



# Audit Completion Report

## Gateshead Metropolitan Borough Council – year ended 31 March 2024

October 2024

Audit and Standards Committee and Accounts Committee Members  
Gateshead Metropolitan Borough Council  
Gateshead Council  
Civic Centre  
Regent Street  
Gateshead  
NE8 1HH

29 October 2024

Forvis Mazars  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

Dear Committee Members,

## **Audit Completion Report – Year ended 31 March 2024**

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you in April 2024.

We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

We 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 07881 283 527.

Yours faithfully

Signed:   
James Collins (Oct 29, 2024 12:04 GMT)

James Collins

Director

Forvis Mazars LLP

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01

Executive Summary

# Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2023/24 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 on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Valuation of the net defined benefit liability;
- Valuation of property, plant and equipment; and
- Accounting for PFI arrangements

## Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2024.

At the time of preparing this report, significant matters remaining outstanding as outlined in section 2.

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



### Value for Money

We 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. Further detail on our Value for Money work is provided in section 7 of this report.



### Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



### 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. We confirm that no such correspondence from electors has been received.

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Status of the audit

# Status of our audit

Our audit work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below. We have yet to complete our work on value for money, and the areas where work remains outstanding are detailed below.

## Property, plant and equipment

Our work is substantially complete; subject to come follow up queries remaining with the Council's valuer.



We are also still awaiting final reports from our internal valuation team regarding the valuation of some specific Council assets, including the Waste Facility Site and the Gateshead Quays multi-storey car park.

## Investments and Loans

We are waiting for direct confirmation letters from several external parties with whom the Council held investments at the year end.



One external confirmation for a loan held by the Council at the year-end is also outstanding.

## Pensions

Our work on pensions is underway. We are carrying out audit procedures on a revised IAS19 report which the Council obtained from the Actuary due to a difference between the asset return per the Councils original IAS19 report and the pension fund accounts. The revised report was received by the Council on 18<sup>th</sup> October.



We have written to the Pension Fund auditor and are waiting for their responses to our requests.

## Other areas - journals

Our testing of material and manual journals processed by the client in the year is ongoing.



## Financial Statements – closing procedures

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, which will include review of the final revised accounts by our central technical team.

## Value for Money

Our work on the Council's value for money arrangements is ongoing. Further detail on our Value for Money work is provided in section 7 of this report



### Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.



Work on value for money arrangements

03

Audit Approach



# Audit Approach

## Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued in April 2024.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £14.742m using a benchmark of 2% of gross operating expenditure.

Based on the 2023/24 draft financial statement figures, the updated overall materiality we applied was £15.655m (final performance materiality: £11.741m; and final clearly trivial threshold: £0.470m), based on the same benchmark as at the planning stage of the audit. We will carry out a further review of materiality following receipt of the final 2023/24 financial statements and report this in our follow up letter.

## Use of experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account

Item of account	Management's expert	Our expert
<b>Defined benefit net liability</b>	AON Hewitt (Actuary)	Report commissioned by the National Audit Office from PwC in respect of actuaries nationally.
<b>Property, Plant and Equipment (PPE)</b>	Jones Lang La Salle Ltd (JLL)	We take into account relevant information available from third parties.
<b>Financial instrument disclosures</b>	Link Asset Services	No expert assessed as being required.
<b>Shared Waste Private Finance Initiative (PFI) facility</b>	Hilco Appraisal Ltd	We have engaged our own internal valuation expert to review the assumption that the movement in the value of the shared waste facility is not material between years.
<b>District Energy Centre (DEC)</b>	Hilco Appraisal Ltd	No expert assessed as being required.

\* Valuation of Newcastle Airport was identified in Audit Strategy as an area of management expert. We assessed this area and determined no expert was engaged and nor did we need to engage an expert.

04

Significant findings

# Significant findings

## Significant findings, including key areas of management judgement

In this section we outline 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 15 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; and
- any significant difficulties we experienced during the audit.

## Significant Risks

<b>Management override of controls</b>	<b>Description of the risk</b>
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In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

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**How we addressed this risk**

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

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**Audit conclusion**

Subject to satisfactory completion of outstanding work, our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.

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# Significant findings

## Net defined benefit asset valuation

### Description of the risk

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of the net pensions asset of £67.61m, made up of the gross pension assets (£1,584.92m) and gross pension liabilities (£1,517.31m) 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.

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### How we addressed this risk

We have:

- critically evaluated the Council's arrangements for making estimates in relation to pension entries within the financial statements;
- challenged the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office;
- critically assessed the competency, objectivity and independence of the Actuary;
- liaised with the auditors of the Pension Fund to gain assurance that the overall procedures in place at the Pension Fund are operating effectively;
- reviewed summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets and evaluating whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets;
- reviewed the actuarial allocation of Pension Fund assets to the Council by the Actuary, including comparing the Council's share of the assets to other corroborative information; and
- agreed data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.

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### Audit conclusion

Subject to satisfactory completion of outstanding work detailed in section 2, our work has provided the assurance we sought in each of these areas.

We note that during the audit, the Council requested a revised IAS19 report from the Actuary due to a difference between the asset return per the Council's original IAS19 report and the pension fund accounts. This is a result of timing issues. The revised report was received by the Council on 18<sup>th</sup> October, and initial review has shown an increase of £17.08m to the pension asset disclosed on the Balance Sheet, from £67.61m to £84.69m. We will complete our IAS 19 review following receipt of the revised report and accounts.

As of the time of issuing this report, we have also not yet received and considered the Pension Fund auditor's assurance. The letter is expected by mid-November, and we will provide an update on outstanding matters to the Committees via our formal follow-up letter.

# Significant findings

Valuation of property, plant and equipment	Description of the risk
	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 (including the Council's PFI shared waste facility). The Council employs valuation experts to provide information on valuations, however, there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved. The net book value of PPE as at 31 March 2024 is £1.61 billion (prior year £1.64 billion).

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## How we addressed this risk

We have:

- critically assessed the Council's arrangements for ensuring that property, plant and equipment valuations are reasonable and not materially misstated;
- critically assessed the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by Valuers, including the PFI shared waste facility;
- considered the competence, skills and experience of the Valuers and the instructions issued to the Valuers;
- substantively tested a sample of revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated; and
- liaised with the Council's external valuation expert, Jones Lang La Salle, to understand their approach.

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## Audit conclusion

### Valuation of the PFI shared energy from waste facility

The Council is the lead Authority for a PFI shared energy from waste facility, between three local Councils including Sunderland City Council and South Tyneside Council. Due to the specialist nature of the asset, we have engaged with our internal valuations team to provide commentary on the overall valuation, including the reasonableness of the methodology and assumptions used. We are waiting for the final report from our valuations team.

### Other valuations

Our work on other valuations is substantially complete. We have engaged our internal valuations team to provide commentary on the valuation of the Gateshead Quays Multi Story Car Park following the asset being moved from assets under construction to operational in year. Although we are awaiting the final report at the time of drafting this report, conversations have not indicated any issues which would indicate a material misstatement with regards to the valuation of the car park.

### Overall

Subject to satisfactory completion of outstanding work detailed in section 2, our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.

# Significant findings

## Other key areas of management judgement and enhanced risks

**Enhanced risk:  
accounting for PFI  
arrangements**

**Description of the management judgement**

The Council has two PFI arrangements, covering:

- schools; and
- a shared waste facility.

The method of accounting for PFI assets/liabilities is complex, therefore, this increases the risk of misstatement.

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**How our audit addressed this area of management judgement**

We:

- reviewed the Council’s adopted approach for accounting for its PFI arrangements;
  - reviewed any changes from prior years to the long-term financial models used;
  - critically reviewed the assumptions made by management; and
  - assessed the completeness and accuracy of disclosures.
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**Audit conclusion**

Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.

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# Significant findings

## Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on May 31st 2024 and were of a good quality.

## Significant matters discussed with management

During our audit we communicated the following significant matters to management:

### Consolidated Accounts

The Council does not prepare group accounts on the basis that none of the subsidiary entities have any material entries that would require group accounts. However, at the year end stage of the audit we identified that, for 2023/24, the Council has prepared an assessment which notes that for one of the Council's subsidiaries, Gateshead Energy Company, there is a PPE balance of £15.937m which is above headline materiality set for the Council of £15.655m. Despite this the Council's judgement is that group accounts are not required on a quantitative or qualitative basis.

The audit team further considered the balance in respect of both quantitative and qualitative assessments of materiality, and through discussion with the Council, as well as consultation with our internal Accounting Technical Services team, we have concluded that the Council's judgement that they do not need to prepare group accounts on either a quantitative or qualitative basis is not unreasonable. It is important the Council continue to monitor and update this assessment in future years.

### IFRIC 14

During the audit, an issue emerged nationally regarding a technical accounting matter involving the consideration of IFRIC 14 (IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction). The issue arose from a situation whereby entities may not have assessed whether positive secondary contributions gave rise to an additional liability when there is an IAS19 net liability position at the balance sheet date.

For the 2023/24 and 2022/23, this doesn't appear to be an issue for Gateshead Council as the funded Local Government Pension Scheme showed a net asset position at the balance sheet date; therefore IFRIC 14 had already been assessed as part of the calculations behind the minimum funding requirement and asset ceiling. Further consideration was given to the 2021/22 position (which we need to consider as it is shown as comparator in the 2022/23 accounts where the audit certificate has not yet been given) as the Council's funded scheme showed a net liability position. Based on the audit work carried out, we are satisfied that there is no additional liability that needs to be recognised by the Council under IFRIC 14.

Consideration of the Council's net asset at 31 March 2024 has not identified any matters to report.

## Valuation of Newcastle Airport shares

We noted as part of our review that there has been no movement in the £11.7m valuation of the Airport shares accounted for in the Council's financial statements at 31 March 2024. The date of the last valuation of the airport was carried out as at 31 March 2022.

Officers critically considered the movement in share prices for other similar airports which had not indicated a material movement since the previous valuation, therefore, the Council's judgement was that the valuation remained appropriate. Our review of the valuation and evidence provided by Council officers provided sufficient assurance the assumption that there has not been a material movement.

## Recoverability of debtors

We have critically reviewed the Council's allowance for impaired debtors. We have once again reported a brought forward unadjusted error in respect of a debtor in respect of Public Sector Partnership and The Gateshead Housing Company. We had anticipated that these would be written off during 2023/24 however they remained within the debtors balance as at 31 March 2024. Following discussion with officers, our understanding is that these balances will be corrected during 2024/25.

## Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

## 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 2023/24 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. No such objections have been raised.

# 05

Internal control conclusions



# Internal control conclusions

## Overview of engagement

As part of our audit, we obtained an understanding of the Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to communicate to the Accounts Committee any significant deficiencies in internal controls that we identified during our audit.

## Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered Council's internal controls relevant to the preparation of the financial statements 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 Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which 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 report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

The deficiency in Gateshead Council's internal controls that we have identified as at the date of this report is set out on the following pages.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of Accounts Committee members.

The significant deficiency in the Council's internal controls that we have identified as at the date of this report is set out on the following page.

We have also set out our follow-up deficiencies in the Council's internal controls that we identified in previous years on the following pages.

## Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Accounts Committee (as Those Charged with Governance) and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

# Internal control conclusions

## Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of strategic objectives. Our recommendations should be considered for immediate action.

### Description of deficiency - insufficient internal controls over creditors (medium priority)

Our testing of creditors identified issues with the processing of information in the system which resulted in a number of errors including misclassification of items between categories within the creditors note; debit balances being included in the creditors balance; over accrual of balances; as well as some items accounted for as creditors when the items were paid before the year end.

#### Potential effects

The Council's creditor balance could be misstated due to inaccurate information which could lead to more significant implications than material misstatements in the accounts which could have a reputational impact on the Council and affect future services.

#### Recommendation

The Council should review their procedures for processing creditors on the system to avoid similar issues recurring in future years.

#### Management response

The Council will review procedures for processing creditors, including providing awareness training

# Internal control conclusions

## Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

### Description of deficiency – reconciliation of valuation reports (low priority)

The Council receives a number of valuation reports relating to different fixed asset categories; however, Council officers do not prepare a reconciliation which summarises the totals from the different valuation reports and show how these reconcile back to the valuations table in the PPE note to the accounts. As such, the audit team had to spend time reconciling the reports themselves and following up to see how the amounts balanced back to the accounts.

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### Potential effects

Could lead to asset values not being updated in Council records if the valuation reports are not reconciled back to the Council's asset register.

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### Recommendation

The Council should reconcile the different valuation reports and provide a copy to audit team (along with copies of all of the valuation reports) at the start of the audit.

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### Management response

The Council will implement this recommendation in future years

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# Internal control conclusions

## Follow up on previous internal control points

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

### Description of deficiency - quality assurance arrangements for the accounts (medium priority)

Analytical review: In our view there were insufficient analytical review procedures undertaken on the primary statements. Analytical review should be a key part of the Council's own quality assurance procedures before the draft accounts are authorised for issue.

The above deficiency was identified during our 2021/22 audit. Follow up in 2022/23 noted that *'with regard to analytical review procedures, we have not seen evidence that this was carried out by the Council as part of their own quality assurance procedures and as such this part of the recommendation remains open.'*

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### Potential effects

Inadequate quality assurance processes can lead to misstatements not being identified in the draft accounts.

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### Recommendation

Ensure analytical review procedures are undertaken prior to the draft accounts being authorised for issue.

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### Current position

No evidence of analytical review procedures for the primary statements for 2023/24 and therefore we are unable to close off the recommendation. The Council will look to evidence this analytical review in future years

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# Internal control conclusions

## Follow up on previous internal control points (continued)

### Description of deficiency - **debtor balances from the 2020/21 audit (medium priority)**

We highlighted in our Audit Completion Report a number of errors from testing, including:

- **a non-material debtors balance with a partner which was no longer a valid debtor**, therefore, should be corrected; this had arisen due to a disputed debtor and is partially offset by a linked creditor;
- **a further debtors balance with local authorities, which contained amounts owing which may similarly no longer be valid, dating back some years**: whilst this was clearly trivial, the Council should ensure it reviews this code (automatic debtors adjustment) in full for the next year; and
- **a trivial balance that the Council appeared to owe to itself**: the Council's own controls should ensure that it is not raising a debtor with itself.

Upon completion of our testing, the following additional issues were identified:

- **an outstanding debtor with a local health partner**, including amounts relating to 2019/20 and 2018/19. This had arisen due to various factors, including lack of agreement of responsibility for care packages.
- **a further outstanding debtor with another local health partner**, including amounts owed dating back to 2017/18 and 2018/19 relating to adult social care costs. This is a common issue for local authorities, however, it is important that there is greater oversight and focus on ensuring the debtors balance is complete and accurate in respect of debtors with health partners, notwithstanding the difficulties.
- **a sample item for a charge on an individual's property, in relation to adult social care**: dates on the underlying documentation did not match the dates for which care was being provided. The Council should consider how this has arisen and whether there is any risk of challenge to the Council in respect of incorrect underlying documentation.

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### Follow-up in 2021/22

Internal Audit's follow-up report showed good progress had been made. Based on our follow-up, progress has been made on the recommendation, bar:

- **the outstanding disputed debtor with a partner** referenced above was not addressed in time for 2021/22, therefore, remains a carried forward issue and is reported in our summary of unadjusted misstatements; and
- **the Council raising debtors with itself**; this remains an issue which the Council is again following up to make sure it is addressed. The Council has recognised a trivial debtors balance with itself as at 31/3/22. This arose mainly due to issues in relation to The Gateshead Housing Company coming back in house and the treatment of voids.

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### 2022/23 update

The outstanding disputed debtor with a partner referenced above remains outstanding as at 31 March 2023, therefore, remains a carried forward issue and is reported in our summary of unadjusted misstatements. From discussions with officers, progress to resolve the issue has remained on-going during the year and the issue is expected to be resolved during the 2023/24 financial year.

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# Internal control conclusions

## Follow up on previous internal control points (continued)

Description of deficiency - **debtor balances from the 2020/21 audit (medium priority)**

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**Potential effects**

Risk of misstatement. Risk of non-material outstanding debtors not being followed-up and increasing, year on year.

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**Recommendation**

Consider the areas highlighted from the previous year audits and action as appropriate.

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**Current position – 2023/24 update**

The outstanding disputed debtor with a partner referenced above remained outstanding as at 31 March 2024, therefore, remains a carried forward issue and is reported in our summary of unadjusted misstatements. From discussions with officers, progress to resolve the issue has remained on-going during the year with evidence seen by audit to show that progress is being made such that the balance is not expected to remain outstanding as at 31 March 2025. However, we note similar assurances were provided in our 2022/23 audit.

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# Internal control conclusions

## Follow up on previous internal control points (continued)

### Description of deficiency – provisions (medium priority)

A review should be undertaken of all provision balances, in particular business rates appeals and insurance provision balances, due to various issues arising during the audit. These issues have included:

- provisions being made for future events, where no present obligation existed, which does not comply with accounting standards;
- no evidence being readily available to support some provisions (all provisions made should be on the basis of updated estimates made by management);
- insufficient and / or inconsistent narrative to explain the uncertainties and expected timing of use of provisions;
- expected credit losses for long-term debtors being misclassified within provisions again (prior year unadjusted error); and
- provisions not being appropriately split between current and non-current.

Provisions should only be made where:

- there is a present obligation, either legal or constructive, as a result of a past event;
- the outflow of economic benefits to satisfy the obligation is probable; and
- it is possible to reliably estimate the economic benefits.

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**2022/23 update** - The insurance provision has been updated and we identified no issues arising from our 2022/23 audit work.

The business rates appeals provision has not been split between current and non-current, which remains a carried forward issue arising.

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### Potential effects

Potential for misstatement.

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### Recommendation

All provisions should be reviewed and only provisions which clearly meet accounting standard requirements should be included going forward, supported by appropriate narrative, in particular:

- the insurance provision; and
- the business rates appeals provision. .

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### Current position

The recommendation made in the prior year remains as our testing of provisions for the year ended 31 March 2024 showed that the business rates appeals provision has not been split between current and non-current.

# 06

Summary of misstatements



# Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £0.47million.

The first table overleaf sets out the misstatements we identified. Management is aware of these misstatements and are considering additional procedures or adjustments to the financial statements.

The second table outlines the misstatements we identified during the prior year audit which were not adjusted for and are carried forward misstatements.

The third table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued in April 2024. Any subsequent changes to those figures are set out in the section 3 of this report.

## Summary of unadjusted and adjusted misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Unadjusted misstatements identified during the 2023/24 audit	-	3,689	5,263	1,574
Unadjusted misstatements identified during previous audits which remain carried forward	3,559	1,824	1,824	3,559
<b>Sub-total unadjusted misstatements: current and prior year</b>	<b>3,559</b>	<b>5,513</b>	<b>7,087</b>	<b>5,133</b>
Adjusted misstatements.	-	20,088	21,241	1,153

# Summary of misstatements

## Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements. Management is aware of these misstatements and are considering additional procedures or adjustments to the financial statements.

We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Creditors (Other entities and individuals) Cr: Debtors Cr: Expenditure  Our testing of other entities and individuals creditors identified two errors - one where the creditor did not exist at the year end and the other where the amount included in the creditors balance was overstated. Although the balances were trivial individually, the extrapolated error is estimated to be £4,543k.		2,969	4,543	1,574
Dr: Creditors (Accruals) Cr: Expenditure  Being correction of trading expenditure for construction which should have been accounted for in 22/23. Although the actual error was trivial, the extrapolated error is estimated to be non-trivial. Correction of amount in prior year would be Dr Expenditure Cr Creditor accrual - the above would then reverse this accrual.		720	720	
<b>Aggregate effect of unadjusted misstatements</b>	-	<b>3,689</b>	<b>5,263</b>	<b>1,574</b>

# Summary of misstatements

## Prior year (2022/23) unadjusted misstatements carried forward:

The table below shows unadjusted misstatements identified and reported in the prior year that still have an impact on the current year financial statements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Gross income, net cost of services (Economy, Innovation & Growth portfolio) Cr: Current Debtors  Being the write-back of the disputed debtor of 3,351k for a previous partnership arrangement, for which there is no realistic prospect of settlement. Note linked creditor below, however, as no legal right to offset, presented separately, as required. Also includes a further £0.181m relating to a further balance with this debtor where there is similarly no realistic prospect of settlement.	3,539			3,539
Dr: Creditors Cr: Gross Expenditure (Net Cost of Services)  Being the cancellation of the disputed creditor for a previous partnership arrangement, for which there is no realistic prospect of settlement. Note linked debtor above, however, as no legal right to set-off, presented separately, as required. .		1,824	1,824	
<b>Aggregate effect of unadjusted misstatements carried forward</b>	<b>3,559</b>	<b>1,824</b>	<b>1,824</b>	<b>3,559</b>

# Summary of misstatements

## Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Accounts Committee should be made aware of.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Debtors Cr: Creditors  Our testing identified a number of debtor balances included in creditors which should have been classified as debtors			1,153	1,153
Dr: Pension Asset Cr: Re-measurements of the net defined benefit liability (return on plan assets)  Per the amended IAS19 Accounting Results Schedule obtained by the Council in October 2024, the return on plan assets has increased by £17.08m resulting in the increase in Fair Value of Assets from £1,584.92m to £1,602m. This has therefore seen an increase to the overall net pensions asset per the Balance Sheet.		17,080	17,080	
Dr: Capital grants receipts in advance (Community Infrastructure levy) Cr: CIES - Capital Grants, Contributions and Donations  The total community infrastructure levy £3,008k included within the Capital Grants receipt in Advance balance does not meet the requirements to be recognised as a receipt in advance per the CIPFA code, and should have been recognised during 2023/24		3,008	3,008	
<b>Aggregate effect of adjusted misstatements</b>	-	<b>20,088</b>	<b>21,241</b>	<b>1,153</b>

# Summary of misstatements

## Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- **Note 17d PPE Revaluations** – our review of the draft accounts identified that the date of valuations per the summary of valuations table in the PPE note had not been updated. Per discussion with client, this was an error with the pdf version of the accounts that we received, and the working version of the accounts included another table showing the 23/24 balances, as well as the comparator table showing the 22/23 balances.
- **Note 19 Capital Commitments** – our testing identified that capital commitments were not disclosed on the correct basis as only the expected spend up to 31/3/25 had been included in the disclosure rather than the full value of commitment. Correction of this error will see the "Schools, Basic Need Funding" line increase from £1.6m to £3.4m.
- **Note 20b Contingent Rents** - the contingent rent figure in Note 20b is incorrectly disclosed as £1,279k and should have been disclosed as £1,563k per supporting working papers. Consequentially, the service figure should also be updated to £919k.
- **Note 22 Impairment allowance for domestic rates**– draft accounts incorrectly disclosed impairment allowance for domestic rates as £4,021m which is an impairment allowance calculated on outstanding balance before applying 49% council share. The amount should have been disclosed after applying 49% Council share which equates to £1,970m.
- **Note 23 Creditors** – our creditors testing identified an issue with the classification of creditors disclosed in note 23. With exception to the misclassification of debtor balances included within creditors (which has been reported in the table above), these misclassification are only shown in the note and do not impact on the face of the Balance Sheet.
- **Note 27 Financial Instruments**
  - The current debtors impairment value has been omitted from the table showing the gross amounts due to the council in the draft accounts. The value is to be updated to £11.309m
  - The council did not strip out non-Financial Instruments Debtors from the £9.852m total gross current debtors value per Note 27 'Nature and extent of risk arising from Financial Instruments' in the draft accounts. The Gross value is to be updated to £81.300m
- **Collection Fund** – the Council made a prior period adjustment, however the adjustment made is clearly not material and the amendment is not compliant with the CIPFA Code (IAS 8) or the Council's Accounting Policies.

We identified the following disclosure misstatements during our audit that have not been corrected by management:

- **Note 14 Termination benefits / Exit packages** – our testing identified one individual where the total cost disclosed in note 14 was understated due to the redundancy payment not being included in the total. Per discussion with officers, this was a timing issue due to the individual leaving in March 2024, but the payment not being made until April 2024. We challenged Council officers around the completeness of the disclosures, requesting confirmation over the information collected for the note and to check if all employees who left within the year had their redundancy packages included within the accounts. One other individual identified who had been excluded from the note. The overall impact of both errors is that the total cost figure disclosed in note 14 is understated by £30k, and the number of exit packages paid by band is understated by 1.
- **Note 24 - Provisions** - the business rates appeals provision of £3.546m as at 31 March 2024 (prior year £3.990m) has not been split between current and non-current provisions as required; this would impact on the face of the balance sheet.

07

Value for Money

# Value for Money

## Approach to Value for Money

We are required to consider 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 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; and
- **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.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. 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 significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report when we issue our opinion on the financial statements.

## Status of our work

We have not yet completed our work in respect of the Council's arrangements for the year ended 31 March 2024, however our work so far has not identified any significant weaknesses in arrangements that would require us to make a recommendation. Our draft audit report at Appendix B has been prepared on the basis that we will have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report which will be issued when we give our opinion on the financial statements.

# Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications



# Appendix A: Draft management representation letter

*[To be provided on letter headed paper]*

James Collins  
Director  
Forvis Mazars

Date

## **Gateshead Metropolitan Borough Council - Audit for Year Ended 31 March 2024**

This representation letter is provided in connection with your audit of the financial statements of Gateshead Metropolitan Borough Council (the Council) for the year ended 31 March 2024 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 2023/24 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022, and applicable law.

I confirm that the following representations 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 myself 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, as amended by the Code Update and applicable law.

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

I have provided you with:

- access to all information of which I am 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.

# Appendix A: Draft management representation letter

## **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with 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.

## **Accounting estimates, including those measured at current or fair value**

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

## **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, as amended by the Code Update 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 and I believe I have appropriately fulfilled those responsibilities.

# Appendix A: Draft management representation letter

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, as amended by the Code Update 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.

## **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 and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

## **Charges on assets**

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

## **Future commitments**

The Council has no 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 2023/24 in relation to the Council's service concession arrangements 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, as amended by the Code Update 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.

# Appendix A: Draft management representation letter

## **Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 3 to the financial statements fairly reflects that assessment.

## **Covid-19**

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 3 to the financial statements fairly reflects that assessment.

## **Brexit**

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

## **Going concern**

To the best of my knowledge there is nothing to indicate that the Council will not 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.

## **Annual Governance Statement**

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

## **Narrative Report**

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

## **Unadjusted misstatements**

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

# Appendix A: Draft management representation letter

## **Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours sincerely,

Strategic Director, Resources and Digital

# Appendix B: Draft audit report

## Independent auditor's report to the members of Gateshead Metropolitan Borough Council

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of Gateshead Metropolitan Borough Council ("the Council") for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Housing Revenue Account, Collection Fund Statement, and notes to the financial statements, including material accounting policy information. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2024 and of its 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 2023/24.

#### 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.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Strategic Director, Resources and Digital's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Strategic Director, Resources and Digital with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Strategic Director, Resources and Digital is responsible for the other information. 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.

# Appendix B: Draft audit report

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.

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

As explained more fully in the Statement of the Strategic Director, Resources and Digital's 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 2023/24, 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 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Strategic Director, Resources and Digital is responsible for assessing each year whether or not it is appropriate for the Council 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, 'the Local Government and Housing Act 1989' and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Standards Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

# Appendix B: Draft audit report

We evaluated the Strategic Director, Resources and Digital's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Standards Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Standards Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Strategic Director, Resources and Digital's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

## **Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources \***

### **Matter on which we are required to report by exception**

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024

We have nothing to report in this respect.

### **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.

### **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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in May 2024.

*\*At the time of drafting our report, our Value for Money work remains ongoing. The wording above is based on the expectation that no significant weaknesses in arrangements will be identified from our work (alongside there being no outstanding significant weaknesses identified in previous years). The final wording will be agreed following completion of our VFM work ahead of the signing of the audit report.*



# Appendix B: Draft audit 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.

## **Use of the audit report**

This report is made solely to the members of Gateshead Metropolitan Borough 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 cannot 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.

*[Signature]*

James Collins, Key Audit Partner

For and on behalf of Forvis Mazars LLP

The Corner

Bank Chambers

26 Mosley Street

Newcastle upon Tyne

NE1 1DF

Date

## Appendix C: Confirmation of our 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.

## Appendix D: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<b>External confirmations</b>	<p>We did experience some delays in obtaining external confirmations for some of the investment balances held by the Council; however, we have had the full cooperation of management.</p>
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with Strategic Director, Resources and Digital that the Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements..</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

# Appendix D: Other communications

Other communication	Response
<p><b>Subsequent events</b></p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p><b>Matters related to fraud</b></p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Accounts Committee as Those Charged With Governance, confirming that</p> <ul style="list-style-type: none"> <li>a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b) they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:             <ul style="list-style-type: none"> <li>i. management;</li> <li>ii. employees who have significant roles in internal control; or</li> <li>iii. others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul>

# Contact

## Forvis Mazars

**James Collins**

Director

Tel: +44 (0)191 383 6331

[James.Collins@mazars.com](mailto:James.Collins@mazars.com)

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: GB 839 8356 73

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