

# Audit Progress Report

Gateshead Metropolitan Borough Council

Audit and Standards Committee  
April 2023



1. Audit Progress
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# 01

Section 01:  
**Audit Progress**

# 1. Audit progress

## **Purpose of this report**

This report provides the Audit and Standards Committee with an update on progress in delivering our responsibilities as your external auditors. It also includes, at Section 2, a summary of recent national reports and publications for your information.

## **2021/22 Audit**

This April progress report provides an update to the position set out in our March progress report.

Our audit of the 2021/22 financial statements is virtually complete. Since our last progress report, we have received the outstanding Pension Fund auditor assurance, which did not highlight any significant issues. We will report our formal findings, as in previous years, in a follow-up letter to our Audit Completion Report.

## **2022/23 Audit**

The timeline for the 2022/23 audit is set out on the following page.

Our planning and interim work are ongoing following the introduction of the new ISA315(r) standard, as previously reported to the Audit and Standards Committee in our February 2023 progress report. From our planning work so far, there are no new significant risks to highlight to the Committee for 2022/23 and no new independence issues we are required to report to you, noting that our risk assessment is continuous, right up until when the auditor's opinion is given; in particular we will update our risk assessment upon receipt of the draft 2022/23 financial statements and will report any changes to this Committee. We intend to issue our Audit Strategy Memorandum to the next Audit and Standards Committee meeting

There is a change of Engagement Lead for 2022/23, due to rotation rules; Cameron Waddell will be replaced by James Collins. There will also be a change of Engagement Manager, from Diane Harold to Joanne Greener. Diane will work closely with Joanne as part of the handover and completion of the 2021/22 audit.

# Audit timeline

Under the Accounts and Audit Regulations, the Council is required to publish its draft statement of accounts for 2022/23 by the end of May and publish audited statements by the end of September. The timetable is subject to a number of assumptions and we will update the Committee on any significant changes that we agree with the Council.

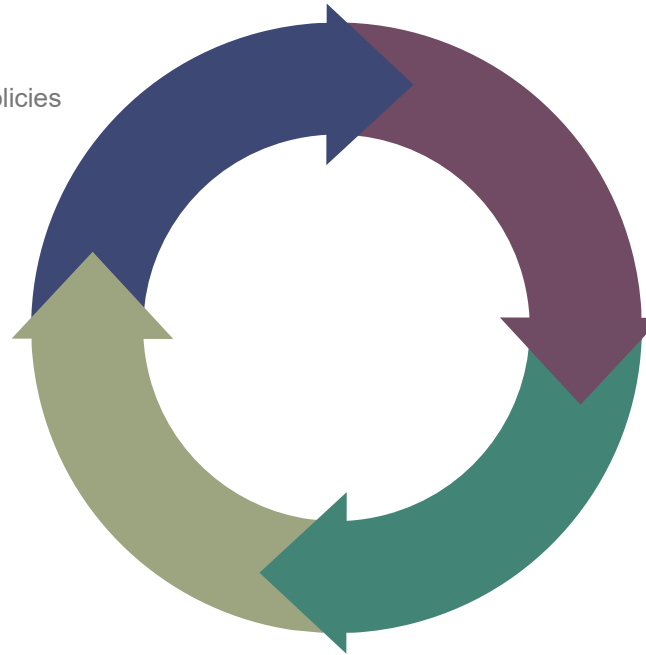
## Planning January-March

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

## Completion September\*

- Final review and disclosure checklist of financial statements
- Final review of the financial statements by our technical team (required for larger audits)
- Final partner and Engagement Quality Control Reviewer review
- Agreeing content of letter of representation
- Reporting to the Audit and Standards Committee and Accounts Committee
- Reviewing subsequent events
- Signing the auditor's report

*\* depending on timing of receipt of the Pension Fund auditor assurance*



## Interim March-April

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork July-September\*

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

*\*subject to receipt of the financial statements at the beginning of July*

# Value for money

## The framework for Value for Money work

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

We undertake our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility is to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

## Specified reporting criteria

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

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

## Our approach

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

Planning and risk assessment	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none"><li>• NAO guidance and supporting information;</li><li>• information from internal and external sources including regulators;</li><li>• knowledge from previous audits and other audit work undertaken in the year; and</li><li>• interviews and discussions with staff and Members.</li></ul>
Additional risk based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none"><li>• significant weaknesses identified and our recommendations for improvement; and</li><li>• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.</li></ul>

# 5. Value for money

## **Identified risks of significant weaknesses in arrangements**

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

Although we have not fully completed our planning and risk assessment work, work completed to-date has not identified any risks of significant weaknesses in arrangements.

We will report any identified risks to the Audit and Standards Committee and Accounts Committee, if any arise, as part of our continuous risk assessment procedures.

# 02

Section 02:

**National publications**



# National publications

	Publication/update	Key points
National Audit Office (NAO)		
1	<b>Tackling fraud and corruption against local government (March 2023)</b>	Outside of tax and welfare, government still lacks robust assessments of where and what its fraud risks are, and most public bodies cannot demonstrate that they have counter-fraud resources commensurate with the risk.
Local Government Association		
2	<b>Local Leadership Framework for Councillors (March 23)</b>	The purpose of this framework is to support councillors in their local leadership role as they work with local communities to make a difference. It includes suggestions, prompts and further resources.

# NATIONAL PUBLICATIONS

## NATIONAL AUDIT OFFICE (NAO)

### 1. Tackling fraud and corruption against local government (March 2023)

This report focuses on fraud and corruption against government and, therefore, the taxpayer.

The report sets out that government has made some progress since the NAO last reported in 2016. It has established the Government Counter Fraud Function (GCFF) and the Government Counter Fraud Profession (GCFP). More recently it established the Public Sector Fraud Authority (PSFA) to improve its understanding of fraud attacks against government and to improve the standards of the counter-fraud function and profession.

However, outside of tax and welfare, government still lacks robust assessments of where and what its fraud risks are, and most public bodies cannot demonstrate that they have counter-fraud resources commensurate with the risk.

The creation of the PSFA presents the opportunity for a renewed focus on fraud and corruption.

The report includes:

- types of fraud and corruption risks across government and where they have been measured; and
- good practice guidance relevant to tackling fraud and corruption against government.

<https://www.nao.org.uk/reports/tackling-fraud-and-corruption-against-government/>

# NATIONAL PUBLICATIONS

## LOCAL GOVERNMENT ASSOCIATION (LGA)

### 2. Local Leadership Framework for Councillors (March 23)

The purpose of this framework is to support councillors in their local leadership role as they work with local communities to make a difference. It includes suggestions, prompts and further resources.

The framework builds on the roles and skills set out in 'The 21st-century Councillor' research report – which sets out seven key future roles for councillors. These show how councillors are adapting to a series of new challenges such as perma-austerity, evolving citizen expectations, new technologies, different scales of working and the changing organisation of public services at local level. The leadership skills in this framework will enable councillors to fulfil the 'seven roles of the 21st-century councillor', identified in the research report namely:

- steward of place – working across the local area in partnership with others
- advocate – acting to represent the interests of all citizens
- buffer – seeking to mitigate the impact of austerity on citizens
- sensemaker – translating a shift in the role of public services and the relationship between institutions and citizen
- catalyst – enabling citizens to do things for themselves, having new conversations about what is now possible
- entrepreneur – working with citizens and partners to encourage local vitality and identify creative new solutions
- orchestrator – helping broker relationships, work with partners and develop new connections.

<https://www.local.gov.uk/publications/local-leadership-framework-councillors#about-this-framework>

# Contact

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