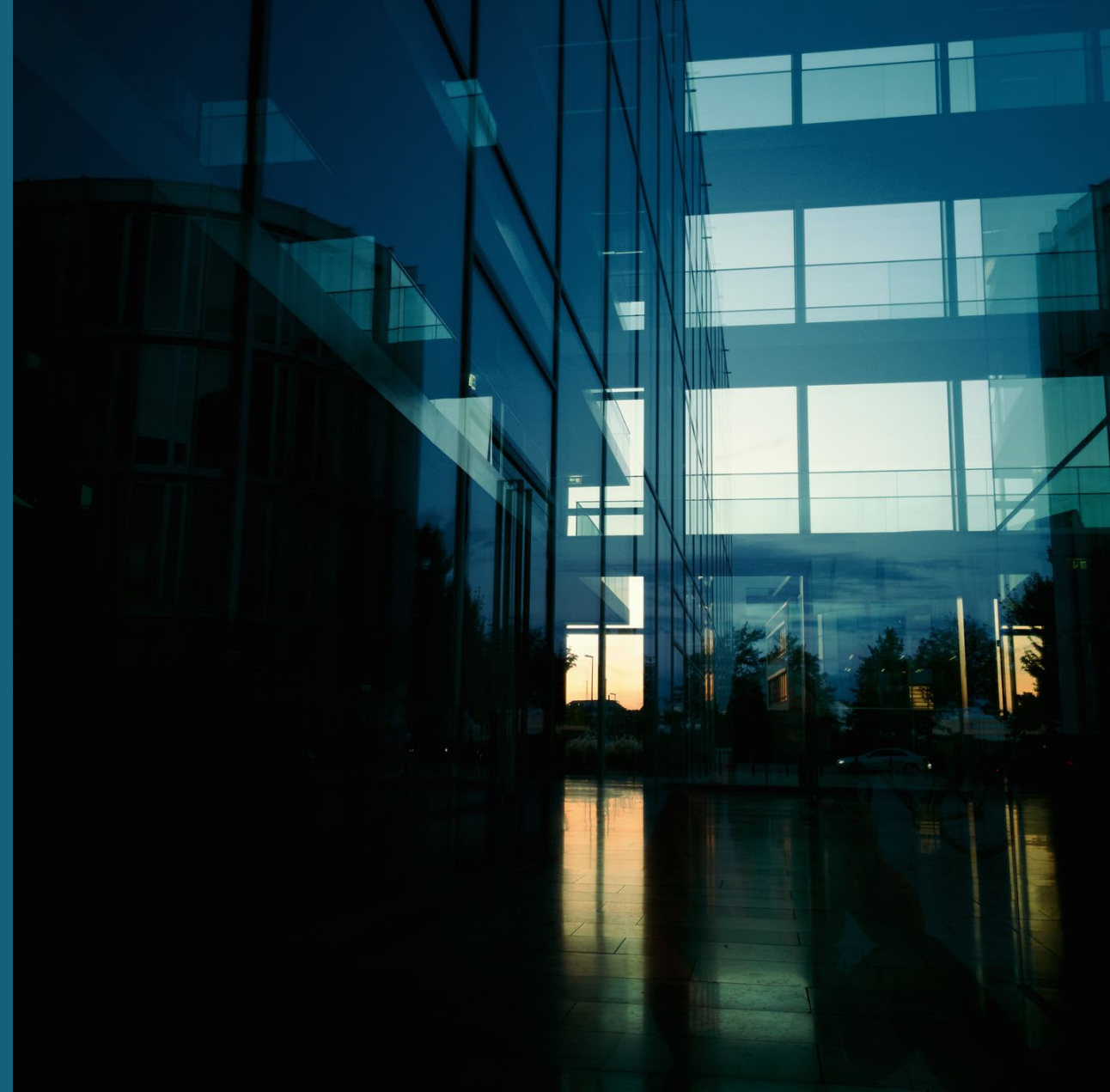


Auditor's Annual Report

Gateshead Metropolitan Borough Council
- years ended 31 March 2022 and 31
March 2023 **DRAFT**

April 2024



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Gateshead Metropolitan Borough Council ('the Council') for the year ended 31 March 2023 and 31 March 2022. In accordance with Section A of the National Audit Office's Supplementary Guidance Note 02, we are issuing a combined report covering the years ended 31 March 2023 and 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit reports for 2021/22 on 31 October 2023 and for 2022/23 on 2 February 2024. Our opinions on the financial statements were unqualified.



Value for money (VFM) arrangements

In our audit reports for 2022/23 and 2021/22, we explained that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting.

Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements.



Wider reporting responsibilities

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 31 October 2023 for 2021/22 and on 17 April 2024 for 2022/23.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council and Group's financial position as at 31 March 2022 and 31 March 2023 and of its financial performance for the years then ended.

Our audit reports, issued on 31 October 2023 and 2 February 2024, gave unqualified opinions on the financial statements for the years ended 31 March 2022 and 31 March 2023.

Qualitative aspects of the Council's accounting practices

Additional work has been carried out in 2021/22 in respect of the Council's accounting practices in relation to infrastructure assets, following issues highlighted nationally that have been relevant for all highway authorities. The Council undertook additional work to analyse their infrastructure assets in early 2023; we critically reviewed as part of our audit work.

Additional work was also required in 2021/22, due to the impact of accounting for the Council's Arm's Length Management Organisation (The Gateshead Housing Company) coming back in house from 1 April 2021.

In addition, due to the elapsed time of the 2021/22 audit work, additional work was required by the Council, as the pensions triennial valuation was completed, which required a further update to the 2021/22 statement of accounts.

Significant difficulties during the audit

There were no significant difficulties during the audit, over and above the national issues, impacting on most local government bodies, leading to delays i.e. the national infrastructure issue and the impact of the elapsed time, leading to further amendments being required to the statement of accounts, when the pensions triennial valuation was completed.

Internal control recommendations

As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

Our audit work did not identify any significant (high priority) recommendations in relation to internal controls.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to value for money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - how the Council ensures that it makes informed decisions and properly manages its risks.



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 work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information;
- information from internal and external sources including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We did not identify a risk of significant weakness in the Council's arrangements for 2021/22 and 2022/23.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria.

3. VFM arrangements – overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	Yes – see page 13
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	17	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements

We found arrangements were consistent in 2021/22 and 2022/23 and we identified no risks of significant weaknesses in arrangements.

Overall commentary on the Financial Sustainability reporting criteria

How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

The Medium-Term Financial Strategy (MTFS) includes financial projections analysis and context that supports the Council's policy approach 'Making Gateshead a Place Where Everyone Thrives'. The key principles set out in the MTFS provides the financial planning framework to inform the allocation of resources within the capital programme.

The Council's capital investment plans are set out in the capital strategy and programme, with the latest approved programme covering the period 2024/25 and 2028/29.

Quarterly reports are presented to the Cabinet throughout the year, underpinned by budget monitoring within each portfolio and service and reporting to the Corporate Management Team. The quarterly reports provide a clear summary of the projected outturn and the actuals, along with supporting narrative to explain any significant changes. Implications of overspends and non-delivery of planned savings and efficiencies are set out in each report.

The Council has a strong track record of delivering its budget over the last decade, despite the continued pressures of funding reductions and delivery of savings, reporting an underspend of £3.4m for 2022/23 and £0.4 for 2021/22. The Council's quarterly reports clearly highlight the continued financial pressures and the need for robust budget monitoring which is crucial to its financial sustainability.

Our work in previous years confirmed the Council has robust Medium Term Financial Strategy arrangements. Our review of minutes and supporting papers has confirmed MTFS arrangements have remained in place in 2023/24 and to date, including consideration of the latest MTFS covering 2024/25 – 2028/29.

How the Council plans to bridge its funding gaps and identifies achievable savings

The latest Budget and Council Tax Report (February 2024) set a balanced budget for 2024/25 that includes almost £15.9m of savings and uses over £6.8m of reserves to help address the funding gap. Despite using reserves, the Council estimates it will need to make savings of approximately £49.5m over the next five years.

Several years ago, the budget approach was changed to a three-year approach, in recognition of the scale of the challenge to deliver balanced budgets. This has subsequently been increased to a five-year approach. The annual budget savings cycle is a continuous approach with budget developments brought to Cabinet for consideration throughout the year to allocate resources to Services and consider consultation outcomes.

For 2023/24, savings of £13.1 m are planned and as at quarter three, £12.4m have been reported as being delivered. For 2024/25, the Council has built in savings of £15.9m to the budget.

The Council is forecasting a £0.6m underspend position for 2023/24 as of January 2024.

How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council's MTFS provides a framework with the express objective of achieving a sustainable financial position over the medium-term and which is also aligned to its strategic *Thrive* priorities. The strategic approach of 'Making Gateshead a Place where Everybody Thrives' provides the framework for delivery of the Council's *Thrive* priorities and the Health and Wellbeing Strategy, using the three pillars of its strategic vision:

- Economic strategy;
- Housing Strategy; and
- Investment Strategy.

We confirmed the MTFS was based on reasonable assumptions available at the time of approving the Plan. The MTFS is regularly reviewed, including the main assumptions, and regularly reported including where changes in assumptions impact on the forecast financial position.

How the Council ensures that its financial plan is consistent with other plans

The Council's MTFS sets out the financial context for the Council's resource allocation process and budget setting. Given the on-going financial pressures, the Council recognises that its budget approach needs to be more clearly linked to the hierarchy of delivering on *Thrive* priorities through the Health and Wellbeing Strategy and the Economic, Housing and Investment Strategies.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

The Council's Performance Management Framework aims to support the Council's strategy by aligning performance with the overall approach to the budget to support financial sustainability and ensure that resources are deployed on the outcomes for making Gateshead a Place Where Everyone Thrives.

As part of ensuring the consistency of the MTFS and annual budget with other plans, significant consultation is undertaken on the budget, both with internal and external stakeholders.

In addition, the Council's budget planning framework is supported by the development of integrated impact assessments (IIAs) for draft budget proposals.

How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

As part of the annual budget report setting, the Council's s151 officer sets out his assessment of the adequacy of reserves and the robustness of budget estimates. Appropriate risk factors are considered as part of this assessment, including the level of reserves, prudential and treasury indicators and the robustness of inflationary estimates.

This is underpinned by the review of reserves set out in the annual update of the Council's MTFS, which includes an estimate of projected earmarked reserves.

Earmarked reserves: as at 31 March 2023 and 31 March 2022 earmarked reserves were £74.7m and £84.6m respectively. These include the following reserves are being used to manage financial pressures and support the MTFS:

- Budget Sustainability Reserve of £36.7m (£20.0m as at 31 March 2022);
- Financial Risk and Resilience Reserve of £19.2m (£9.4m as at 31 March 2022); and
- Thrive Reserve of £7.5m (£8.4m as at 31 March 2022).

The above budget reserves are projected to be used by 31 March 2027. Once used, this will leave the Council, assuming no replenishment, with earmarked reserves of £11.3m. The latest MTFS includes plans for the Council to replenish earmarked reserves from 2026/27.

Whilst earmarked reserves are just that – earmarked for a specific purpose rather than being available to support general pressures, the Council's earmarked reserves are amongst the lowest in the North East. The Council is well aware that the use of reserves to support the budget is not sustainable and we have noted this point is clearly highlighted in the s151 officer's financial reporting.

We recommend that the Council more explicitly reports the level of earmarked reserves at the end of the MTFS five-year period as part of its annual update, to facilitate decision-making.

General Fund balance: the Council also manages risks to its financial resilience via maintaining a general fund balance. The Council's policy for the level of this balance is set out in the MTFS annually, along with the s151 officer's assessment. For 2021/22, the Council reduced its general fund balance from a minimum of 5% of its net revenue budget to a minimum of 3%; this represented a decrease from £13.9m to £8.5m. For the year ended 31 March 2023, the Council's general fund balance increased to £11.9m.

In line with good practice, the Council prepares and takes a formal report to the Audit and Standards Committee on whether the 'going concern' assumption is appropriate. In this report, the Council clearly sets out:

“that it will be difficult to continue to deliver substantial savings without significant changes in the way we deliver services and, therefore, reserves have been maintained to assist transition and mitigate future risk. Reserve levels and use will be kept under review and reported to Cabinet”.

Other Recommendations Relating to Non-Significant Weaknesses

R1	We recommend that the Council more explicitly reports the level of earmarked reserves at the end of the MTFS five-year period as part of its annual update, to facilitate decision-making.
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3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Risks of significant weaknesses in arrangements

We found arrangements were consistent in 2021/22 and 2022/23 and we identified no risks of significant weaknesses in arrangements.

Overall commentary on the Governance reporting criteria

How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has approved and adopted a code of corporate governance and it continually reviews and improves its Governance Framework. Its overall arrangements are set out in its Annual Governance Statement. As part of our audit procedures, we considered the Annual Governance Statements for 2021/22 and 2022/23 and whether they were consistent with our knowledge of the Council, with no significant issues identified.

Feeding into the Annual Governance Statement, the Council obtains annual self-assessments from Cabinet Members and also service directors as to the effectiveness of the Council's corporate governance arrangements.

Risk management is embedded in the Council through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks. The Audit and Standards Committee receives quarterly reports on risk management and takes appropriate action to ensure that corporate business risks are being actively managed; the Committee also receives the annual corporate risk management report and agrees the effectiveness of the Council's risk management arrangements.

We confirmed that the Audit and Standards Committee received regular updates on the Audit Plan. Internal Audit reviews highlight weaknesses and recommends actions when required to strengthen processes or procedures. These are regularly reported to Audit and Standards Committee which holds management to account where weaknesses are identified. The Audit and Standards Committee monitors management actions in response to recommendations and this is reported on a regular basis. The Audit and Standards Committee challenges management if recommendations are not implemented within the agreed timeframe.

The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements which was incorporated in the Annual Internal Audit Report to the Audit and Standards Committee in June 2022 and 2023. A review of the effectiveness of the Council's Internal Audit function was undertaken in 2023 and reported to the June 2023 Audit and Standards Committee; this review concluded that the system of internal audit was effective.

The Annual Risk Management Report is also presented to the Audit and Standards Committee in June.

In addition, an Annual Report on Counter Fraud Arrangements is presented to the Audit and Standards Committee setting out arrangements in place and examples of work carried out to counter fraud. We observed that the Council has a counter fraud response and strategy in place which includes fraud governance and arrangements to prevent, detect and pursue fraud.

How the Council approaches and carries out its annual budget setting process

The Council's MTFS arrangement includes the identification and evaluation of risks to the Council's finances.

We have reviewed the budget setting arrangements through observation and discussions with officers. No matters have been identified indicating a significant weakness in arrangements. Overall, the Council is aware of the financial pressure it faces. We confirmed that scenario plans are in place to identify the potential financial impact of risks occurring.

How the Council ensures effective processes and systems are in place to ensure budgetary control

As set out in the 'financial sustainability' section, the Council takes quarterly budget monitoring reports to Cabinet.

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

We have reviewed Council reports and minutes throughout year and have not identified any evidence of a weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

The Council publishes on its website a notice of key decisions. This includes officer decisions under the Officer Scheme of Delegations.

Overview and Scrutiny meetings provide an opportunity to challenge decisions. The Corporate Resources Overview and Scrutiny Committee is in place to oversee and coordinate the work and our work identified no matters that indicate a significant weakness in arrangements.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

The Council's own balanced scorecard summary for its organisational health provides a useful overview of how the Council is performing. The scorecard summary taken to the January 2024 summarises the organisational healthcheck as follows:

“cost-of-living challenges, high interest rates and economic climate are impacting many residents and businesses. Although the % rate of collection [of council tax] has fell, in cash terms we have collected more as have an extra £7m in council tax to collect in the current financial vs 2022-23. Residents who received council tax support saw their council bills reduced by £50 during 2022-23 but following a reduction in government funding this amount reduced to £25 in 2023-24 which means that residents with the lowest incomes now have more to pay”.

How the Council monitors and ensures appropriate standards are maintained

The Council's Constitution is reviewed at least annually and sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people.

Supporting the Constitution are codes of conduct for Members and officers.

Registers of gifts and hospitality and registers of interest are maintained for Members and officers and are available on the Council website. The Statement of Accounts records material related party transactions as well of senior officer pay and Member allowances.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards. Contract registers are available on the Council website. The contract procurement strategy has been recently revised.

There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy is approved ahead of each financial year and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a weakness in arrangements.

The Audit and Standards Committee is responsible for promote and maintain high standards of conduct by councillors and co-opted members, as well as monitoring the operation of the Members' Code of Conduct.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements

We found arrangements were consistent in 2021/22 and 2022/23 and we identified no risks of significant weaknesses in arrangements.

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

How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a corporate suite of strategic performance indicators to enable effective monitoring of the Council's strategic approach through which quality of service is measured via strategic outcome indicators. The Senior Management Group Services and Performance plays a key role in monitoring the Performance Framework before reports are presented to Overview and Scrutiny Committees and Cabinet on a six-monthly basis.

A key message of the Council's **Performance Management and Improvement Framework (PMIF)** is how every employee and Councillor contributes to the *Thrive* agenda and, therefore, this framework.

The PMIF is based on the six policy objectives of the Health and Wellbeing Strategy and a Balanced Scorecard that demonstrates performance against 'organisational health'. It is informed by qualitative and quantitative assessment to inform policy and resource decisions. For each policy objective, there is a summary of key performance indicators; this is then followed by a one-page analysis providing valuable context.

The Council recognises the framework is an area of on-going development; in particular, recognising the need to align the PMIF to the budget approach.

How the Council evaluates the services it provides to assess performance and identify areas for improvement

Alongside the performance framework in place, the Council considers the output from regulators to evaluation performance and identify areas for improvement. The PMIF includes a useful summary of external assessments, which includes the Care and Quality Commission (CQC), Ofsted, the Regulator of Social Housing and also external partners.

Children's Services

Children's Services was last inspected by the CQC was in 2019, with the Council being given a 'good' rating.

The Council also had an **Ofsted focused visit for Children's Services in October 2021**. This visit evaluated

the quality of help and protection provided to vulnerable children and their families in the front door integrated referral team (IRT) and in the assessment and intervention team as well as appraisal of the quality and impact of the Council's performance management and audit arrangements. As this was a focused visit, there is no overall rating provided. The Ofsted letter of October 2021 was very positive, highlighting a few areas for improvement alongside setting out examples of good practice.

The Council also had a **Special Educational Needs and/or Disabilities (SEND) inspection** in April 2023 by CQC and Ofsted; this resulted in an action plan the Council had to produce alongside the local Integrated Care Board.

Adult social care and restructuring

From April 2023, the Children, Adults and Families Group was split into two new service groups:

- Integrated Adults' and Social Care Services; and
- Children's Social Care and Lifelong Learning.

The separation of the Strategic Director post into two strategic roles was to reflect the criticality of adult social care and support the inspection regime which will be in place in 2023 in respect of adult care. Unlike children's services, this area has not been subject to external inspection for the past eleven years; however, such external scrutiny will be introduced to reflect that in place in Children's Services.

The Council is preparing for the new inspection regime via considering themes arising from the pilot inspections undertaken to date. The Council has also carried out a self-assessment and submitted a return for a peer review in March 2024, which will help it further assess its arrangements.

The Council, NHS and voluntary sector partners are changing the way they will support communities across Gateshead by partnering with the National Development Team for Inclusion (NDTi) network as part of a three-year change programme to introduce Community Led Support.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Housing

Housing services provided by the Council's Arm's Length Management Organisation, The Gateshead Housing Company, were brought back in-house from 1 April 2021.

The Regulator of Social Housing had previously issued a notice of a breach in the Home Standard; this was withdrawn in December 2021 and the Council continues to make progress in developing its housing arrangements.

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has arrangements in place for the consistent management of partnerships via a Corporate Partnership Register, with risk assessments carried out for the most significant partnerships.

The Council has four Local Authority Trading Companies (LATC) that it wholly owns for the purposes of trading with the private sector and individuals where there is a dominant commercial purpose. These are:

- Energy Services Company (GEC) (Gateshead Energy Holdings Limited and Gateshead Energy Company Limited);
- Regent Funeral Services (RFS);
- Gateshead Trading Company (GTC); and
- Gateshead Quays Hotel Company Limited – this is not due to trade until the hotels open.

The Council's Medium-Term Financial Strategy sets out the need for income generation to help reduce the funding gap the Council faces and ensure that resource is available to fund Council policy priorities.

The companies support the delivery of the Council's priorities through their activities. This includes GEC supporting the Climate Change Emergency and tackling fuel poverty through the provision of lower cost, lower carbon energy. RFS provides funeral services to local residents, while GTC is delivering housing including affordable homes in Gateshead as well as providing employment support to local residents.

Annual and mid-year reports are presented to Overview and Scrutiny Committee and Cabinet to ensure there is appropriate oversight of the Council companies in their capacity as shareholder. The accounts of the Companies are subject to annual external audit, and Internal Audit review all the companies' governance and control arrangements on a three-year cycle.

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve - continued

The Council's partnership arrangements are far-reaching, from the local Integrated Care System, to the Community Safety Board and working with private sector partners for development activity.

Integrated Care System (ICS) From 1 July 2022, responsibility for commissioning healthcare services transferred from the former Sunderland Clinical Commissioning Group (CCG) to the North East and North Cumbria Integrated Care System (ICS); this is a key partnership for the Council.

ICS have been set-up across the country, with an aim of delivering on the NHS Long Term Plan and bringing together, in a partnership, the NHS, councils, combined authorities, voluntary and partner organisations to look at new and different ways of working to improve overall health and wellbeing.

The ICS presents both opportunities as well as challenges. The challenges include maintaining a focus on the local Gateshead area, whilst working as part of a much larger partnership; this is an area which the ICS is developing, recognising that effective arrangements for focusing on each 'place' need to be in place.

Gateshead Place Plan: the Integrated Care System is required to publish a Forward Plan for NENC which outlines the direction of travel over the next 5 years to fulfil the aims and objectives of the NENC Integrated Care Strategy 'Better health and wellbeing for all' and wider NHS ambitions and planning requirements. 8. As part of the Forward Plan, each 'Place' was required to produce its own Plan to be consolidated into the Forward Plan. Although this is an Integrated Care Board Plan and there are specific 'must do's' that relate to the NHS wider ambitions, it is also important that it reflects ambitions at Place.

The Council's Health and Wellbeing Board has considered the Gateshead Place Plan, including how it aligns with the Council's Health and Wellbeing Strategy.

Public Health: from 1 April 2024, Gateshead and Newcastle Councils will both be served by the same Director of Public Health from April through a new year-long agreement between the two Councils. The Councils anticipate the dual role will lead to more effective collaboration not just between the two Councils but also with other key partners.

Reporting by the Council's Director of Public Health highlights *"the impact of the pandemic, economic instability, inflation, and the cost-of living crisis create a perfect storm, where outcomes for those most disadvantaged in Gateshead continue to get progressively worse"*.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

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

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the National Audit Office (NAO) in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 31 October 2023 for 2021/22 and on 17 April 2024 for 2022/23.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in April 2022 and July 2023 for the years ended 31 March 2022 and 31 March 2023 respectively. For the 2021/22 and 2022/23 financial years, our fees are as follows, noting that additional fees are subject to review and approval by Public Sector Audit Appointments Limited.

Note 1 - recurrent and non-recurrent fee variations from 2020/21 were built into the fee by PSAA for 2021/22 and 2022/23, either fully or in part

Area of work	2020/21 fees - actual	2021/22 fees - provisional	2022/23 fees - provisional
Fee in respect of our work under the Code of Audit Practice	£100,329	£110,053	£122,325
Recurrent scope changes: additional fees in respect of group financial statements and consolidation adjustments	£9,711	n/a	n/a
Recurrent scope changes: additional fees in respect of property, plant and equipment valuations due to increased regulatory requirements	£15,049	£4,967	Note 1
Recurrent scope changes: additional fees in respect of pensions due to increased regulatory requirements	£8,026	£9,968	Note 1
In-year scope change: additional testing as a result of the implementation of new auditing standards: 2022/23 – ISA 315 (revised) additional risk assessment procedures. 2020/21 - ISA 540 (revised) auditing accounting estimates and related disclosures; ISA 570 (revised) going concern Range set by PSAA being up to £4,300.	£1,500	n/a	£3,917
Non-recurrent scope changes: additional work in respect of infrastructure (national issue)	n/a	£10,262	n/a
Non-recurrent scope changes: revised pensions report (two reports in 2021/22, due to the impact of the triennial valuation)	£2,007	£5,604	£5,131
Non-recurrent scope changes: additional fees in respect of group consolidation adjustments (The Gateshead Housing Company coming back in house)	n/a	Note 1	n/a
Non-recurrent scope changes: additional property, plant and equipment (PPE) valuations testing due to valuation of the entire portfolio of assets in 2020/21, as well as restatement of the financial statements for a material prior period error.	£8,026	n/a	n/a
Non-recurrent scope changes: PFI shared waste facility expert valuation review	£1,275	£0	£0
Value for money: implementation of the new approach on VFM arising from the change to the Code of Audit Practice. Range set by PSAA for a metropolitan borough council being £10,000 - £19,000.	£14,046	£11,000	£11,000
Total	£159,969	£151,854	£142,373

4. Other reporting responsibilities and our fees

Fees for other work

We carried out the following work for the Council in the years ended 31 March 2022 and 2023:

Area of work	2021/22 fees	2022/23 fees
Teachers' Pensions return	£4,500	£4,500
Housing Benefits Subsidy return	£10,850	£11,935
Pooling of Housing Capital Receipts return	£4,000	£5,000



Appendix

A. Further information on our audit of the financial statements

Significant risks

Risk	Summary of how risk addressed	Summary of audit conclusion – 2022/23	Summary of audit conclusion – 2021/22
Management override of controls	Procedures included critical review of accounting estimates, accounting policies and testing journals.	Sufficient, appropriate assurance obtained.	Sufficient, appropriate assurance obtained.
Net defined pensions liability	Testing included critical review of the Actuary's assumptions and obtaining assurance from the Pension Fund auditor.	The Council obtained a revised pensions report for 2022/23, due to 'actuals' being available for the asset return. The Council amended its statement of accounts for this revised pensions report. Sufficient, appropriate assurance obtained.	The Council obtained a revised pensions report for 2021/22, due to 'actuals' being available for the asset return. The Council amended its statement of accounts for this revised pensions report. Due to the elapsed time of the audit, further material amendments were necessary as the triennial pension fund valuation was completed, providing further information on the pensions estimates. Sufficient, appropriate assurance obtained.
Property, Plant and Equipment (PPE) valuations	Critical review of the Valuer's report and valuations.	We critically reviewed valuations as part of our substantive testing. Sufficient, appropriate assurance obtained.	We critically reviewed valuations as part of our substantive testing. Additional work was carried out in respect of the national infrastructure issue, applying to all highways authorities. Amendments were made to the Council's infrastructure assets, Sufficient, appropriate assurance obtained.
Accounting for TGHC coming back in house from 1 April 2021	Critical review of the accounting including presentation of comparators.	The draft accounts were prepared on the basis of partial merger accounting. We challenged the Council on this and the accounts were revised and prepared on the basis of 'transfer by absorption' principles.	Not applicable

Enhanced risks

Risk	Summary of how risk addressed	Summary of audit conclusion – 2022/23	Summary of audit conclusion – 2021/22
Accounting for PFI arrangements	Critical review of the accounting for the Council's Private Finance Initiative (PFI) arrangements.	Sufficient, appropriate assurance obtained.	Sufficient, appropriate assurance obtained.

A. Further information on our audit of the financial statements

The summary of adjusted and unadjusted misstatements for 2022/23 and 2021/22 is set out below, including misstatements reported in our 'follow-up letter'.

		Assets	Liabilities	Reserves	Income Statement
		(£'000)	(£'000)	(£'000)	(£'000)
2022/23					
A	Unadjusted misstatements – 2022/23	-615	4,309	0	-3,694
B	Unadjusted misstatements – prior year	-3,539	1,824	0	1,715
	Unadjusted misstatements – current and prior year: 2022/23	-4,154	6,133	0	-1,979
C	Adjusted misstatements – 2022/23	0	10,920	0	-10,920
2021/22					
A	Unadjusted misstatements – 2021/22	-988	4,246	-792	-2,466
B	Unadjusted misstatements – prior year	-2,700	1,995	-1,010	1,715
	Unadjusted misstatements – current and prior year: 2021/22	-3,688	6,241	-1,802	-751
C	Adjusted misstatements – 2021/22 (Note 1)	-321	85,800	-74,812	-10,667

Note 1: being the sum of amendments to the net pensions liability, because of two revised Actuary reports.

A. Further information on our audit of the financial statements

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to [the Board and the Audit and Standards Committee any significant deficiencies identified during the course of our work.

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or 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.

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	Number of issues
		– 2022/23	– 2021/22
1 (high)	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	0
2 (medium)	In our view, there is a need to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.	0	2
3 (low)	In our view, internal controls should be strengthened in these additional areas when practicable.	0	1

Summary of internal control recommendations

Priority ranking	Recommendation – 2022/23	Recommendation – 2021/22
1 (high)	• None	• None
2 (medium)	• None	<ul style="list-style-type: none"> • Review of arrangements in place for estimating provisions • Review of working papers and quality assurance arrangements
3 (low)	• None	<ul style="list-style-type: none"> • Amendment to returns submitted by senior officers for purposes of related party disclosures

We also followed-up prior year recommendations as part of each year's audit; details can be found in our Audit Completion Report, taken to the Council's Audit and Standards Committee in October 2022 and October 2023 respectively.

For 2022/23, we reported the following prior year internal control recommendations remained open as of October 2023, being:

- review of working papers and quality assurance arrangements (medium priority): remains open in respect of ensuring an analytical review is evidenced;
- review of arrangements in place for estimating provisions (medium); remains open in respect of the business rates appeals provision not being split between current and non-current provisions; and
- debtor balances (medium); remains open in respect of carried forward issue in respect of debtor balances which require writing off.

Cameron Waddell, Partner (audit year 2021/22) James Collins, Director (audit year 2022/23)

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