

# Audit Progress Report

Gateshead Metropolitan Borough Council

Audit and Standards Committee  
September 2023



1. Audit Progress
2. Status of the audit
3. Value for Money

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

We have previously updated the Audit and Standards Committee that following the resolution of the issues that had arisen in relation infrastructure (the Council adopted the statutory override and updated the disclosures in its 2021/22 financial statements in relation to infrastructure, and we completed our audit testing of that), a further national issue had arisen.

The issue related to the impact of the delay in 2021/22 audit work, initially caused by the infrastructure issue, and then exacerbated in the Council's case by a delay in receiving the Pension Fund Auditor Assurance letter. This meant that the triennial revaluation of the Tyne and Wear Pension Fund as at 31 March 2022 was available with more up-to-date information for management to reflect in the 2021/22 draft financial statements. The way forward was agreed that:

- Authorities (including the Council) would obtain updated IAS19 valuation reports and, where material, amend the 2021/22 financial statements for the new figures; and
- Pension Fund auditors were requested to complete testing on the reliability and accuracy of the updated pension fund membership data.

The Pension Fund auditor indicated they would be able to provide us with the results of their testing in September 2023. However, the results of their testing has produced some additional follow up questions that we have raised with the Pension Fund auditor. We are liaising with them to resolve these queries as quickly as possible to ensure we can issue our audit opinion for the 21/22 accounts. We will report our formal findings, as in previous years, in a follow-up letter to our Audit Completion Report.

It is important to note that in relation to the 2021/22 audit of the financial statements we still anticipate issuing an unqualified audit opinion.

# 1. Audit progress

## Whole of government accounts (WGA)

When we have issued the 2021/22 audit opinion, we will also be able to report to NAO on the WGA. However, we anticipate a delay in issuing the 2021/22 audit certificate, as we wait for confirmation if the Council has been selected by the NAO as a sampled component. If it is selected it will require additional work in relation to WGA.

## 2022/23 Audit

Our Audit Strategy Memorandum for the 2022/23 audit was presented to the Audit and Standards Committee on 20 July 2023.

Audit work on the 2022/23 financial statements is currently underway. Following receipt of the draft 2022/23 financial statements and from the work carried out on the audit 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.

We are aiming to substantially complete our audit work in relation to the 2022/23 audit by the end of September 2023. However, as for the 2021/22 audit, we are anticipating delays in receiving the Pension Fund assurance. We anticipate bringing our Audit Completion Report to the October 2023 Audit and Standards Committee meeting.

The following section of this report provides an update on the status of our audit work on the 2022/23 financial statements.





# 02


Section 02:


**Status of the audit**


# 2. Status of the audit

Our work on 2022/23 is currently ongoing, however we note that there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below. Note some areas are still subject to final quality review.









Audit area	Status	Description of the outstanding matters and findings so far
Income and Expenditure, including payroll		Our work is substantially complete in this area, subject to a few minor follow up queries that are outstanding with Council Officers.
Property, plant and equipment		<p>Our work is substantially complete in this area, subject to some further queries regarding PPE Valuations, specifically with regards to council dwellings.</p> <p>With regards to the Council's shared waste PFI facility, our audit work has highlighted that the Council has not had the asset revalued in year. Per discussion with Council officers, they liaised with their Valuers (Hilco) who confirmed that there has been no significant movements in asset values between the previous valuation date of 31 March 2022 and the year-end date of 31 March 2023 and therefore no revaluation was necessary. To assess the accuracy and reasonableness of the assumption made by the Council's valuer, we engaged our own internal valuation expert to provide high level commentary. No issues were identified from their review, and we have concluded that the judgement not to revalue the asset does not indicate a material misstatement.</p>
Investments		Work is currently ongoing with relation to the valuation of airport shares.
Debtors and Creditors		<p>Our sample testing of debtors and creditors is ongoing, and we are liaising with officers to obtain the required supporting evidence to complete our work.</p> <p>As in previous years, we are anticipating reporting an issue regarding a non-material debtor balance with a partner that is no longer a valid debtor (raised in both 2020/21 and 2021/22 audits). Per discussion with officers, a resolution to this issue was not achieved during 2022/23 however work is ongoing and is expected to be resolved during 2023/24.</p>

 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.

## 2. Status of the audit

Audit areaJG22	Status	Description of the outstanding matters and findings so far	
<b>Pensions</b>		Due to an ongoing pensions issue in the prior year, we have not yet completed our work on pensions. A further update will be provided once the 21/22 audit has been completed and assurance has been obtained from the Pension Fund auditor for the 22/23 audit.	
<b>PFI</b>		Review and consideration of the accounting for PFI assets, including review of the model and the accounting entries made in the accounts.	
<b>Provisions and Contingencies</b>		We have outstanding queries with officers relating to the inclusion of provisions. We note that a number of errors were identified as a result of our audit testing in the prior year, and our initial review has indicated that similar judgements have been made by management relating to the inclusion of some provisions in 22/23. Therefore, we anticipate that there may be findings to report once we have completed our testing.	 Likely to result in material adjustment or significant change to disclosures within the financial statements.
<b>Other</b>		Completion of various other work including but not limited to: - Testing of heritage assets; - Completion of substantive testing of leases; and - Completion of work on Collection Fund.	 Potential to result in material adjustment or significant change to disclosures within the financial statements.
<b>Financial Statements – closing procedures</b>		Review and closure processes, including checking the amended version of the financial statements, obtaining a final journals report and consideration of any post balance sheet events. Review procedures also remain on-going, namely: – engagement Quality Review: required due to the size of the Council; and – review of the final revised accounts by our central technical team.	 Not considered likely to result in material adjustment or change to disclosures within the financial statements.



# 03

Section 03:

**Value for Money**

# 3. 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	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: <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	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: <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>

# 3. Value for money

## **Value for Money arrangements**

We are not able to report on value for money until we have issued our audit opinion.

Although work remains ongoing on value for money up until the point of reporting, our work completed to-date has not identified any significant risk of a weaknesses or recommendations in relation to our reporting criteria of financial sustainability, governance and improving economy, efficiency and effectiveness.

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.

We plan to report on value for money through our Auditor's Annual Report as soon as possible after our audit opinions for both 2021/22 and 2022/23 have been issued.

## Mazars

Director: James Collins

Email: [james.collins@mazars.co.uk](mailto:james.collins@mazars.co.uk)

Manager: Joanne Greener

Email: [joanne.greener@mazars.co.uk](mailto:joanne.greener@mazars.co.uk)

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

[www.mazars.com](http://www.mazars.com)

## Follow us:

### LinkedIn:

[www.linkedin.com/company/Mazars](http://www.linkedin.com/company/Mazars)

### Twitter:

[www.twitter.com/MazarsGroup](http://www.twitter.com/MazarsGroup)

### Facebook:

[www.facebook.com/MazarsGroup](http://www.facebook.com/MazarsGroup)

### Instagram:

[www.instagram.com/MazarsGroup](http://www.instagram.com/MazarsGroup)

### WeChat:

ID: Mazars