



# Audit Completion Report

Gateshead Council

Year ending 31 March 2020

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Accounts Committee  
Gateshead Council  
Civic Centre  
Regent Street  
Gateshead  
NE8 1HH

October 2020

Dear Members

**Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 9 March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Signed: {{\_es\_:signer1:signature }}

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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Gateshead Council (the Council) for the year ended 31 March 2020, and forms the basis for discussion at the Accounts Committee meeting, which is currently arranged to meet on 2 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control (relevant to Council and Group accounts).
- Revenue recognition in relation to miscellaneous income (relevant to Council accounts only).
- Defined benefit liability valuation (relevant to Council and Group accounts).
- Property, plant and equipment valuation (relevant to Council accounts only).

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

Subject to the satisfactory completion of the remaining audit procedures, we anticipate issuing an unqualified opinion on the financial statements, including drawing attention to the Valuer's material uncertainty statement in the key audit matter on property, plant and equipment. This relates to the impact of COVID-19, which is disclosed in Note 17 of Council's financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B

### Whole of Government Accounts (WGA)

The timetable for the Council's WGA submission has not yet been published by MHCLG, and NAO have not yet issued auditors with their group instructions. We will complete the required work to the MHCLG timetable as soon as possible once these details have been clarified .

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

# 1. EXECUTIVE SUMMARY (CONTINUED)

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	Work to be finalised. The assurance from the Pension Fund auditor has not yet been received and considered.
Property, plant and equipment	●	Work to be finalised, including consideration of the valuation of the Council's shared waste facility.
Valuation of short and long-term debtors	●	Our work is ongoing in this area.
Other areas	●	Our work is on-going in a number of areas. Including a review of the Council's assessment of going concern
Group accounts	●	Work to be finalised, including consideration of final assurance from the component auditor (KPMG).
Closing procedures	●	Review and closure processes, including consideration of post balance sheet events and checking the revised financial statements.

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Accounts Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £14.173 million (Council) and £14.274 million (Group) using a benchmark of 2% of Gross Revenue Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £12.971 million (Council) and £12.977 million (Group), using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Accounts Committee at £0.389 million (Council and Group) based on 3% of overall materiality.

# 1. EXECUTIVE SUMMARY (CONTINUED)

## Overview of our group audit approach

Our Audit Strategy memorandum provided details of our intended group audit approach, including our initial assessment of group materiality. The table below confirms the approach we have taken to auditing the Council's consolidated financial statements.

Entity	Nature of entity audit	Auditor	Description of audit procedures undertaken on the component	Changes to audit approach
Gateshead Council (parent)	NAO Code audit	Mazars LLP	A full audit of the Council financial statements and consolidation process	None
The Gateshead Housing Company (subsidiary)	Statutory audit (FRS102)	KPMG	We undertook specific audit procedures relating to the company's net pension liability as reported in the Group financial statements. We also undertook desktop group analytical procedures on the financial information prepared for group reporting purposes using component materiality	None

As disclosed in note 15 of the financial statements Related Party Transactions the Council has applied a consideration of materiality in determining which of its subsidiaries, associates and joint ventures to consolidate into its Group financial statements which has resulted in only one subsidiary being consolidated.

The Council's consideration of the material impact of these interests on its Group financial statements is in accordance with the applicable financial reporting framework

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Accounts Committee in a follow-up letter.



## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls (relevant to Council and Group accounts)	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.
	<b>How we addressed this risk</b>
	We addressed this risk through performing audit work over: <ul style="list-style-type: none"><li>• Accounting estimates impacting on amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul>
	<b>Audit conclusion</b>
	Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Revenue recognition (relevant to Council accounts only)	<p>Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable. We have concluded that we can rebut the presumption of a revenue recognition risk for the majority of the Council's revenue streams, consisting largely of taxation, business rates and grant income.</p> <p>However, we do not feel that sufficient scope exists to rebut this risk in respect of the recognition of fees, charges and other income given the demand led nature of these revenue streams. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p> <hr/> <p><b>How we addressed this risk</b></p> <ul style="list-style-type: none"><li>• substantively tested fees, charges and other income to ensure it had been correctly classified and recognised;</li><li>• tested journals; and</li><li>• obtained direct confirmation of year-end bank balances and tested the reconciliations to the ledger.</li></ul> <hr/> <p><b>Audit conclusion</b></p> <p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.</p> <hr/>

Significant risk	Description of the risk
Defined benefit liability valuation (relevant to Council and Group accounts)	<p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p> <p>The risk has increased as a result of the economic downturn arising from COVID-19.</p> <hr/> <p><b>How we addressed this risk</b></p> <ul style="list-style-type: none"><li>• we discussed with key contacts the significant changes to the pension estimates;</li><li>• in addition to our standard programme of work in this area, we evaluated the management controls in place to assess the reasonableness of the figures provided by the Actuary; and</li><li>• considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is carried out annually by the NAO's consulting actuary (PWC).</li></ul> <hr/> <p><b>Audit conclusion</b></p> <p>Subject to the completion of outstanding work, our work has provided the assurance sought. At this stage we have not identified any errors in respect of the valuation of pensions, but await assurance from the pension fund auditor.</p> <hr/>



## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Property, plant and equipment valuation (relevant to Council accounts only)	<p>The 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 (PPE).</p> <p>Although the Council employs an external valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk.</p> <p>The risk has increased as a result of the economic downturn arising from COVID-19.</p> <p>We note also the Valuation Practice Alert issued by the valuation body The Royal Institute of Chartered Surveyors (RICS) recently. This highlighted the use by valuers, where appropriate, of material uncertainty declarations in their valuation reports.</p>

### How we addressed this risk

- we considered the Council's arrangements for ensuring that PPE values are reasonable;
- we used an external expert (Gerald Eve) to provide data to enable us to assess the reasonableness of the valuations provided by the Council's valuer;
- we used an external expert (Cluttons) to provide data to enable us to assess the reasonableness of the valuation of the Council's waste facility;
- we also assessed the competence, skills and experience of the valuer; and
- where necessary we also performed further audit procedures on individual assets to ensure that the basis and level of revaluation was appropriate.

### Audit conclusion

The valuers followed guidance issued by the Royal Institute of Chartered Surveyors and their valuation reports disclosed a "material valuation uncertainty" in relation to the valuation of the Council's land and buildings. The draft financial statements made no reference to this material valuation uncertainty which would have added to users understanding of the accounts. The accounts have now been amended to include, in Note 17, a reference to COVID-19 and the fact that valuations have been reported on the basis of "material uncertainty"

We plan, in line with normal practice, to include reference to this disclosure as an 'emphasis of matter' in our audit report. The purpose of this paragraph is to draw attention to this disclosure, it is not a qualification and does not modify our proposed unqualified opinion on the financial statements.

Our draft Auditor's Report at Appendix B includes a draft emphasis of matter paragraph (as highlighted on page 25 of this report). The draft wording is subject to our internal review processes, and if this wording subsequently changes we will provide an update in the follow up letter to the Accounts Committee when the audit is completed, as noted on page 4 of this report.

Work is ongoing in relation to the valuation of the Council's shared waste facility and also the current valuation of primary schools

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of short and long-term debtors	<p>There is an increased risk that the valuation of debtors, both short and long-term, will be impacted by the economic downturn.</p> <p>The Council's long-term debtors includes loans to other bodies and Newcastle Airport.</p> <p>The Council also has provided for the potential impairment of short-term debtors which may be impacted by the economic downturn.</p>
	<p><b>How we addressed this risk</b></p> <p>We:</p> <ul style="list-style-type: none"><li>critically reviewed the basis of valuation of short and long-term debtors;</li><li>challenged the assumptions made by the Council; and</li><li>required specific representations from management.</li></ul>
	<p><b>Audit conclusion</b></p> <p>Subject to the completion of outstanding work, our work has provided the assurance sought.</p>

Enhanced risk	Description of the risk
Valuation of long-term investments (Airport shares and other investments)	<p>The Council has to make judgements in respect of the fair value measurements of unquoted equity investments it holds, namely Newcastle Airport.</p> <p>The risk has increased as a result of the economic downturn arising from COVID-19.</p>
	<p><b>How we addressed this risk</b></p> <p>We:</p> <ul style="list-style-type: none"><li>assessed the basis of valuation for the Council's shares in the Airport;</li><li>critically reviewed the assumptions made by management; and</li><li>assessed whether disclosures were in line with the Code of Audit Practice.</li></ul>
	<p><b>Audit conclusion</b></p> <p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.</p>

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Council's accounting practices

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting (the Code). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council by 7 July, ahead of the revised deadline of 31 August 2020 and were of a good quality and supported by comprehensive working papers. Given the impact of COVID-19 the whole audit was completed remotely.

### Significant matters discussed with management

Over and above our challenge of management's judgements and assertions made in producing the financial statements, the following significant matters were discussed with management:

- the impact of COVID-19 on the Council's financial statements, including the potential impact on risks of material misstatement;
- the valuation of the Council's land & buildings, as reported elsewhere in this report, including the Valuer's material uncertainty statement, as disclosed in Note 17 of the financial statements, due to COVID-19;
- the valuation of the shared PFI waste facility, for which the Council engaged its own expert, due to the specialist nature of the asset and therefore we similarly engaged an expert;
- the significant variances arising from the triennial valuation of the Pension Fund;
- the external valuation and the assumptions made in the downward valuation of the Airport shares, as well as the expected credit loss for the Council's long-term loan notes to the Airport;
- the calculation of the impairment of debtors allowance and the impact of the economic downturn; and
- the Council's assessment of whether there are any post balance sheet events.

### Significant difficulties during the audit

The impact of the COVID-19 pandemic on the audit has been significant. We have had the full co-operation of officers and Council management during what has been a challenging audit period. These challenges have been resolved through the dedication and support provided by officers.

### Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2019/20 audit.

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

### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	3
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	1



### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Other deficiencies in internal control – Level 2

##### Description of deficiency

When preparing Note 10 Government & non-government grants of the financial statements the data as per Agresso is taken and then manual amendments are made. Given the quantity of data, this year it amounted to over 8,000 lines, manual review is very time consuming and is prone to errors.

##### Potential effects

When large amounts of data are involved manual preparation can lead to errors. Our audit identified a number of small errors in terms of value.

##### Recommendation

Data from Agresso should require as little manipulation as possible when preparing the financial statements

##### Management response

Awaiting management response

##### Description of deficiency

Beacon property records should be updated. In our testing we became aware that the same property was aligned to two Beacons (Springwell Tarslag and Springwell Dorrان) which would indicate there is little difference in these Beacons.

##### Potential effects

Incorrect valuations of council dwellings.

##### Recommendation

Review Beacon properties to ensure they are appropriate. Ensure individual addresses aligned to the Beacon property are appropriate.

##### Management response

Awaiting management response



### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Description of deficiency

Errors were identified in relation to the calculation of bad debt provision for council tax debt, business rates debt and housing benefit overpayments debt. The error in calculating bad debt provision for housing benefit overpayments debt has been ongoing for a number of years.

#### Potential effects

Provision for bad debts is misstated which could result in a material misstatement in the accounts

#### Recommendation

All bad debt provision calculations should be reviewed to ensure they have been correctly calculated

#### Management response

Awaiting management response

#### Other recommendations on internal control – Level 3

#### Description of deficiency

On the Housing Rents walkthrough, the formal document which approves sign off of the rent calculations has not been signed by an accountant and business partner

#### Potential effects

Incorrect rent charges are made

#### Recommendation

Sign off of the rent calculations should be made by an accountant and business partner

#### Management response

Awaiting management response

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Follow up of previous internal control points

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

#### Description of deficiency

There is no up to date service level agreement (SLA) in place between the Council and The Gateshead Housing Company (TGHC).

#### Potential effects

This may lead to arrangements between the two parties being out of date

#### Recommendation

Given the services provided by TGHC to the Council, the current SLA needs to be up to date

#### 2019/20 update

Following the Cabinet decision on 16 July 2019, a revised management fee letter was agreed which included specific key performance indicators (KPI's) to strengthen the Council's oversight of TGHC's performance. An updated schedule of performance meetings between TGHC and the Council was also agreed as part of the process.

#### Description of deficiency

Our work identified that the rules relating to privilege accounts were not outlined in the IT Security policy nor in the other standard, procedures and policies.

#### Potential effects

Although high privilege access to IT systems is only granted to authorised staff, without clear guidance on who they should be issued to and how they should be used, there could be inappropriate or fraudulent accesses to IT resources and/or fraudulent or unintentional data alteration or entry

#### Recommendation

Create policies for privilege accounts.

#### 2019/20 update

No evidence found of weaknesses in relation to this control in 2019/20 testing. Recommendation not repeated

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Description of deficiency

We undertook 100% testing of leavers during 2018/19 to determine if access from the following IT systems - Active Directory, Agresso, Capita, iTrent or CareFirst - had been removed within one week of leaving dates as recorded by Human Resources (HR). We identified that

- 2 leavers did not have access to Active Directory removed within one week of leaving;
- For Agresso system 7 leavers identified who had not been removed from the system as at the date of testing. Mitigating controls were in place, in that all of these leavers had been removed from the Active Directory;
- Within Capita system 2 leavers were identified who had not been deactivated on Capita however in both cases access to Active Directory had been removed;
- Within CareFirst system one leaver still had access to this system however Active Directory access had been promptly removed.

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#### Potential effects

If leavers continue to have access to IT systems when they are no longer employees there is a risk of

- Inappropriate or fraudulent accesses to IT resources
- Fraudulent or unintentional data alteration or entry.

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#### Recommendation

Ensure that existing policies and procedures are always implemented to ensure that Assyst tickets are raised for leavers and/or that HR reports are complete.

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#### 2019/20 update

No evidence found of weaknesses in relation to this control in 2019/20 testing. Recommendation not repeated

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#### Description of deficiency

The iTrent and Capita system users are not regularly reviewed to identify any out of date user accesses.

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#### Potential effects

Staff who no longer require access to systems should be promptly removed to prevent inappropriate or fraudulent accesses to IT resources or fraudulent or unintentional data alteration or entry.

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#### Recommendation

Officers should ensure that the access rights of out of date users are removed.

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#### 2019/20 update

No evidence found of weaknesses in relation to this control in 2019/20 testing. Recommendation not repeated

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## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.389 million.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements 2010/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Insurance provision Cr: Communities and environment – expenditure  Being overprovision in relation to one specific insurance claim which will be settled in future years		450	450	
2 Dr: Long term debtors Cr: Short term debtors - bodies external to general government  Audit testing of a sample of short term debtors identified that in one instance a payment arrangement had been made which meant debt was being repaid over a number of years. Council undertaken further work and identified additional debtors which should also be shown as long term including interest due on airport loan notes			926	926
<b>Total unadjusted misstatements</b>	<b>0</b>	<b>450</b>	<b>1376</b>	<b>926</b>

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Adjusted misstatements 2019/20

Council	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Deficit on financial assets measured at fair value through other comprehensive income Cr: Financing & investment income & expenditure (interest receivable & similar income)	3,882		
				3,882
	Being reanalysis of the deficit recognised on the investment in Newcastle airport to the appropriate line in CIES			
2	Dr: Bad debt provision Cr: CIES - council tax income and business rates retained			5,345
			5,345	
	Bad debt provision overprovided This also impacts on Collection Fund statement as bad debt provision for business rates should be decrease of £219k and increase in provision for council tax should be £468k so total increase is £249k not £9,540k - £9,291k difference			
	<b>Group</b>	3,425		
3	Dr: Housing, environment & health communities expenditure Cr: Housing, environment & health communities income			
			3,425	
	Being correction of error made when determining group income and expenditure. This was originally netted off and included below the line (nil net figure) however should have been disclosed above line as part of Housing, environment & health			

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Disclosure amendments

Our audit identified a number of presentational and disclosure errors which have been amended. Only those which are considered significant have been listed here:

- The impact of COVID-19 on PPE valuations has been considered by the valuer and as a consequence the valuation report includes a RCIS material valuation uncertainty clause. The draft financial statements made no reference to this material valuation uncertainty which would have added to users understanding of the accounts. The accounts have now been amended to include in Note 17 (Property, plant and equipment) a reference to COVID-19 and the fact that valuations have been reported on the basis of “material uncertainty”
- Note 8 Expenditure and Funding Analysis (EFA) – A number of inconsistencies were identified between Table 2 and Note 6a (Adjustments between accounting basis and funding under regulations)
- Note 8 EFA – A number of figures in table 3 have been amended due to errors being identified in relation to internal recharges.
- Note 10 Government and non-government grants - two account codes were omitted from the original client working paper and correction for this resulted in specific government grants attributable to services Department for Education increased from £119.847 million to £124.374 million.
- Note 10 government and non government grants and Note 8 EFA – audit sample testing of Note 10 identified some inconsistencies between disclosures in Note 10 and Note 8. The Council were already aware that an error had been made when preparing Note 10 as the figure in Note 10 for “other revenue contributions attributable to services” was not the same as figure in Note 8 “other grant, reimbursements and contributions” (£56.632 million compared to £55.461 million) and were reviewing their working papers to establish which was the correct figure to disclose. Both figures have been amended to £56.210 million with amendments then required in other lines within both notes to ensure internal consistency.
- Note 11 operating leases – The disclosure note was incomplete as Public Sector plc (PSP) leases had been omitted. Once included, the note now reads:
  - not later than one year should be £3.901 million (£1.537 million per draft)
  - later than one year and not later than five years should be £12.885 million (£2.996 million per draft) and
  - later than five years should be £141.655 million (£5.443 million per draft).
- Note 14 Officers remuneration – Whilst the Director of Economy, Innovation and Growth was correctly included in the Remuneration of senior employees 2019/20 table for the period from 01/11/19, they should also have been displayed in the employees earning over £50,000 (in the £60,000 to £65,000 banding) to cover the period 1/4/10 to 31/10/20.
- Note 15 Related party transactions - Work on cash and bank identified that PSP should be included in this note as a related party.
- Note 15 Related party transactions – The disclosure relating to Newcastle airport included a paragraph showing £67.665 million loan notes issued between NIAL and LA7. The Note has been expanded to disclose the value of the Council’s share of the loan notes.
- Note 17 Property, plant and equipment – The figures in a number of tables had been input incorrectly and were subsequently amended.
- Note 19 Capital Commitments and capital financing - Assets acquired under PFI/PPP contracts were incorrectly disclosed in the draft accounts as 2018/19 figures had been used and not 2019/20.

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Disclosure amendments

- Note 25 Employee benefits – In the actuarial assumptions table, the Group figures for the rate of increase to deferred pensions and the rate of increase in salaries were incorrect in the draft accounts.
- Note 26 Financial instruments – This note has been amended to provide information with regards to the aged or impaired debtors for non-financial assets.
- Cash flow statement - audit work identified that the 'increase in debtors' needed to be reduced by £4.136 million and the line "other non-cash movement" increased by £4.136 million.
- Housing Revenue Account - note 3 vacant possession value – The vacant possession value of lock up garages was incorrectly disclosed.
- Collection Fund statement - The precept figures for Tyne and Wear Fire Authority (TWFA) and Northumbria Police and Crime Commissioner (NPCC) had been incorrectly disclosed, with the TWFA precept showing the NPCC figure and vice versa.

## 5. VALUE FOR MONEY CONCLUSION

### Our approach to Value for Money

We are required to form a conclusion 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 conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making.
- Sustainable resource deployment.
- Working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Council have clear decision-making processes in place along with clear governance structures which are reviewed regularly and updated when necessary to ensure they remain fit for purpose.</p> <p>A formal Council Constitution is in place that sets out the scheme of delegation for decisions. This was updated in May 2019 and is available on the Council's website.</p> <p>The Council's system of internal control is subject to review by Internal Audit, who have given an opinion that there continues to be an adequate system of internal control in place.</p> <p>The Annual Governance Statement provides a summary of the governance framework and management organisational arrangements in place to ensure informed decision-making and explains how assurance on the effectiveness of these arrangements in the year has been provided to the Audit and Standards Committee.</p>	Yes
Sustainable resource deployment	<p>Council formally approved the 2019/20 budget of £206.999 million at the meeting on 21 February 2019. During the year, the Council received a further £0.263 million of funding in relation to the Better Care fund, resulting in total available revenue funding of £207.262 million.</p> <p>Included within the approved budget was the requirement to achieve savings of £13.113 million during the year (see below for the results of our work on these savings).</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>Cabinet received the 2019/20 outturn report on 23 June 2020. The report identified an overall surplus of £0.237 million. In addition, the Council received an in-year VAT refund of £3.893 million in relation to Leisure Services, resulting in an overall surplus of £4.130 million. This outcome extends the Council's track record of delivering increasingly challenging revenue outturns within budget.</p> <p>The Council ended 2019/20 with general reserves of £11.058 million, a reduction of £3.749 million from 2018/19. A further £43.391 million is held in earmarked general fund reserves.</p> <p>The level of general fund balances is approved annually by Council as part of the MTFS review. The Capital Strategy reflects the Council's priorities. All capital schemes are appraised and prioritised to ensure they reflect the key investment requirements in this strategy. The implications of the capital programme are appropriately reflected in the MTFS.</p> <p>In our Audit Strategy Memorandum we identified a significant risk in relation to this criteria. In order to assess the robustness of the Council's plans, we have:</p> <ul style="list-style-type: none"> <li>• completed testing of the achievement of the Council's monitoring and action plans for a sample of savings included in the budget;</li> <li>• reviewed the updated Medium-Term Financial Strategy;</li> <li>• reviewed budget monitoring reports and other finance updates; and</li> <li>• reviewed progress in identifying further savings.</li> </ul> <p>Our findings from this work are outlined below.</p> <p><b>Achievement of 2019/20 savings programme</b></p> <p>Included within the approved budget was the requirement to achieve savings of £13.113 million during the year (see below for the results of our work on these savings). This target was made up of individual projects, each with a savings target. These amounts were deducted from base budget allocations. If any service identified that it could not meet any of the savings identified then it was required to make alternative savings from other budgets within the service.</p>	

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment (continued)	<p>The final outturn for achieved savings was £10.470 million, meaning that the Council achieved approx. 80% of the target, a substantial increase on the 2018/19 saving of 58% . The unachieved savings being have been carried forward into 2020/21. This highlights the ongoing challenge to achieve savings in a financially challenging environment. However the Council managed to make compensating savings elsewhere to achieve a reported underspend of £0.237 million.</p> <p>We tested a sample of the 2019/20 savings plans and assessed delivery against the target level of savings. The main issues identified were in relation to the non delivery of savings relating to Children, Adults &amp; Families, Public Health &amp; Wellbeing and Housing, Environment &amp; Healthy Communities. Work is ongoing to strengthen arrangements in this area.</p> <p><b>Arrangements for achievement of 2020/21 savings programme</b></p> <p>Included in the Council's 2020/21 budget, approved by Council on 27 February 2020, is a savings target of £0.451 million. Officers have carried out detailed work in this area and have identified savings plans for a number of individual projects to achieve this target.</p> <p>The same detailed monitoring arrangements for the savings plans remain in place. Based on our review of the arrangements in place and management's responses to our challenge on the deliverability of a sample of savings plans we have no issues to report however officers do acknowledge that achieving the required savings remains challenging.</p> <p><b>Review of 2021/22 savings target</b></p> <p>The Councils medium term financial strategy has identified a 2021/22 funding gap of £16.260 million. The process of working with Directorates to identify savings has already began. When a list of savings schemes has been identified, due by Autumn 2020, it will then be challenged by both officers and members before being subject to a public consultation exercise which is due to begin in late 2020. The outcome of this consultation will be fed back into the process before a detailed savings plan will be produced and challenged as part of the 2021/22 budget process.</p>	

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment (continued)	<p><b>Review of the Medium Term Financial Strategy (MTFS)</b></p> <p>The MTFS sets the financial context for the Council's resource allocation process and budget setting.</p> <p>Cabinet received the latest version of the MTFS in October 2019, based on a financial forecast over a rolling 5 year timeframe from 2021/22 to 2025/26. This was produced to ensure resources were aligned to the outcomes in the Corporate Plan - Making Gateshead a place where everyone thrives.</p> <p>Despite the ongoing COVID-19 issues, work on the MTFS refresh is progressing well. The Council's financial challenge, based on current the current MTFS outlines a funding gap of £41.9 million over the next four years.</p> <p>The cumulative impact of the financial pressures means that the Council's ability to deliver the budget from underspends in other areas continues to diminish.</p>	
Working with partners and other third parties	<p>The Council continues to have written procedures for procuring products and services, which are within its Constitution. Contract Procedure Rules outline the financial regulations currently in place.</p> <p>The Council's risk register includes a strand on partnership working due to the importance of this area. It is involved in a number of significant partnerships, including:</p> <ul style="list-style-type: none"> <li>• Patrizia Limited and Ask Real Estate Limited;</li> <li>• Gateshead Regeneration Partnership; and</li> <li>• South Tyne and Wear Waste Management Partnership</li> </ul>	Yes





# 5. VALUE FOR MONEY CONCLUSION

## Overall assessment ('reality check')

Having gathered evidence in each area we have conducted a final 'reality check', which included consideration of our cumulative knowledge of the Council and, in particular:

- reports by statutory inspectorates, other regulators and external advisors;
- achievement of performance and other targets; and
- performance against budgets and other financial targets.

We do this to identify anything that would make us reconsider our conclusion

Evidence	Auditor assessment
<b>Outputs by statutory inspectorates or other regulators</b>	We have considered the latest reports from both OFSTED and CQC are part of our work. Inspections carried out by the above bodies did not identify issues that would make us reconsider our conclusion.
<b>Achievement of performance and other targets</b>	Our review of the 'Value for Money Profiles' (based on data from Public Sector Audit Appointments) did not identify any indicators which would suggest weaknesses in the Council's arrangements, or any information contrary to our knowledge of the Council.
<b>Performance against budgets and other financial targets</b>	We reviewed the Council's Year End Assessment of Performance and Delivery 2019/20 reported in September 2020. This did not identify any matters suggesting a material weakness in the Council's arrangements or any information contrary to our knowledge of the Council.

## Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mr Cameron Waddell  
Partner  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS

Date: X October 2020

### **Gateshead Council and Group - audit for year ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of Gateshead Council (the Council) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

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

### **My responsibility for the financial statements and accounting information**

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

### **My responsibility to provide and disclose relevant information**

I have provided you with:

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

I confirm as Strategic Director, Resources and Digital that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### **Accounting records**

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

### **Accounting policies**

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

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Accounting estimates, including those measured at fair value

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

### Contingencies

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

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

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

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

### Laws and regulations

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

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

### Fraud and error

I acknowledge my responsibility as Strategic Director, Resources and Digital for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

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

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### Charges on assets

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

### Impairment review

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

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Future commitments

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

### Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2019/20 in relation to the Council's PFI schemes that you have not been made aware of.

### Subsequent events

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

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

### Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Council and Group, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

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

### Unadjusted misstatements

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

Yours faithfully

Strategic Director, Resources and Digital: .....

Date: .....

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of Gateshead Council and Group

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Gateshead Council and Group for the year ended 31 March 2020, which comprise the which comprise Council and Group Movement in Reserves Statement, Council and Group Comprehensive Income and Expenditure Statement, Council and Group Balance Sheet, Council and Group Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31<sup>st</sup> March 2020 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

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

#### THE WORDING OF THIS PARAGRAPH IS SUBJECT TO INTERNAL REVIEW AND IS SUBJECT TO CHANGE

##### Emphasis of Matter

###### Material uncertainty relating to valuations of land and property

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 17 to the financial statements concerning the material valuation uncertainty statements made by the Council's valuers.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director, Resources and Digital's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director, Resources and Digital has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's and Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

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

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

We have nothing to report in this regard.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Responsibilities of the Strategic Director, Resources and Digital for the financial statements

As explained more fully in the Statement of Responsibilities, the Strategic Director, Resources and Digital is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Strategic Director, Resources and Digital is also responsible for such internal control as the Strategic Director, Resources and Digital determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Strategic Director, Resources and Digital is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Strategic Director, Resources and Digital is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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

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

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

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

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

We have nothing to report in these respects.

### Conclusion on Gateshead Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Gateshead Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Use of the audit report**

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

### **Delay in certification of completion of the audit**

We can not formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Cameron Waddell  
Key Audit Partner  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS

X October 2020

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# APPENDIX C INDEPENDENCE

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

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





## CONTACT

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