources and not used for political purposes	Behave in accordance with all legal obligations, and Council's procedures, including use of the Council's resources;	7. do not misuse council resources and not used for political purposes	7. use council resources in accordance with protocols and not used for political purposes	7. use council resources in accordance with protocols and not used for political purposes	2.12 do not misuse council resources and not used for political purposes	12.7 must not misuse council resources and not used for political purposes	8. use council resources in accordance with protocols and not used for political purposes	7. use council resources in accordance with protocols and not used for political purposes
8. undertake Code of Conduct training, cooperate with any investigation, do not intimidate any person involved and comply with sanction.	Provide leadership through behaving in accordance with these principles It is expected that Members will at all times comply with requests as part of Code of Conduct investigations and any arising outcomes. Members will not submit malicious or trivial complaints.	8. undertake Code of Conduct training, cooperate with any investigation, do not intimidate any person involved and comply with sanction.	6. must comply with any protocol adopted by Council which seeks to regulate conduct of members	6. must comply with any protocol adopted by Council which seeks to regulate conduct of members	2.13 undertake Code of Conduct training, cooperate with any investigation, do not intimidate any person involved and comply with sanction.	12.8 undertake Code of Conduct training, cooperate with any investigation, do not intimidate any person involved and comply with sanction.	7. must comply with any protocol adopted by Council which seeks to regulate conduct of members 12 undertake Code of Conduct training, comply and engage with investigations, comply with sanctions and not intimidate anyone involved.	6. must comply with any protocol adopted by Authority which seeks to regulate conduct of members
9. register and disclose interests.	Register and declare interests	9. register and disclose interests.	11. register interests 13-19. declaration of interests	13. register interests 15-21. declaration of interests	2.14 register and disclose interests	13.1 register and declare interests	13. register interests 15-18. declaration of interests	11. register interests 13-19. declaration of interests
10. do not accept gifts or hospitality which could give rise to personal gain or suspicion of influence, register gifts with value of at least £50	Notify MO of receipt of gifts and hospitality	10. do not accept gifts or hospitality which could give rise to personal gain or suspicion of influence, register gifts with value of at least £50 within	11(b) Register offers of gift or hospitality with an estimated value of more than £50 (whether or not you accept the offer)	13(b) Register offers of gifts or hospitality with an estimated value of £50 or more (whether or not you accept the offer)	2.15 do not accept gifts or hospitality which could give rise to personal gain or suspicion of influence, register gifts with value of at least £50 within 28	14. must not accept gifts or hospitality which could give rise to personal gain or suspicion of influence, must register gifts with value of at least £50	13. Register offers of gifts or hospitality with an estimated value of £50 or more (whether or not you accept the offer)	11(b) register a gift or hospitality received within three years with value of more than £50 which is attributable to your position as member of the

LGA	Durham	Gateshead	Newcastle	North Tyneside	Northumberland	South Tyneside	Sunderland	North East CA
within 28 days or any significant gift offered but refused.		28 days or any significant gift offered but refused.			days or any significant gift offered but refused.	within 28 days or any significant gift offered but refused.		Authority
	Champion the needs of the whole community put the public interest first.		10. do not scrutinise your own decisions	10. do not scrutinise your own decisions	2.16 comply with any protocol adopted by Council to regulate conduct of members		11. do not scrutinise your own decisions	10. do not scrutinise your own decisions
	Deal with representations or enquiries from residents, fairly, appropriately and impartially;			11. must not do anything to breach any equality laws				
	Exercise independent judgement and not compromise their position under obligations to outside individuals or organisations.			12. must report any safeguarding suspicions or intelligence				
	Listen to the interests of all parties, including officers, remain objective and make decisions on merit;							
	Be accountable for decisions.							
	Contribute to decision-making processes as open and transparent as possible							
	To hold the local authority and fellow Members to account and constructively challenge							

Summary and Comparison of Arrangements for dealing with Alleged Breaches of Code of Conduct

Durham	Gateshead	Newcastle	North Tyneside	Northumberland	South Tyneside	Sunderland	North East CA
Complaints to Dem Services	Complaints to MO	Complaints to MO	Complaints to MO	Complaints to MO	Complaints to MO	Complaints to MO	Complaints to MO
Provision for vexatious or habitual complaints	Assessment criteria applied to complaints.	Assessment criteria	Assessment Criteria	Jurisdictional test	Criteria for considering complaints	Assessment criteria	MO liaises with MO of member's home authority as to jurisdiction. Assessment criteria
Subject member notified and given 10 days for comments	Subject member notified within 5 days to respond.	Sent to member notified within 5 days and asked for comment	Subject member notified within 5 days and asked for comments		MO & IP/ Chair Stds Cttee may seek informal resolution at any stage.	Subject member notified and given 10 days to comment.	Sent to member within 5 days and seek comments.
MO & IP assessment within 20 days <ul style="list-style-type: none"> No action Informal resolution Refer for investigation Refer to Standards Cttee 	MO assessment within 28 days on whether to investigate. If informal resolution matter reported to Audit & Stds Cttee and no further action.	MO & IP assessment within 10 days on whether merits formal investigation. MO may try informal resolution or ask Audit & Stds Cttee to decide.	MO & IP assessment within 28 days and decide <ul style="list-style-type: none"> whether the complaint will be investigated informal resolution formal investigation 	MO assessment within 15 days if reaches required threshold for investigation. MO may seek to resolve informally.	MO within 21 days will either: <ul style="list-style-type: none"> Reject the complaint Investigate the complaint Refer to Stds Cttee for decision on whether to investigate. 	MO & IP will decide whether it should be referred to Assessment Sub-Cttee. MO may seek informal resolution.	MO & IP assessment within 28 days and decide whether to investigate. MO may try informal resolution, report matter to Audit & Stds Cttee and take no further action.
Decision notice sent to subject member and where relevant Group Leader. Decisions publicly available subject to data protection considerations. and published.			Complainant may request MO to reconsider. Parties notified of decision			MO or Assessment Cttee decides whether or not to investigate the complaint. Complainant has no right to have this decision reviewed.	
Investigating officer (IO) appointed and investigation within 3 months.	If to be investigated IO appointed.	If to be investigated IO appointed.	MO appoints IO and advises subject member of investigation	If merits formal investigation IO appointed	MO appoints IO within 21 days	MO appoints IO. MO notifies subject member of investigation and gives 10 days for comments to IO.	If to be investigated MO appoints IO.
Draft report may be sent to complainant and subject member for comment	Draft report sent to complainant and subject member for comment	Draft report sent to complainant and subject member for comment.	Draft report sent to subject member and complainant for comment and then MO	Draft report shared with both parties for comment.	Draft report shared with parties and MO for comments within 7 days.	Draft report sent to parties and asked for comments within 10 days.	Draft report sent to complainant and subject member for comment.
If no breach found MO & IP will either <ul style="list-style-type: none"> review and confirm decision and notify parties; or ask IO to reconsider 	If no failure found Audit & Stds Sub & IP will review report and: <ul style="list-style-type: none"> if satisfied instruct MO to give notice no further action required. If disagree will refer matter for a hearing 	If no failure to comply found MO & IP will review and <ul style="list-style-type: none"> If satisfied give notice to parties of no further action If not satisfied ask IO to reconsider or refer for hearing 	If no failure found Stds Cttee & IP will review and either <ul style="list-style-type: none"> agree no action and instruct MO to give notice of decision to parties; or disagree and refer to hearing; or refer back to IO to reconsider 	If insufficient evidence to prove failure to comply the MO will review and <ul style="list-style-type: none"> if satisfied will notify parties of no further action if not satisfied may ask IO to reconsider 	Where the IO finds there has not been a failure to comply the MO will either: <ul style="list-style-type: none"> close the matter or refer to Stds Cttee to decide if <ul style="list-style-type: none"> it accepts IO finding or if a hearing is required 	If no breach MO will decide whether <ul style="list-style-type: none"> to close the matter and report to Stds Cttee for info ask IO to reconsider report refer to Hearing Sub-Cttee to decide if hearing is necessary 	If no failure to comply found MO & IP will review and <ul style="list-style-type: none"> If satisfied give notice to parties of no further action If not satisfied ask IO to reconsider or refer for hearing
If breach found MO & IP will either <ul style="list-style-type: none"> refer to Stds Cttee for hearing; or seek informal resolution 	If failure found either: <ul style="list-style-type: none"> MO, IP & Chair of A&SCttee may agree local resolution; or MO refers for hearing 	If failure to comply found the MO & IP will either: <ul style="list-style-type: none"> seek local resolution refer for hearing by Stds Cttee 	If failure found: <ul style="list-style-type: none"> MO & IP or Stds Cttee Chair can agree local resolution MO can refer for hearing 	If evidence of failure MO will either: <ul style="list-style-type: none"> refer to Stds Cttee for hearing; or with IP seek local resolution 	Where the IO finds that there has been a failure the MO will refer the matter to the Stds Cttee for a formal hearing.	If failure to comply with Code found MO will either: <ul style="list-style-type: none"> refer the matter to Stds Cttee or Hearings Sub-Cttee for hearing or seek local resolution 	If failure to comply found the MO & IP will either: <ul style="list-style-type: none"> seek local resolution or refer for hearing by Audit & Stds Cttee
Hearing Panel made up of 3 members of Stds Cttee within 3 months.	Audit & Standards Cttee made up of 7 cllrs and 3 co-optees A&S (Hearings) Sub-Cttee made up of 3 cllrs and 1 co-optee	Audit & Stds Cttee made up of 7 elected members, and 3 ind co-optees	Hearings by Stds Cttee or Stds Sub-Cttee		Hearings by Stds Cttee	Stds Cttee - 8 cllrs and 2 Hetton Cllrs Assessment Sub-Cttee - 3 Cllrs Hearings Sub-Committee – 3 Cllrs	Audit & Stds Cttee made up of 14 cllrs and 1 ind chair. May appoint a sub-cttee for hearings
Subject member given 14 days notice and right of reply to report	Subject member sent IO report and given 14 days for response.	Hearing held within 40 days.	Subject member asked for written response to IO report within 14 days.				.

Durham	Gateshead	Newcastle	North Tyneside	Northumberland	South Tyneside	Sunderland	North East CA
Presumption meetings held in public	Hearings held in public except deliberations and any exempt info.	Presumption held in public unless exempt or confidential info.	Hearing held in public except private deliberations and unless exempt info.		Hearings held in public unless exempt info. Decision reached in private session.	Hearings held in public unless exempt info. Decision reached in private session.	Presumption held in public unless exempt or confidential info.
Panel must decide if subject member <ul style="list-style-type: none"> failed to follow code failed to follow code but no action failed to follow code and sanction 	Sub-Cttee will decide in private: <ul style="list-style-type: none"> no evidence of failure failed to comply but no action failed to comply and sanction 	Committee must decide: <ul style="list-style-type: none"> did the member breach the code? If so, should a sanction be imposed and what sanction should be imposed? 	Stds Cttee decides <ul style="list-style-type: none"> no evidence of any failure failure but no action failure and sanction 		Stds Cttee to decide: <ul style="list-style-type: none"> no evidence of any failure failure but no action to be taken failure and sanction imposed 	Hearings Sub-Cttee will decide: <ul style="list-style-type: none"> no evidence of failure to comply failure to comply but no action to be taken failure to comply and minded to impose a sanction If failure found Sub-Cttee will hear representations from member and IO before deciding sanction.	Audit & Stds Cttee will decide: <ul style="list-style-type: none"> no evidence of any failure failure but no action failure and sanction
Sanctions available: <ul style="list-style-type: none"> censure restrict access and use of resources for up to 6 months written apology recommend removal from a committee requirement to undergo training 	Sanctions available: <ul style="list-style-type: none"> formal censure refer findings to Council publication of findings request Council to remove from Cttee or Chair or Vice Chair position request Council remove from outside appointments offer training exclude member from Council's offices, premises or facilities 	Sanctions available: <ul style="list-style-type: none"> Formal censure Recommend to Council formal censure Publish its findings Report its findings to Council Recommend to Council removal from committees or chair/vice positions Recommend to leader removal from Cabinet Instruct MO to offer training Recommend to Council removal from outside bodies 	Sanctions available <ul style="list-style-type: none"> formal censure report to full Council recommendation to group leader that they be removed from committee recommendation to Elected Mayor they be removed from position or resp or outside body instruct MO to arrange training recommend to full Council removal from outside appointment or withdrawal of Council facilities for specified period recommendation to group removal from group leader or other position 		Sanctions available <ul style="list-style-type: none"> formal censure recommend to Council formal censure recommend to Council access to facilities, buildings or officers be restricted recommend to Council attendance at events be restricted referral of findings to Council publication of findings recommend to Council removal from position of chair or vice of a cttee recommend to Leader that they be removed from Cabinet or portfolio recommend to Council be removed from outside bodies instruct MO to offer training 	Sanctions available: <ul style="list-style-type: none"> formal censure recommend to Council formal censure refer findings to Council publish findings recommend to Council removal from cttees recommend to Leader removal from Cabinet or portfolio recommend to Council removal from outside bodies instruct MO to offer training recommend to Council exclusion from offices, premises or facilities but not to interfere with duties as Cllr such other recommendations as Sub-Cttee thinks appropriate. 	Sanctions available: <ul style="list-style-type: none"> Formal censure Refer findings to Cabinet Publish its findings Recommend to Cabinet removal from chair/vice positions of committees Recommend to Cabinet removal from committees Recommend to Cabinet removal from portfolio Recommend to Cabinet removal from outside bodies offer training exclude from offices, premises, facilities for specified period but not to interfere with duties as member
Decision announced at conclusion of hearing.	Decision stated at end of S-C hearing.	Decision stated at end of hearing.	Decision stated at end of hearing together with short written decision.		Decision announced by Chair of Stds Cttee.	Chair states decision at end of hearing.	Decision stated at end of hearing. MO make available short written notice on the day.
Summary of decision published	Sub Cttee recommendation reported to full Cttee for decision				Where Stds Cttee finds no failure MO will send decision notice to subject member and seek agreement for publication.		
Written notice as soon as practicable to all parties	MO & Chair prepare formal decision notice sent to parties, published and reported to Council.	Formal decision notice prepared and sent by MO as soon as practicable (within 10 days) and published.	Formal decision notice sent as soon as practicable and published within two weeks.		MO will make available written decision next working day and publish as directed by the Stds Cttee.	MO with Chair will prepare formal decision notice as soon as practicable (within 2 weeks), send to parties and publish.	Formal decision notice prepared and sent by MO within 2 weeks and published.

Durham	Gateshead	Newcastle	North Tyneside	Northumberland	South Tyneside	Sunderland	North East CA
		If complainant aggrieved at assessment can ask MO to reconsider.	If subject Member aggrieved at decision of Stds Cttee or sanction may request review by an IP from another LA within 5 days.		If complainant aggrieved at MO assessment may ask to reconsider.	Complainants have no right of appeal.	If complainant aggrieved at assessment can ask MO to reconsider.
		If subject member aggrieved at Stds Cttee decision can request a review by IP from another LA.	Stds Cttee will consider report from IP and either confirm, amend or substitute decision		If subject member aggrieved at Stds Cttee decision they may request review by IP from another LA.	If subject member is aggrieved at decision of Stds Cttee or sub-cttee may request review by IP from another LA. Stds Cttee or Sub-Cttee will either confirm, amend or substitute decision in light of IPs report.	If subject member aggrieved at Audit & Stds Cttee decision can request a review by IP from another LA within 5 days of notice. Audit & Stds Cttee will consider IP report and decide whether to confirm amend or substitute decision

Extracts from open consultation**Question 1**

Please tick all that apply - are you responding to this consultation as:

a) an elected member – if so please indicate which local authority type(s) you serve on

- Town or Parish Council
- District or Borough Council
- Unitary Authority
- County Council
- Combined Authority / Combined County Authority
- Fire and Rescue Authority
- Police and Crime Panel
- Other local authority type - please state

b) a council officer – if so please indicate which local authority type

- Town or Parish Council
- District or Borough Council
- Unitary Authority
- County Council
- Combined Authority / Combined County Authority
- Fire and Rescue Authority
- Police and Crime Panel
- Other local authority type - please state

c) a council body – if so please indicate which local authority type

- Town or Parish Council
- District or Borough Council
- Unitary Authority
- County Council
- Combined Authority / Combined County Authority
- Fire and Rescue Authority
- Police and Crime Panel
- Other local authority type - please state

d) a member of the public



e) a local government sector body – please state

Question 2

Do you think the government should prescribe a mandatory minimum code of conduct for local authorities in England?

- Yes
- No
- If no, why not? [Free text box]

Question 3

If yes, do you agree there should be scope for local authorities to add to a mandatory minimum code of conduct to reflect specific local challenges?

- Yes – it is important that local authorities have flexibility to add to a prescribed code
- No – a prescribed code should be uniform across the country
- Unsure

Question 4

Do you think the government should set out a code of conduct requirement for members to cooperate with investigations into code breaches?

- Yes
- No
- Unsure

Question 5

Does your local authority currently maintain a standards committee?

- Yes
- No
- Any further comments [free text box]

Question 6

Should all principal authorities be required to form a standards committee?

- Yes
- No
- Any further comments [free text box]

Question 7

In most principal authorities, code of conduct complaints are typically submitted in the first instance to the local authority Monitoring Officer to triage, before referring a case for full investigation. Should all alleged code of conduct breaches which are referred for investigation be heard by the relevant principal authority's standards committee?

- Yes, decisions should only be heard by standards committees
- No, local authorities should have discretion to allow decisions to be taken by full council
- Unsure

Question 8

Do you agree that the Independent Person and co-opted members should be given voting rights?

- Yes – this is important for ensuring objectivity
- No – only elected members of the council in question should have voting rights
- Unsure

Question 9

Should standards committees be chaired by the Independent Person?

- Yes
- No
- Unsure

Question 10

If you have further views on ensuring fairness and objectivity and reducing incidences of vexatious complaints, please use the free text box below.

[Free text box]

Question 11

Should local authorities be required to publish annually a list of allegations of code of conduct breaches, and any investigation outcomes?

- Yes - the public should have full access to all allegations and investigation outcomes
- No - only cases in which a member is found guilty of wrongdoing should be published
- Other views – text box

Question 12

Should investigations into the conduct of members who stand down before a decision continue to their conclusion, and the findings be published?

- Yes
- No
- Unsure

Question 13

If responding as a local authority, what is the average number of complaints against elected members that you receive over a 12-month period?

[Number box]

Question 13a

For the above, where possible, please provide a breakdown for complaints made by officers, other elected members, the public, or any other source:

- Complaints made by officers [Number box]
- Complaints made by other elected members [Number box]
- Complaints made by the public [Number box]
- Complaints made by any other source [Number box]

Question 14

If you currently work, or have worked, within a local authority, have you ever been the victim of (or witnessed) an instance of misconduct by an elected member and felt that you could not come forward? Please give reasons if you feel comfortable doing so.

- Yes
- No
- [Free text box]

Question 15

If you are an elected member, have you ever been subject to a code of conduct complaint? If so, did you feel you received appropriate support to engage with the investigation?

- Yes
- No
- [Free text box]

Question 16

If you did come forward as a victim or witness, what support did you receive, and from whom? Is there additional support you would have liked to receive?

[Free text box]

Question 17

In your view, what measures would help to ensure that people who are victims of, or witness, serious councillor misconduct feel comfortable coming forward and raising a complaint?

[Free text box]

Question 18

Do you think local authorities should be given the power to suspend elected members for serious code of conduct breaches?

- Yes – authorities should be given the power to suspend members
- No – authorities should not be given the power to suspend members
- Unsure

Question 19

Do you think that it is appropriate for a standards committee to have the power to suspend members, or should this be the role of an independent body?

- Yes - the decision to suspend for serious code of conduct breaches should be for the standards committee
- No - a decision to suspend should be referred to an independent body
- Unsure
- [Free text box]

Question 20

Where it is deemed that suspension is an appropriate response to a code of conduct breach, should local authorities be required to nominate an alternative point of contact for constituents during their absence?

- Yes – councils should be required to ensure that constituents have an alternative point of contact during a councillor's suspension
- No – it should be for individual councils to determine their own arrangements for managing constituents' representation during a period of councillor suspension
- Unsure

Question 21

If the government reintroduced the power of suspension do you think there should be a maximum length of suspension?

- Yes – the government should set a maximum length of suspension of 6 months
- Yes – however the government should set a different maximum length (in months) [Number box]
- No – I do not think the government should set a maximum length of suspension
- Unsure

Question 22

If yes, how frequently do you consider councils would be likely to make use of the maximum length of suspension?

- Infrequently – likely to be applied only to the most egregious code of conduct breaches
- Frequently – likely to be applied in most cases, with some exceptions for less serious breaches
- Almost always – likely to be the default length of suspension for code of conduct breaches
- Unsure

Question 23

Should local authorities have the power to withhold allowances from suspended councillors in cases where they deem it appropriate?

- Yes – councils should have the option to withhold allowances from suspended councillors
- No – suspended councillors should continue to receive allowances
- Unsure

Question 24

Do you think it should be put beyond doubt that local authorities have the power to ban suspended councillors from council premises and to withdraw the use of council facilities in cases where they deem it appropriate?

- Yes – premises and facilities bans are an important tool in tackling serious conduct issues
- No – suspended councillors should still be able to use council premises and facilities
- Unsure

Question 25

Do you agree that the power to withhold members' allowances and to implement premises and facilities bans should also be standalone sanctions in their own right?

- Yes
- No
- Unsure

Question 26

Do you think the power to suspend councillors on an interim basis pending the outcome of an investigation would be an appropriate measure?

- Yes, powers to suspend on an interim basis would be necessary
- No, interim suspension would not be necessary
- Any further comments [free text box]

Question 27

Do you agree that local authorities should have the power to impose premises and facilities bans on councillors who are suspended on an interim basis?

- Yes - the option to institute premises and facilities bans whilst serious misconduct cases are investigated is important
- No - members whose investigations are ongoing should retain access to council premises and facilities
- Unsure

Question 28

Do you think councils should be able to impose an interim suspension for any period of time they deem fit?

- Yes
- No
- Any further comments [free text box]

Question 29

Do you agree that an interim suspension should initially be for up to a maximum of 3 months, and then subject to review?

- Yes
- No
- Any further comments [free text box]

Question 30

If following a 3-month review of an interim suspension, a standards committee decided to extend, do you think there should be safeguards to ensure a period of interim extension is not allowed to run on unchecked?

- Yes – there should be safeguards
- No – councils will know the details of individual cases and should be trusted to act responsibly

Question 30a

If you answered yes to above question, what safeguards do you think might be needed to ensure that unlimited suspension is not misused?

[Free text box]

Question 31

Do you think councillors should be disqualified if subject to suspension more than once?

- Yes – twice within a 5-year period should result in disqualification for 5 years
- Yes – but for a different length of time and/or within a different timeframe (in years) [Number boxes]
- No - the power to suspend members whenever they breach codes of conduct is sufficient
- Any other comments [free text box]

Question 32

Is there a case for immediate disqualification for gross misconduct, for example in instances of theft or physical violence impacting the safety of other members and/or officers, provided there has been an investigation of the incident and the member has had a chance to respond before a decision is made?

- Yes
- No
- Unsure
- [Free text box]

Question 33

Should members have the right to appeal a decision to suspend them?

- Yes - it is right that any member issued with a sanction of suspension can appeal the decision
- No – a council's decision following consideration of an investigation should be final
- Unsure

Question 34

Should suspended members have to make their appeal within a set timeframe?

- Yes – within 5 days of the decision is appropriate to ensure an efficient process
- Yes – but within a different length of time (in days) [Number box]
- No – there should be no time limit for appealing a decision

Question 35

Do you consider that a complainant should have a right of appeal when a decision is taken not to investigate their complaint?

- Yes
- No
- Unsure

Question 36

Do you consider that a complainant should have a right of appeal when an allegation of misconduct is not upheld?

- Yes
- No
- Unsure

Question 37

If you answered yes to either of the previous two questions, please use the free text box below to share views on what you think is the most suitable route of appeal for either or both situations.

[Free text box]

Question 38

Do you think there is a need for an external national body to hear appeals?

- Yes – an external appeals body would help to uphold impartiality
- No – appeals cases should be heard by an internal panel
- Any further comments [free text box]

Question 39

If you think there is a need for an external national appeals body, do you think it should:

- Be limited to hearing elected member appeals
- Be limited to hearing claimant appeals
- Both of the above should be in scope
- Please explain your answer [free text box]

Question 40

In your view, would the proposed reforms to the local government standards and conduct framework particularly benefit or disadvantage individuals with protected characteristics, for example those with disabilities or caring responsibilities?

Please tick an option below:

- it would benefit individuals with protected characteristics
- it would disadvantage individuals with protected characteristics
- neither

Please use the text box below to make any further comment on this question.