



Audit Strategy Memorandum

Darlington Borough Council – Year ending 31 March 2025

23 September 2025

Members of the Audit Committee
Darlington Borough Council
Town Hall
Feethams
Darlington

23 September 2025

Forvis Mazars
Bank Chambers
26 Mosely Street
Newcastle upon Tyne
NE1 1DF

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2025

We are pleased to present our Audit Strategy Memorandum for Darlington Borough Council for the year ending 31 March 2025.

This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled '*Confirmation of our independence*' summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing Darlington Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

This report also contains appendices that outline our key communications with you during the audit, and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 0191 383 6300.

This report was prepared solely for the use and benefit of the Audit Committee and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Yours faithfully



Gavin Barker

Forvis Mazars

Contents

- 01 Engagement and responsibilities summary
- 02 Your audit team
- 03 Audit scope, approach, and timeline
- 04 Materiality and misstatements
- 05 Significant risks and other key judgement areas
- 06 Value for Money
- 07 Audit fees and other services
- 08 Confirmation of our independence

Appendix A – Key communication points

Appendix B – Current year updates, forthcoming accounting and other issues

This document is to be regarded as confidential to Darlington Borough Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents.

Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Darlington Borough Council (the Council) for the year to 31 March 2025. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24](#). Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

The Executive Director - Resources and Governance is responsible for the assessment of Darlington Borough Council's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists, and
- b) the appropriateness of the Executive Director - Resources and Governance use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Darlington Borough Council's internal control.

Whole of Government Accounts

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you, key management personnel, internal audit and other key individuals, where relevant, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in the 'Value for Money' section of this report.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Engagement and responsibilities summary (continued)

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

Members will recall that, due to the disclaimer of opinion for the 2022/23 audit by our predecessor auditor, we were unable to obtain assurance regarding the opening balances in advance of the backstop date of 28 February 2025. In our view, the effects of the resulting lack of assurance was pervasive to the financial statements as a whole. This meant that we also had to issue a disclaimed opinion on the 2023/24 financial statements.

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

The National Audit Office recently issued guidance for auditors on how to rebuild assurance for audit years that have been disclaimed. This provides an opportunity to adopt a 'Proof in Total' approach, which will require more limited procedures than would otherwise be the case. This approach is subject to a detailed risk assessment. We anticipate that this will facilitate an earlier return to normal auditor reporting and will reduce the time needed for the continued issue of disclaimed audit opinions. The details of this are still being considered and we will keep management up-to-date on progress as we move through the audit cycle.

02

Your audit team

Your audit team

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03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Risk-based Approach



Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with Code of Audit Practice. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

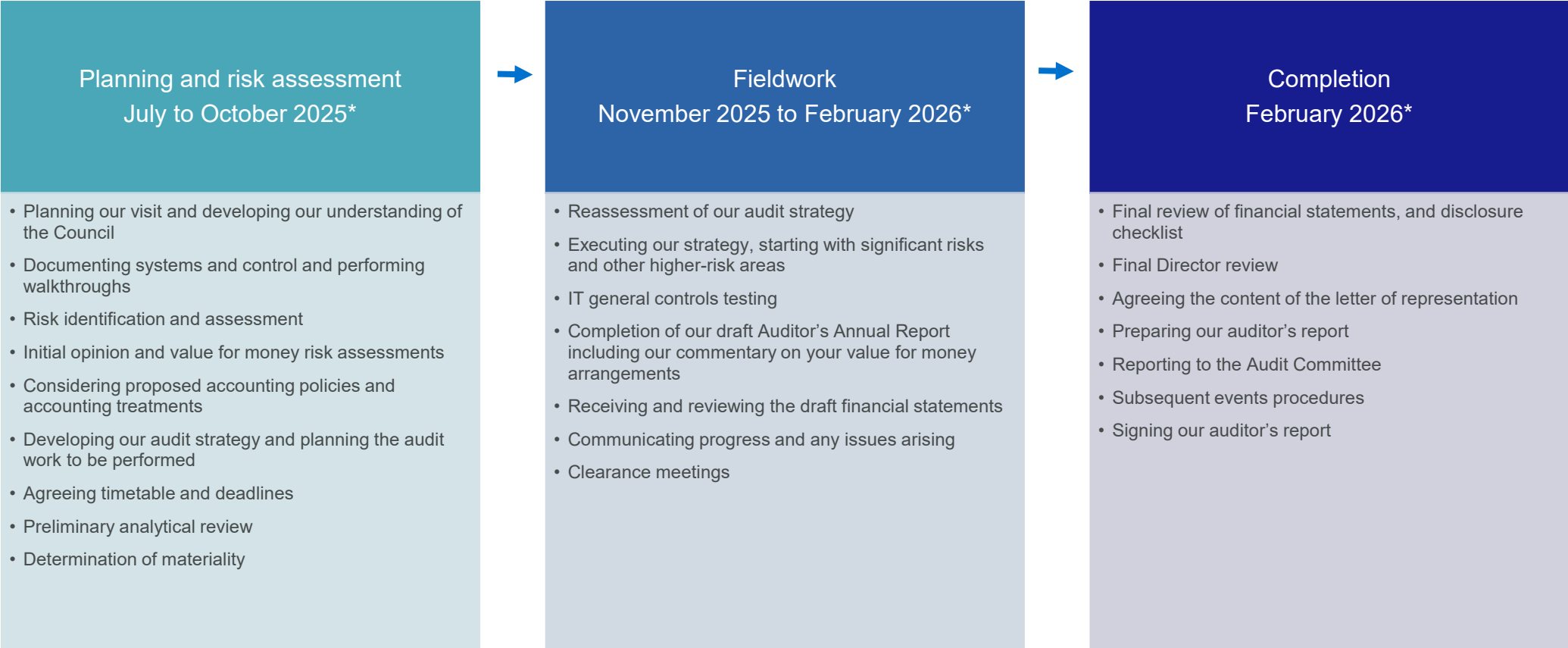
Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the '*Materiality and misstatements*' section of this report.

The diagram on the next page outlines the procedures we perform at the different stages of our audit.

Audit scope, approach, and timeline



*On 5 June 2025, the National Audit Office issued LARRIG 06 Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions, to support local auditors in the design of the audit approach to rebuilding assurance. The timing of the work would be dependent on the outcome of our detailed risk assessment in line with Forvis Mazars' guidance. The drafting of our firm's guidance is in progress, and yet to be issued. There is a wide range of factors and complex matters across areas of significant risk which would need to be considered, more of which can be found on page 21. This may impact on the timetable stated above.

Audit scope, approach, and timeline

Management and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Property, plant and equipment valuation	Align Property Partners	If required, we will engage our in-house valuation experts dependent on whether any specific valuation issues arise throughout the course of the audit.
Defined benefit pension assets and liabilities	Aon Hewitt (Actuary)	We use the National Audit Office (NAO)'s consulting actuary (PWC) to provide us with assurance over the assumptions used by the Actuary.
Financial instrument disclosures	MUFG	We do not typically engage an audit expert to assess the reasonableness for your expert's financial instrument valuation estimates. Where this is required we will engage our own internal experts.

Service organisations

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

Item of account	Service organisation	Audit approach
Housing benefits, Council Tax and NNDR	Nec Solutions (UK)	Review of information provided directly by the service organisation relevant to the financial statements to which we have full access.
Joint arrangement with Stockton Borough Council to provide finance and other functions (eg HR, internal Audit etc).	Xentrall	Review of information provided directly by the service organisation relevant to the financial statements to which we have full access.

Audit scope, approach, and timeline

Group audit approach

The preliminary scope of our group audit is based on our analysis of the risks we have identified at group level. When scoping our audit, we have considered quantitative criteria (the contribution of each of the group’s consolidated components to the group financial statements); qualitative criteria (the risks of material misstatement of the group financial statements that consolidated components may present individually at component level); and we have assessed the risk of material misstatement across the group’s consolidated components in aggregate.

The nature and extent of audit work we plan to perform on the consolidated components is set out below.

Component name	Gross expenditure at surplus / deficit level (%)	Location	Auditor	Scope
Darlington Borough Council	99.9%	Darlington Borough	Forvis Mazars	An audit of the financial information
The Council has 8 joint ventures with Esh Homes Limited for the development of homes. • Neasham Road JV Limited • Esh DBC JV Limited • Blackwell Grange JV Limited • Hurworth Grange JV Limited • Middleton St George JV Limited • West Park JV Limited • Heighington JV Limited • Eastbourne JV Limited	0.10%	Darlington Borough	Armstrong Watson Audit Limited	Transactions are not material. Analytical procedures and review of consolidation schedules.

Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

For the group financial statements, we consider that gross expenditure at surplus/deficit level is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using gross revenue expenditure at surplus/deficit level as the benchmark.

For the single entity financial statements, we consider that gross revenue expenditure at surplus/deficit level is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using gross revenue expenditure at surplus/deficit level as the benchmark.

We expect to set a materiality of 2% of gross revenue expenditure at surplus/deficit level for the group financial statements and for the single entity.

As set out in the tables alongside, based on currently available information from the 2024/25 draft financial statements we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £7.226m (£6.149m in the prior year), and performance materiality to be in the region of £4.335m (£2.459m in the prior year).

For the single entity financial statements, we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £7.226m (£6.149m in the prior year), and performance materiality to be in the region of £4.335m (£2.459m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Group financial statements

	2024-25 £'000s	2023-24 £'000s
Overall materiality	£7,226	£6,149
Performance materiality	£4,335	£2,459
Clearly trivial	£216	£123
Senior officers remunerations	£5k bandings	£5k bandings
Exit packages	>£50k	>£50k

Council's single entity financial statements

	2024-25 £'000s	2023-24 £'000s
Overall materiality	£7,226	£6,149
Performance materiality	£4,335	£2,459
Clearly trivial	£216	£123
Senior officers remunerations	£5k bandings	£5k bandings
Exit packages	>£50k	>£50k

Materiality and misstatements

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £216k for both the Group and single-entity financial statements, based on 3% of overall materiality. If you have any queries about this, please raise these with Gavin Barker, Engagement Lead.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on the financial statements and on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach set out in the *'Audit scope, approach, and timeline'* section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. As required by auditing standards, a fraud risk is always assessed as a significant risk.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Significant risks and other key judgement areas

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/or our approach to address those risks during our audit, we will report this to the Audit Committee.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Rebuilding assurance – (Group and Council) see below **	●	●	●	The Government introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations required the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. The financial statements received a disclaimed audit opinion in 2022/23 (by the predecessor auditor) and in 2023/24 in the year of our appointment as the Council’s new auditor. As a result of the backstop arrangements, we determined that there was insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of evidence was material and pervasive to the financial statements as a whole. On 5 June 2025, the National Audit Office issued LARRIG 06, ‘Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions.’ This introduced local audit reset and recovery implementation guidance for local auditors to consider*. There is a risk that opening balances are materially misstated, the risk of which would need to be thoroughly assessed based on detailed risk assessment procedures. The overall risk of fraudulent financial reporting in previous reporting periods subject to disclaimers of opinion will also need to be assessed. The guidance introduces the concept of a ‘Proof in Total’ approach, requiring fewer audit procedures to rebuild assurance where justified by the results of the risk assessment.	A thorough risk assessment will need to be performed to inform the audit approach in order to obtain sufficient appropriate audit evidence to gain assurance over opening balances, as well as assess the risk of fraudulent financial reporting. Special considerations will need to be made for: - Property, Plant and Equipment; - Responses to identified risks of fraudulent financial reporting in previous reporting periods subject to disclaimers of opinion; - Pension-related balances. The detailed risk assessment will need to take into account the complexity of the Council, number of disclaimed auditor opinions due to the backstop arrangements, adequacy of the Council’s control environment, as well as the overall General Fund position and financial sustainability and any other relevant matters. The results of the risk assessment will subsequently drive the audit approach and extent of the work which will need to be performed.

* LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England. The guidance in LARRIGs supports auditors in meeting their requirements under the Act and the Code of Audit Practice published by the NAO on behalf of the C&AG.

** The significant risks identified do not factor in the results of the upcoming detailed risk assessment needed to be performed as a result of the guidance issued by the LARRIG 06. We will update our risk assessment, as well as planned audit response once we have completed the full risk assessment required in line with the special considerations. This is likely to give rise to change in overall audit approach and other/or additional procedures. This could also give rise to additional significant risks. Any changes will be reported to the Audit Committee.

Significant risks and other key judgement areas

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	Management override of controls - (Group and Council)	●	○	○	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	In line with our methodology, we plan to address the management override of controls risk through performing audit work over: • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.
3	Valuation of property, plant and equipment (PPE) - (Group and Council) Group and Council Council Dwellings £197.748m (2023/24 £190.567m) Other land and buildings £120.966m (2023/24 £105.749m) Right of use assets £4.540m (2023/24 £nil) Investment properties £13.420m (2023/24 £12.642m)	○	●	●	The 2024/25 financial statements contain material entries on the Balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment. Property valuations involve a high degree of estimation uncertainty due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of council dwellings, land and buildings, right of use assets and investment properties to be areas of significant risk.	We will evaluate the design and implementation of any controls which mitigate the risk. This includes liaising with management to update our understanding on the approach taken by the Council in its valuations. To gain assurance over valuation, the following procedures will be performed: • Assess the scope and terms of engagement with the Valuers; • Assess the competence, skills and objectivity of the Valuers; • Assess how management use the Valuers' report to value council dwellings, land and buildings, right of use assets and investment properties included in the financial statements; • Test the accuracy of the data used in valuations for sample of related assets; • Challenge the Council's and Valuer's' assumptions and judgements applied in the valuations; • Review the valuation methodology used, including the appropriateness of the valuation basis; • Consider the reasonableness of the valuation by comparing the valuation output with market intelligence; • Challenge management where assets have not been re-valued in year as part of the Council's rolling programme, reviewing the results of the annual indexation exercise; and • Ensure all required disclosures are reflected in the accounts and relevant notes.

Significant risks and other key judgement areas

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
4	Defined benefit pension valuation (Group and Council) ** Pension asset :£405.6m (2023/24 £404.03m) Pension liability: £369m (2023/24 £428.62m) Restriction of surplus (asset ceiling) £36.600m (2023/24 £nil)	○	●	●	The financial statements contain material pension entries in respect of the retirement benefits. In 2023/24, the Council reported a net pension liability of £24.59m which is nil in 2024/25 due to the application of the asset ceiling of £36.6m. This does not include the discretionary benefit arrangements. 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.	To obtain assurance over the valuation of defined benefit pensions, the following procedures will be performed: - Assess the competency, objectivity and independence of the Pension Fund Actuary; - Liaise with the auditors of the Pension Fund to obtain confirmation that the controls are designed and implemented appropriately. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; - We will seek assurance from the auditor of Durham Pension Fund - Review the appropriateness of the Pension valuation methodologies applied by the Durham Pension Fund Actuaries, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; - Agree the data in the IAS 19 valuation reports provided by the Fund's Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements; - Ensure that the pension liability is correctly accounted for in line with the CIPFA code, IAS 19 and IFRC 14; and - Ensure all required disclosures are reflected in the accounts and relevant notes.

Significant risks and other key judgement areas

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
5	Implementation of IFRS 16, Leases Right of Use asset £4.54m (included in PPE). Lease liability £11.104m. PFI asset £5.868m (2023/24 £8.205m) PFI lease liability £5,911m (2023/24 £7.011m).	○	●	●	IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4, and the Council will be adopting the new standard for the first year in 2024-25. This is a complex area which requires management judgement, and for any property assets which fall within scope, the Council will need to determine which measurement method it will be applying that may involve the engagement of valuation experts. Another impact on the Council's accounts would be on the Service Concessions entered into by the Council. The net book value of the Council's PFI assets is £5.868m (2023/24 £8.205m). Lease liability is £5.911m (2023/24 £7.011m)	We plan to: • review the accuracy and completeness of the Council's assessment; • review the accounting policy and relevant disclosures; • substantively test the valuation of lease liability and corresponding right of use assets to ensure the valuations are in line with the requirements of IFRS 16 and the Code; and • assess the impact, review the treatment and application of the standard on the Council's Service Concessions arrangements.

Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, we would like to seek your views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between Darlington Borough Council and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to the Chair of the Audit Committee which we will obtain prior to completing our audit

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

We assess the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors, the level of competence of the internal audit function, and whether the internal audit function applies a systematic and disciplined approach, including quality control.

At the planning stage we do not expect to specifically rely on the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

06

Value for Money

Value for money

The framework for value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

This will be the first audit year where we are undertaking our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place, and to report in the auditor’s report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council’s arrangements in the Auditor’s Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor’s Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor’s Annual Report).

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

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

Our approach

Our work falls into three primary phases as outlined opposite. We gather sufficient evidence to support our commentary on the Council’s arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified, we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle, and we are not expected to wait until issuing our overall commentary to do so.

Planning	Obtaining an understanding of the Council’s arrangements for each specified reporting criteria. Relevant information sources will 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 staff and members
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements which forms part of the Auditor’s Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement; and • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Value for money

Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, the table below outlines the risks of significant weaknesses in arrangements that we have identified to date. We will report any further identified risks to the Audit Committee on completion of our planning and risk identification work.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
1	Financial sustainability Based on the most recent Medium Term Financial Plans (MTFP), the Council's general reserves have decreased significantly and, in common with many other local authorities, the Council faces challenging budget pressures, particularly in children's services and social care. This represents a significant risk in respect of the following principle of the financial sustainability criteria: <i>Unsustainable planned use of reserves to bridge funding gaps or significant use/reliance on reserves to cover unplanned spending</i>				In our 2023-24 Auditor's Annual Report, we raised an "other recommendation" highlighting the ongoing pressures and the need to manage the budget in line with the revised MTFP. The Council has a number of MTFP projects to help address these challenges. We will review and critically evaluate the Council's 2024-25 MTFP. We will consider the final financial outturn position for 2024-25 including the achievement of savings targets and the impact on the Council's reserves. We will follow up on our recommendation made in 2023-24 and monitor the Council's progress against actions identified across MTFP projects, with a focus on actions around Children's services. This would include obtaining evidence to support the actions taken by the Council to address the overspends and any future budget gaps. We will also consider the 2025-26 MTFP and the current financial performance of the Council in 2025-26.

07

Audit fees and other services

Audit fees and other services

Fees for work as the Council’s appointed auditor

Our proposed fees (exclusive of VAT) as the Council’s appointed for the year ended 31 March 2025 are outlined below. Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit. The main aspects impacting upon the fee this year when compared to the prior year would be dependent on the extent of the additional work needed to be performed for rebuilding assurance. As the audit was subject to the backstop in 2023/24, the 2023/24 actual fee only reflects the work that we undertook rather than the initial proposed fee which was £289,093 if the full audit had been completed.

Area of work	2024/25 Proposed Fee	2023/24 Actual Fee
Code Audit Work- Scale fee set by Public Sector Audit Appointments (PSAA) Limited	£ 298,643 *	£128,656

** The following are areas for potential additional fee in 2024/25 that we are aware of at this stage. These were not reflected in the scale fee set by PSAA. The quantum of any additional fee can not be estimated at this stage:*

- The costs of rebuilding assurance in respect of the disclaimed 2022/23 and 2023/24 audits (see page 21);*
- Additional work required in relation to the implementation of IFRS 16, Leases (see page 24);*
- Any costs arising from the implementation of the revised ISA (UK) 600 standard in relation to group financial statements (see pages 41 and 42).*

Audit fees and other services

Fees for non-PSAA work

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

Area of work	2024/25 Proposed Fee *	2023/24 Actual Fee
Housing Benefits Subsidy Assurance	TBC	£25,600
Teachers' Pensions	TBC	£6,300

**Subject to us being engaged by the Council to complete this work*

Confirmation of our independence

Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Darlington Borough Council that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Darlington Borough Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Darlington Borough Council, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC’s Revised Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with the Engagement Lead in the first instance.

Prior to the provision of any non-audit services, the Engagement Lead will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 1 July 2021 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with the Audit Committee, as a two-way feedback process is at the heart of our client service commitment. The Code of Audit Practice as well as ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of matters with you. We meet these requirements, principally, through presenting the following documents to you:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Our Auditor's Annual Report.

These documents will be discussed with management prior to being presented to you and their comments will be incorporated as appropriate.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Changes introduced by the 2024 Code of Audit Practice

The 2024 Code now requires the auditor to issue the draft Auditor's Annual Report by 30th November following each year end. For the 2024/25 audit, this means that we must issue our draft Auditor's Annual Report by 30 November 2025, whether our audit is complete or not.

In instances where our audit work is not complete by 30 November for any given year, the 2024 Code requires us to provide a summary of the status of the audit at the time of issuance and should reflect the work completed to date since we issued our previous Auditor's Annual Report. In such instances, we will issue an Interim Auditor's Annual Report to meet the 30 November deadline. On completion of any outstanding financial statement audit work or Value for Money arrangements work, we will re-issue the Auditor's Annual Report which will include an updated commentary on Value for Money arrangements.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Inquiries with the Audit Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Council or the Audit Committee in the context of fulfilling your responsibilities.	Audit Completion Report

Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meeting(s)
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements.	Audit Completion Report
Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm's System of Quality Management: • Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.) • Identify, design, and implement responses as part of the process to strengthen our firm's internal control environment and overall quality • Evaluate responses and remediate control gaps or deficiencies We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here. The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, set out in our 2023/24 Transparency Report, which is available on our website here.	Audit Strategy Memorandum

Appendix A: Key communication points

Required communication	Where addressed
An overview of the work to be performed at the components of the group and the nature of our involvement in the work to be performed by component auditors.	Audit Strategy Memorandum and Audit Completion Report

Appendix B: Current year updates, forthcoming accounting & other issues

Current and forthcoming accounting issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases (Issued January 2016)

- IFRS 16 Leases (IFRS 16) will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise right of use assets and associated lease liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Subsequent to initial recognition, a service concession arrangement liability will subsequently be measured following the principles set out in IFRS 16. The introduction of this standard is likely to lead to significant work being required in order to identify all leases and service concession arrangements to which the Council (and its schools) are party to. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed. IFRS 16 was adopted by the Code of Practice on Local Authority Accounting in 2024/25.

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 Presentation and Disclosure in Financial Statements (Issued April 2024)

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements. As IFRS 18 was only issued in April 2024 it has yet to be adopted by the Code of Practice on Local Authority Accounting in 2024/25 therefore the applicability to local government is to be determined.

Appendix B: Current year updates, forthcoming accounting & other issues

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA (UK) 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over ‘significant components’ of a group, i.e., a ‘full scope’ audit of a significant component’s financial information relevant to the group financial statements was required. Forvis Mazars defined a ‘significant component’ as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group’s reported profit before tax would be classified as a significant component and a ‘full scope’ audit would be performed over that component’s financial information.

ISA (UK) 600 Revised eliminates the ‘significant component’ concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component’s financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component’s financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a ‘non-significant’ component’s financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non-material component
Any component: i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).	Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.	A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.

Appendix B: Current year updates, forthcoming accounting & other issues

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

Definition of ‘component’ - The definition of ‘component’ has been revised to “an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit”.

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

Common controls - The definition of ‘group-wide’ controls has been removed and we are instead required to consider ‘common controls’, being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

Definition of ‘engagement team’ - The definition of ‘engagement team’ has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

Calculation of component materiality - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

Other changes - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

Scope of audit work to be performed over a component’s financial information - Forvis Mazars will, going forward, determine the scope of work to be performed over a component’s financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

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