



Auditor's Annual Report
North East Combined Authority – year ended 31 March 2025

24 February 2026

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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 East Combined Authority ('the Authority') for the year ended 31 March 2025. 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.

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 24 February 2026. Our opinion on the financial statements was unqualified.



Reporting to the group auditor

We have not yet received clearance from the National Audit Office in respect of our work on the Authority's Whole of Government Accounts (WGA) submission. We are unable to issue an audit certificate until we receive this clearance.



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.

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 (UK) (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 31 March 2025 and of its financial performance for the year then ended. Our audit report, issued on 24 February 2026 gave an unqualified opinion on the financial statements for the year ended 31 March 2025.

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 have reviewed the Authority's accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority on 15 July 2025 and were of a good quality.

Significant difficulties during the audit

There were no significant difficulties noted during the audit. We received the full co-operation of management during the audit.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual 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

Following a major reorganisation of regional governance across the North East of England, both the North of Tyne Combined Authority (NTCA) and the North East Combined Authority (NECA), in its previous form, formally ceased to exist on 6 May 2024. This restructuring was part of a broader devolution initiative aimed at consolidating leadership, enhancing strategic oversight, and streamlining service delivery across the region.

Effective from 7 May 2024, all statutory functions, responsibilities, assets, and liabilities of the former NTCA and NECA were transferred to the newly established North East Mayoral Combined Authority (operating as the North East Combined Authority, or North East CA), which is a mayoral combined authority under the leadership of a directly elected mayor. The new governance model brings together the constituent councils under a unified framework, with expanded powers and a strengthened mandate to drive regional growth, infrastructure investment, and public service reform.

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 forward the priorities of the new Authority.

How the North East CA 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 County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.

The 2024/25 Revenue Budget and Medium-Term Financial Strategy (MTFS), was approved by the NECA Leadership Board on 23rd January 2024 and the North of Tyne Cabinet on 30 January 2024.

Given the strategic significance of transport to the North East's economic growth, social connectivity, and environmental sustainability, the Authority plays a pivotal role in enabling coordinated and effective decision-making across the region. By fostering collaboration among local councils and aligning regional transport strategies, it ensures that infrastructure investments, service improvements, and policy initiatives are

responsive to the unique needs and priorities of each community. This integrated approach helps deliver tangible benefits to residents, businesses, and visitors alike—enhancing mobility, supporting inclusive growth, and driving long-term regional prosperity.

Regular budget monitoring reports are presented to the Cabinet throughout the year. These reports monitor financial pressures and delivery of savings to help ensure that the Authority remains within budget. Cabinet reports are agreed with the Senior Leadership Team (SLT) and the Authority's Chief Executive and are scrutinised by the Overview and Scrutiny Committee.

As at 31 March 2025, the Authority reported useable reserves of £482.1 million in the draft accounts.

A timetable for the production and consultation of the 2025/26 Revenue Budget / MTFS was in place. This builds in financial information from within the Authority and the transport delivery bodies (Nexus, Durham, Northumberland) and Tyne Tunnels.

How the North East CA plans to bridge its funding gaps and identifies achievable savings

The annual budget/MTFS process sets out the Authority's income and 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 North East CA.

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

How the North East CA 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. This is developed through working with key delivery partners for public transport services (Nexus, Durham, Northumberland) and the constituent local authorities of the North East CA. Investment proposals are brought through the Single Assurance Framework, which is a structured evaluation process designed to ensure that each initiative delivers value for money and aligns with the strategic objectives of the region.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

How the North East CA ensures that its financial plan is consistent with other plans

Consultation on budget proposals is built into Part 3.2 (Budget and Policy Framework Rules of Procedure) of the Authority's Constitution (issued 7 May 2024) 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. This was presented to the Authority's Cabinet along with the Corporate Plan.

How the North East CA 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 with regular reviews and reporting to the Audit & Standards Committee, Senior Leadership Team (SLT) and Cabinet. This includes risks to financial resilience. Support is provided to the Authority by North Tyneside Council on risk management through a service level agreement.

As set out in the Authority's constitution, 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. Individual directorates develop risk registers, which enables any risks to financial resilience to be escalated and considered for management within the Strategic Risk Register where the impact is deemed significant enough.

Budget managers have access to up-to-date financial information but also get the support of the Authority's finance officers. Finance Business Partners meet with Directors as part of developing and then agreeing their budgets for the year. 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 needs 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 SLT and Cabinet on a regular basis for challenge and comment before subsequently being reported to the relevant Overview & Scrutiny Committee.

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 Treasury Management Strategy aims to protect the Authority from market-related financial risks by monitoring interest rates, economic indicators and UK and overseas government finances. The prime objective of the Authority's investment strategy is to maintain capital security while ensuring there is necessary liquidity to carry out its business.

The 2024/25 Revenue Budget and Medium-Term Financial Strategy (MTFS), was approved by the NECA Leadership Board on 23rd January 2024 and the North of Tyne Cabinet on 30 January 2024.

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

A comprehensive suite of relevant Human Resources (HR) policies and procedures is in place, providing a robust framework for managing and supporting the Authority's workforce.

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.

How the North East CA monitors and assesses risk and how the Authority 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. There is also a Whistleblowing Policy setting out how the Authority aims to provide for a culture of zero tolerance towards fraud, corruption and bribery and encourage officers and others with concerns to come forward at an early stage.

The Authority endeavours to deal effectively with fraud and corruption, misuse of power and breaches of legal and regulatory provisions. The Authority 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. In its first year, the Authority carried out a self assessment against its financial regulations, supported by internal audit, which included operation of internal controls.

The Authority uses an Internal Audit service provided by North Tyneside 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 the North East CA approaches and carries out its annual budget setting process

The Authority's budget setting process is set out in its constitution within the Budget and Policy Framework Rules of Procedure (Constitution Part 3.2.3). 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.

Before the final determination of transport levies the Cabinet will produce their initial proposals for the Authority's Budget (in the event of a Mayoral precept, the Mayor will produce their initial proposals for the Mayoral Budget). Outline proposals are developed in discussion with Member and officer groups, including LA7 Finance Directors, Chief Executives, Economic Development Directors and Transport leads.

The initial proposals will be referred to the Overview and Scrutiny Committee (OSC), which will review the consultation plans and associated timetable. Where deemed appropriate, the Committee will provide recommendations to the Mayor and Cabinet to inform their decision-making process.

The Cabinet and Mayor will consider any recommendations made by the Overview and Scrutiny Committee and, where it is considered appropriate, amend their budget proposals, consultation process and/or timetable accordingly. Once the consultation process has been completed, the Cabinet will refer the details of their revised proposals for the Authority's Budget to the Overview and Scrutiny Committee, together with the relevant background information on which they have been based. It is the responsibilities of the Chair of the Cabinet 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 final proposals will be referred back to the Cabinet and Mayor together with any recommendations and/or observations from the Overview and Scrutiny Committee. The final proposals must be approved by a unanimous decision of the voting Cabinet Members, as set out in paragraph 5.7.1 of Part 2.1 of the Constitution.

How the North East CA ensures effective processes and systems are in place to ensure budgetary control

Regular Revenue Budget Monitoring/Forecast of Outturn reports are taken to the Senior Leadership Team and Cabinet. As part of this reporting cycle they are discussed with Chief Executives and LA7 Finance Directors as appropriate.

Quarterly forecasts of outturn reports were presented to the Senior Leadership Team, Cabinet and Overview and Scrutiny Committees during the 2024/25 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.

The North East CA Chief Finance Officer is a key member of the Senior Leadership Team which meets weekly to discuss strategic and operational issues including budgetary issues.

Budget managers have access to up-to-date financial information but also get the support from the Authority's finance staff. Finance Business Partners meet with Directors as part of developing and then agreeing their budgets for the year. 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 needs 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.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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.

Our audit of the financial statements has not identified 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 the North East CA ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

There is an up-to-date Constitution (May 2024) in place.

Principles of decision making are set out in the Authority's constitution through the Cabinet Rules of Procedure 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 Authority, enhancing accountability and transparency of decision making and enabling local councillors to represent the views of their constituents. The Overview and Scrutiny Committee also investigate matters of significant importance to residents within the areas covered by the councils with a view to influencing decisions made in respect of all matters within the remit of the Authority.

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 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 of committees e.g. Audit and Standards Committee and Overview and Scrutiny Committee are held between key public meetings to discuss particular topics in depth and allow for informed challenge by members. The Cabinet is supported by 8 Advisory Boards which bring together key stakeholders to support and advise the Cabinet in steering and delivering the North East CA's strategies and programmes.

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

The Chief Executive leads a highly experienced senior officer team at the Authority, bringing together a strong breadth of public sector expertise drawn from both local government and central government.

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, which provides challenge in this area.

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

How the North East CA 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 Constitution is subject to an annual review to ensure it remains current, comprehensive, and aligned with evolving legislative requirements, governance best practices, and the strategic priorities of the Authority.

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.

The Authority has a Member/Officer Relations Protocol 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 Committee, Members are elected councillors of constituent local authorities and also subject to their own Councils' 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.

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

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

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 revenue and capital budgets. 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.

Performance updates are provided quarterly to the Finance and Investment Board on financial and non-financial performance against the funds managed by the Authority, including key outputs.

The Authority's Performance Management Framework was approved by the North East CA Cabinet in December 2025.

How the North East CA evaluates the services it provides to assess performance and identify areas for improvement

The North East CA Transport Plan sets out Key Performance Indicators that are designed to monitor the overall progress of the Transport Plan against three cross-cutting strategic themes for transport: A Healthier North East, A Better Environment and A More Inclusive Economy.

Performance indicators are also set out in the North East CA Corporate Plan and Local Growth Plan, as well as other specific programmes such as the Child Poverty Action Plan.

Performance updates on the various programmes managed by the Authority are provided to the Finance and Investment Board on a quarterly basis, including details of non-financial outputs.

Summary reports were provided to Cabinet setting out performance in the first year of the Authority.

An outcomes framework for the Integrated Settlement is currently in development, along with an overarching performance framework. Both will be finalised by 31 March 2026.

How the North East CA 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 its Commissioning and Procurement Rules which must be followed wherever the 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).

In addition to the specific provisions of the Procurement Procedure Rules, any procurement of goods, materials, works or services shall have regard to and seek to implement the following general principles:

- The need to ensure the Authority and those within its area obtain good value for money and are properly protected as consumers of the goods, works or services;
- The need to ensure and demonstrate true and fair competition, without unlawful discrimination;
- The need to ensure the procurement process is transparent and accountable and susceptible to full audit; and
- The need to ensure the elimination of any opportunities for fraud or corruption.

The Authority receives procurement services from Durham County Council via a Service Level Agreement and during 2024/25 also received some procurement services from Newcastle City Council. 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 both at the supporting local authorities and in-house are either fully qualified or studying for Chartered Institute of Procurement and Supply to ensure the highest performance standards are achieved.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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 Head of Transport Contracts.

How North East CA 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's Corporate Plan sets out what the Authority is delivering and will deliver in future using the powers and resources from the Devolution Deal and Deeper Devolution Deal.

Communications guidance has been developed for each funding stream to ensure that key stakeholders including delivery partners, elected members, and regional governance bodies are consistently informed about progress, milestones, and strategic developments.

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 relationship between the Authority and Nexus is set out in the Constitution.

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

We have not yet received clearance from the National Audit Office in respect of our work on the Authority's Whole of Government Accounts (WGA) submission. We are unable to issue an audit certificate until we receive this clearance.

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 24 June 2025 which was presented to the Audit and Standards Committee on 8 July 2025. This reflected the scale fee set by Public Sector Audit Appointments (PSAA) as part of the latest national procurement exercise.

There were additional fees as this was a first year audit, and these are included in the table below.

Having completed our work for the 2024/25 financial year, we are able to confirm the final fee for the audit as set out below. Any divergence from the scale fees set by PSAA Limited will require formal approval by them.

Area of work	2024/25 fees
Code Audit Work (PSAA Scale Fee)	£145,619
Additional fees in respect of 2024/25 audit for new accounting standard IFRS 16, Leases (not included in PSAA scale fee)	£5,000
Additional fees in respect of 2024/25 audit for the additional procedures required on a first year audit	£10,000
Total fees	£160,619

Fees for other work

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

Services provided to other entities within the Authority's group

Forvis Mazars serve as the appointed external auditor for the subsidiary entity, Nexus.

Appendices

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

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

Significant risks and audit findings

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

Risk	Our audit response and findings
<p>Management override of controls (Single entity and the Group accounts) This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>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. You should assess this risk as part of your oversight of the financial reporting process.</p>	<p>Our work provided the assurance we sought and there are no material issues to highlight.</p>
<p>Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and the Group accounts) 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.</p> <p>For the Authority we deem the risk to relate specifically to:</p> <ul style="list-style-type: none"> • 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. 	<p>Our work provided the assurance we sought and there are no material issues to highlight.</p>
<p>Net defined benefit liability / asset valuation (Single entity and 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.</p>	<p>Our work provided the assurance we sought and there are no material issues to highlight.</p>
<p>Opening Balances (Single entity and Group accounts) This being a first-year audit, there is a risk relating to the accuracy and completeness of the opening balances transferred from the previous North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA). This risk arises due to the complexities involved in the transfer process, including the potential for discrepancies or omissions in the recording and classification of opening balances.</p>	<p>Our work provided the assurance we sought and there are no material issues to highlight.</p>

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

Internal control observations for the Authority

Related Party Declarations

Description of deficiency

As part of the related parties review, it was identified that not all related party declaration forms had been obtained for the period under audit. Although forms are issued annually, some forms had not been completed and returned. This limits the completeness of the Authority’s records and reduces assurance that all relevant interests have been appropriately declared.

Potential effects

Where related party declarations are not obtained from all required individuals, there is a risk that relevant relationships or transactions may not be identified. This increases the potential for incomplete disclosures in the financial statements and may elevate the risk of undetected fraud, error, or perceived conflicts of interest

Recommendation

The Authority should ensure that related party declarations are completed and submitted on an annual basis by all senior officers and members. A formal follow-up process should be implemented to track outstanding forms and ensure all responses are obtained and reviewed in a timely manner.

Management response

Related party declaration forms are issued annually to senior officers and members for completion and return. We will strengthen our follow-up procedures to ensure that all responses are obtained, recorded and reviewed as part of the annual process. This will include clearer tracking of outstanding forms and timely reminders to individuals who have not yet responded. From April 2025 an online form has been introduced for senior officers’ declarations which includes automatic reminders.

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