

**Title of Report:      Audit Completion Report Year Ended 31 March 2022 and  
Gateshead Council Statement of Accounts 2021/22**

**Report of:             Darren Collins, Strategic Director, Resources and Digital**

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## **Purpose of the Report**

- 1    This report updates the Audit and Standards Committee on the outcome and findings of the audit of Gateshead's Statement of Accounts 2021/22 by the Council's external auditor Mazars.

## **Background**

- 2    The Accounts and Audit Regulations 2015 require that the Council's Statement of Accounts should be approved by a committee. In Gateshead's governance framework, this is the Accounts Committee. However, best practice guidance outlines that the Audit and Standards Committee should also review the financial statements and external auditor's opinion. Review by this Committee is an additional step in the process to comply with best practice.
- 3    The Accounts and Audit (Amendment) Regulations 2021 extended the statutory deadlines for the publication date for final, audited accounts from 31 July to 30 September. The Accounts and Audit (Amendment) Regulations 2022 further updated the deadline from 30 September to 30 November for 2021/22.
- 4    The annual audit of the Council's Statement of Accounts and use of resources has now been substantially completed for 2021/22 and the Council's external auditor, Mazars has issued its Audit Completion Report, subject to the completion of outstanding work.
- 5    The Audit Completion Report covers:
  - The Council's Statement of Accounts including significant findings, internal control recommendations, and a summary of adjusted and unadjusted misstatements;
  - The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The primary output of Mazars work on the Council's approach to Value for Money is the commentary on those arrangements that form part of the Annual Report. Mazars intend to issue the Annual Report no later than three months after the report on the financial statements is signed.

- 6 The external auditor's report is attached at Appendix 1 and the Council's Statement of Accounts (subject to outstanding work) is attached at Appendix 2.
- 7 Although Mazars anticipate completing their work by the end of November, it should be noted that they also place reliance on the work of other auditors, including Ernst and Young (EY) work to give assurance on the Tyne and Wear Pension Fund (TWPF) disclosures in the Council's Statement of Accounts.
- 8 An update position will be presented to the Committee by Mazars. A follow-up letter will be provided, prior to signing the auditor's report.

### **Audit Completion Report**

- 9 Mazars' Audit Completion Report is included as Appendix 1 to this report. The key messages are as follows:
  - Audit Opinion – At the time of issuing the report, and subject to satisfactory conclusion of the remaining audit work, Mazars anticipate issuing an unqualified opinion, without modification, on the financial statements. However, this is subject to the conclusion of matters in relation to infrastructure.
  - Identified misstatements – the auditor's work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is set out in the report. Further work is ongoing in relation to the audit of revised actuarial disclosures, and the accounting treatment following the decision to bring The Gateshead Housing Company back within the Council.
  - Value for Money – at the time of issuing the report, Mazars anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.
  - Whole of Government Accounts (WGA) – the timetable for the Council's submission for 2021/22 has not yet been published. Audit work will commence once such instructions have been received.
  - Wider Powers – the Local Audit and Accountability Act 2014 requires the auditor to give an elector, or any other representative of the elector, the opportunity to question them about the accounting record of the Council and to consider any objection to the accounts. No questions or objections have been received.
- 10 On 17 November 2020, Cabinet agreed to the integration of the management and maintenance of the Council's housing stock back into the Council with effect from 1 April 2021. This resulted in the cessation in the operation of The Gateshead Housing Company (TGHC) and its governance arrangements. The Council's draft Statement of Accounts submitted for audit on 29 July 2022 accounted for this using the principles of 'merger' accounting. Following internal consultation, Mazars challenged this approach on the basis that TGHC was technically a public sector body, therefore a different form of accounting would apply, namely 'absorption' accounting. The draft accounts prepared for committee are still presented under merger accounting principles, and the work to re-cast the statement under absorption accounting principles is currently on-going. It's important to highlight

that this change in accounting approach is presentational in terms of the prior and current year and does not change the net position as at 31 March 2022.

- 11 The Statement of Accounts is materially consistent with the 2021/22 revenue and capital outturn reports considered by Cabinet on 21 June 2022. Along with minor adjustments and presentational changes, the significant findings and misstatements to the Statement submitted for audit on 29 July 2022 have been identified through the audit process. These are outlined in Mazars Audit Completion Report:
- Significant Findings – section 4;
  - Internal Control Recommendations – section 5;
  - Summary of misstatements (adjusted and unadjusted) – section 6
- 12 None of the changes to the Statement of Accounts impact on the revenue and capital outturn positions reported to Cabinet, nor do they affect the position of any usable reserves. Management have assessed the identified unadjusted misstatement as not being material, either individually or in aggregate to the financial statements, and does not plan to adjust.

### **Recommendation**

- 13 The Committee is requested to note the contents of the external auditor's Audit Completion Report and any update reports and review and comment on the Statement of Accounts 2021/22, prior to submission to the Accounts Committee.

**Contact name: Darren Collins Ext - 3582**