



# Audit Strategy and Completion Report

## **Gedling Borough Council – Year ended 31 March 2023**

December 2024

Audit Committee  
Gedling Borough Council  
Civic Centre  
Arnot Hill Park  
Arnold  
Nottingham  
NG5 6LU

December 2024

Dear Committee Members,

## **Audit Strategy and Completion Report – Year ended 31 March 2023**

We are pleased to present our Audit Strategy and Completion Report for Gedling Borough Council for the year ended 31 March 2023. The purpose of this document is to summarise our audit and to explain how the statutory backstop arrangements introduced by the Accounts and Audit (Amendment) Regulations 2024, have affected the completion of our work and the reporting consequences. We consider two-way communication with you to be key to a successful audit and particularly important in the context of the backstop arrangements as it facilitates:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities; and
- providing you with constructive observations arising from the audit process even though this has been curtailed by the backstopped arrangements.

We would usually report the results of our planning work, including the significant risks identified and our planned procedures, in our Audit Strategy Memorandum. The results of our audit, including significant matters identified would usually be reported to you in our Audit Completion Report. As a result of the backstop arrangements, we have determined that the most appropriate way to communicate each of the matters required under auditing standards, in this single Audit Strategy and Completion Report.

As it is a fundamental requirement that an auditor is, and is seen to be, independent of audited bodies, section 8 of this document summarises our considerations and conclusions on our independence as auditors.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

I would like to express our thanks for the assistance of your team during the course of our audit. If you would like to discuss any matters in more detail then please do not hesitate to contact me.

Yours faithfully

Mark Surridge

Forvis Mazars LLP

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.  
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

# 01

Our audit and the implications of the statutory backstop

# Our audit and the implications of the statutory backstop

We are appointed to perform the external audit of Gedling Borough Council (the Council) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>.

## Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act").

We are appointed to audit the financial statements in accordance with International Standards on Auditing (UK), and under normal circumstances our objectives would be to form and express an opinion on whether the financial statements present a true and fair view of the Council's financial affairs for the year and whether they have been prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Government has recently introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2022/23 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report on those financial statements in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Concurrently with the above, we had to revise our audit strategy to take account of the fraud that occurred, which led to a significant amount of additional testing of underlying transactions and a need to perform additional work on the risk of management override, including IT controls. As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of evidence is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements. We have included our proposed audit report in Appendix B. When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 5.

Further information on the procedures we have undertaken in order to issue a disclaimer of opinion in advance of the backstop date is provided in section 3.

## Responsibilities in respect of fraud and internal control

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting. As part of our audit procedures in relation to fraud we are required to inquire of Those Charged with Governance as well as key management and Internal Audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks.

Management is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you.

## Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers under the 2014 Act. We confirm that no such correspondence from electors has been received.

## Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We are expecting to report on one significant weakness. Further detail on our Value for Money work is provided in section 4 of this report.

## Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council's financial statements, we anticipate reporting to the NAO that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation of when and how this should be reported to the NAO.

# 02

Your audit team

# Your audit team

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**Partner**

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**Manager**

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03

Our audit approach



# Our audit approach

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements has been conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. We have also had regard to the Local Audit Reset and Recovery Implementation Guidance ('LARRIG') issued by the National Audit Office and endorsed by the Financial Reporting Council in delivering our audit in the context of the backstop arrangements introduced by the 2024 amendments to the Accounts and Audit Regulations.

## Our approach to the audit of the financial statements

In the absence of the backstop arrangements, our audit would be risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. After completing our detailed risk assessment work and developing our audit strategy, we would design and complete audit procedures in response to the risks identified.

The conditions created by the imposition of the backstop arrangements mean that we have not carried out all of the work necessary to issue a detailed audit plan and to complete all the required audit procedures to provide an opinion on the financial statements. The approach we have taken to carrying out the Council's audit has been designed so that we can comply with International Standards on Auditing (UK) and issue our audit report to allow the Council to meet the backstop date of 13 December 2024 for publishing the financial statements and other relevant information.

We summarise below, the work we have undertaken to inform our audit strategy and our determination that it is necessary to issue a disclaimer of opinion on the Council's financial statements. As we have not completed all our planning procedures, including all risk assessment work, we do not include a summary of significant and enhanced risks as part of this report.

Area of the audit	Summary of our procedures
Acceptance and continuance	We have carried out all acceptance and continuance procedures including consideration of: <ul style="list-style-type: none"><li>• The financial reporting framework adopted by the Council and the existence of any unusual or controversial accounting policies</li><li>• The form, timing and expected content of our communication with Those Charged with Governance</li><li>• Any actual or potential threats to our independence</li><li>• The existence of any other factors that indicate we should not continue as the Council's auditor</li></ul>
Understanding the entity	We have carried out audit procedures to understand and document our understanding of the Council across a range of areas, including but not limited to: <ul style="list-style-type: none"><li>• The Council's structure, including its wider group</li><li>• Key accounting policies</li><li>• Accounting estimates</li><li>• The use of experts</li></ul>
Control environment assessment	We have documented our consideration of the Council's control environment. We carry out this work to inform both our work on the financial statements and as an element of our Value for Money arrangements risk assessment work.

# Our audit approach

Area of the audit	Summary of our procedures
Fraud	We have carried out work on identifying potential fraud risks and made specific inquiries of management and Those Charged with Governance in respect of actual, potential or suspected fraud.
Materiality	We have considered the application of materiality for the audit of the Council’s financial statements. Further details on the materiality thresholds determined, is included later in this section of our report.
Laws and regulations	We have obtained an understanding of the legal and regulatory framework applicable to the Council and made specific inquiries with management and Those Charged with Governance in respect of any instances of noncompliance with laws and regulations.
Written representations	We have requested certain written representations from management in accordance with ISA (UK) 580. The draft management letter of representation is provided in Appendix A.
Completion, review and reporting	<p>We have undertaken sufficient review procedures to ensure our audit complies with the requirements of ISA (UK) 230. This includes specific work to document our consideration of the implications of the backstop arrangements on our audit and the reporting implications.</p> <p>We have also considered whether any matters have come to our attention that we deem should be reported to Those Charged with Governance or that may be relevant to our auditor’s report. Such matters may include misstatements identified in the draft financial statements or internal control recommendations.</p> <p>As we intend to issue a disclaimer of opinion, additional quality and risk management processes have also been followed.</p>

04

Materiality

# Materiality

## Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

## Our approach to determining materiality

Although we intend to issue a disclaimer of opinion on the financial statements as a result of the backstop arrangements, we are required to determine materiality and communicate this to Those Charged with Governance.

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

# Materiality

## Our approach to determining materiality (continued)

We consider that Gross Revenue Expenditure at a Surplus/Deficit on Provision of Services level is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We have set a materiality threshold of 2% of Gross Revenue Expenditure.

As set out in the table below, based on the 2022/23 draft Statement of Accounts overall materiality for the year ended 31 March 2023 was £1.058m (£1.013m in the prior year), and performance materiality was £0.794m (£0.760m in the prior year).

	2022/23 £'000s	2021/22 £'000s
Overall materiality	£1,058k	£1,013k
Performance materiality	£794k	£760k
Clearly trivial	£32k	£30k

# 05

Significant findings

# Significant findings

## Background and modification of the audit opinion

As a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the effects, or potential effects on the financial statements of the lack of sufficient appropriate evidence are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the introduction of the backstop arrangements which require the Council to publish its audited financial statements for all years up to and including 2022/23 by 13 December 2024.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

## 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 2022/23 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.

## Significant matters discussed with management

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

- Implications of the backstop arrangements
- Implication arising from the identified fraud and the impact on the financial statements and our work under value for money arrangements.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no other matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error .

## 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.

# Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to inform our audit strategy. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

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 matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more other matters to report. 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.

## 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 are of sufficient importance to merit the attention of Audit Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

## Other observations on internal control

We also report to you, 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 Audit Committee 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.



# Summary of amendments to the financial statements

The Council's S151 Officer authorised the Council's draft financial statements for issue on 15th October 2024.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to The Audit Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

## Amendments to the financial statements

Management has not processed any amendments to the 2022/23 financial statements.

## Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standards require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements. We confirm that no such matters have come to our attention.

# 06

Value for Money arrangements

# Value for money arrangements

## The framework for Value for Money arrangements work

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

2022/23 is the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report. The introduction of the backstop arrangements does not alter our responsibilities in relation to Value for Money arrangements work.

## Specified reporting criteria

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

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

## Our approach

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

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

# Value for money arrangements

## Status of our work

We have not yet completed our work in respect of the Council's arrangements for the year ended 31 March 2023. As permitted by the Code of Audit Practice, we will confirm the outcome of our work as part of the Auditor's Annual Report. Our draft audit report at Appendix B confirms that we expect to report on one significant weakness in arrangements in respect of Governance. As noted above, once our work is complete, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in [TBC].

## Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist. The table below outlines the risks of significant weaknesses in arrangements that we have identified to date.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p><b>Fraud &amp; Internal Control: Allegations of fraudulent behaviour by Council Officers.</b></p> <p>As set out in our progress report from February 2023, Nottinghamshire Police are investigating an alleged case of "significant" fraud involving a Gedling Borough Council officer member. The alleged fraud was uncovered by the Council and reported to the police. We believe the allegations present a risk of significant weakness in the Council's arrangements for Governance (how the body ensures that it makes informed decisions and properly manages its risks).</p>	<p>Our work included, but was not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing relevant internal audit reports;</li> <li>• Regular discussions with Officers and Internal Audit and the police investigation team</li> <li>• Review of committee minutes and agendas.</li> </ul> <p><b>Results of our work</b></p> <p>In October 2024, a former officer of the Council, who was dismissed in 2022, was found guilty of fraud by abuse of position and obtaining money transfers by deception over a period of nearly 19 years. The identified fraudulent transactions totalled almost £1m. In June 2023, we issued a progress report to the Council explaining that, whilst our work on the financial statements for the year ended 31 March 2022 was substantially complete, the identification of actual fraud meant we were unable to continue our work until the extent of the issue could be reasonably determined.</p> <p>Through our discussions with officers, we are aware that, on initial identification of the fraud, the Council took various action, including informing the police, introducing compensatory controls. In August 2022, the Council engaged forensic specialists to assess the situation and requested Internal Audit to review of the IT environment relating to financial controls. This latter review, which commenced in April 2023 and concluded in January 2024, highlighted a range of significant deficiencies in financial controls for the year ending 31 March 2022 and 31 March 2023.</p> <p>We met with the internal auditors and reviewed the reports issued, confirming that, in March 2024, the Audit Committee received the Internal Audit report covering the review of Agresso IT Controls and the control weaknesses in the set-up of the finance system. From our meetings and review, we noted there were significant control deficiencies in relation to the segregation of duties and the privileged access given to this individual within the ledger system Agresso. These deficiencies have also hampered our ability to complete the financial statement audit. We also considered progress of the court case, including the ultimate conviction and sentencing in October 2024. In doing so, we considered whether the fraud losses were a risk to the Council's financial sustainability: overall, given the values involved and the steps taken, including further action, to reclaim funds, we are satisfied this does not present a risk of significant weakness in arrangements for financial sustainability.</p> <p><b>Conclusion</b></p> <p>In our view, the control deficiencies are indicative a risk of significant weakness in governance arrangements, including how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, that has led to a significant impact on the quality or effectiveness of the Council's reputation.</p>

# Value for Money

## Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial Sustainability	Governance	Improving the 3Es	[Draft] Recommendation for improvement	Council response
<p><b>Fraud and Internal Control</b></p> <p>As referred to in the Annual Governance Statement, in October 2024, a former officer of the Council, who was dismissed in 2022, was found guilty of fraud by abuse of position and obtaining money transfers by deception over a period of nearly 19 years. The identified fraudulent transactions totalled almost £1m.</p> <p>On initial identification of the fraud, the Council took various action, including informing the police, introducing compensatory controls. In August 2022, the Council engaged forensic specialists to assess the situation and requested Internal Audit to review of the IT environment relating to financial controls. This latter review, which commenced in April 2023 and concluded in January 2024, highlighted a range of significant deficiencies in financial controls for the year ending 31 March 2022 and 31 March 2023.</p> <p>In our view, these deficiencies exposed the Council to a significant weakness in governance arrangements, including how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, that has led to a significant impact on the quality or effectiveness of the Council's reputation.</p>		●		<p>The Council should continue to implement all remaining recommendations raised by Internal Audit to address all aspects of the control environment and put in place arrangements to test the effectiveness of the controls on a periodic basis, including any adjustments for changes in systems or processes that may have occurred.</p>	TBC

07

Audit fees and other services

# Audit fees and other services

## Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of Gedling Borough Council for the year ended 31 March 2023 are outlined below.

Area of work	2020/21 Actual Fee	2021/22 Planned Fee	2021/22 Actual Fee	2022/23 Planned fee	2022/23 Actual Fee	2023/24
Scale fee in respect of our work under the Code of Audit Practice	32,779	32,779	32,779	32,779	32,779 Actual procedures performed: 12,000	128,065
Additional fees in respect additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties	6,194	6,194	6,194	6,194	Work not performed	Included in scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	2,892	2,892	2,892	2,892	Work not performed	Included in scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315)	N/A	N/A	N/A	5,000	Work not performed	15,000
Other additional testing – additional costs as a result of control issues	-	-	1,958	-	-	
Additional costs involved from the fraud, as explained in progress report in June 2023, including: Additional work is required to evaluate the controls in place at the Council and a re-assessment of the overall control environment, drawing from work of other agencies; additional testing is required to understand the design effectiveness of key controls and then perform extended substantive testing of account balances across the income and expenditure account and the balance sheet, including, but not limited to: pay costs, supplies and services, fees and charges, debtors and creditors	-	-	46,000	N/A	N/A	
Additional costs arising from impact of Covid-19	1,188	N/A	N/A	N/A	N/A	
Other additional costs:						
•Modified Audit Report	-	-	7,392	-	7,392	
Additional fees in respect of the VFM Commentary	9,293	8,500	8,500	8,500	6,000	Included in scale fee
Additional fees in relation to VFM risks of significant weakness in arrangements	-	-	10,980	-	1,980	
Total fee variations	19,567	17,586	83,916	22,586	15,372	15,000
Total fees	52,346	50,365	116,695	55,365	27,372	143,065

08

Confirmation of our independence



# Confirmation of our independence

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

Prior to the provision of any non-audit services, Mark Surridge (Key Audit Partner) will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Council in the first instance.

# Appendices

A: Draft management representation letter

B: Draft audit report

C: Key Communication points

# Appendix A: Draft management representation letter

Forvis Mazars  
2 Chamberlain Square  
Birmingham  
B3 3AX

[Date]

Dear Mark,

## **Gedling Borough Council - Audit for Year Ended 31 March 2023**

This representation letter is provided in connection with your audit of the financial statements of Gedling Borough Council the Council for the year ended 31 March 2023. I note that you intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

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 ourselves 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 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 or Authority [and Group]] you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer 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 or tailor as applicable] and committee meetings, have been made available to you.

### **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 or Authority [and Group]]'s financial position, financial performance and cash flows.

### **Accounting estimates, including those measured at current and 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.

# Appendix A: Draft management representation letter

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 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.

## Fraud and error

I acknowledge my responsibility as s151 Officer 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.

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 or Authority [and Group]] 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 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.

## Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code 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.

## 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.

# Appendix A: Draft management representation letter

## **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

## **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 faithfully,

Service Director – Finance / s151 officer

# Appendix B: Draft audit report

## Independent auditor’s report to the members of Gedling Borough Council

### Report on the audit of the financial statements

#### Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Gedling Borough Council (“the [Council]) for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Housing Revenue Account (HRA) Income and Expenditure Statement, Movement on the HRA Statement, Collection Fund and notes to the financial statements, including a summary of significant accounting policies. 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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 (‘The Amendment Regulations’) came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor’s opinion for the year ended 31 March 2023, by 13 December 2024 (‘the backstop date’). The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

#### Responsibilities of the Service Director - Finance for the financial statements

As explained more fully in the Statement of the Service Director - Finance’s Responsibilities, the Service Director – Finance 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 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Service Director – Finance is also responsible for such internal control as the Service Director - Finance determines is necessary to enable the preparation of

financial statements that are free from material misstatement, whether due to fraud or error.

The Service Director – Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update 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 Service Director – Finance 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 responsibility is to conduct an audit of the Council’s financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor’s report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

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.

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.

# Appendix B: Draft audit report

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

### Matters 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 2023.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have identified the following significant weaknesses in the Council’s arrangements for the year ended 31 March 2023:

Significant weakness in arrangements	Recommendation
<p>As referred to in the Annual Governance Statement, in October 2024, a former officer of the Council, who was dismissed in 2022, was found guilty of fraud by abuse of position and obtaining money transfers by deception over a period of nearly 19 years. The identified fraudulent transactions totalled almost £1m.</p> <p>On initial identification of the fraud, the Council took various action, including informing the police, introducing compensatory controls. In August 2022, the Council engaged forensic specialists to assess the situation and requested Internal Audit to review of the IT environment relating to financial controls. This latter review, which commenced in April 2023 and concluded in January 2024, highlighted a range of significant deficiencies in financial controls for the year ending 31 March 2022 and 31 March 2023.</p> <p>In our view, these deficiencies exposed the Council to a significant weakness in governance arrangements, including how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, that has led to a significant impact on the quality or effectiveness of the Council’s reputation.</p>	<p>The Council should continue to implement all remaining recommendations raised by Internal Audit to address all aspects of the control environment and put in place arrangements to test the effectiveness of the controls on a periodic basis, including any adjustments for changes in systems or processes that may have occurred.</p>

# Appendix B: Draft audit report

## 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 November 2024.

## 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.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

## Use of the audit report

This report is made solely to the members of Gedling 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.

## Certificate

We certify that we have completed the audit of Gedling Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.]

OR

[Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed [tailor the following bullets according to the reason(s) for withholding the certificate]:

- the work necessary to issue our assurance statement in respect of the [Council]'s Whole of Government Accounts consolidation pack;

[Signature]

Mark Surrige, Key Audit Partner

For and on behalf of Forvis Mazars LLP

2 Chamberlain Square  
Birmingham  
B3 3AX

[Date]



# Appendix C: Key communication points

We value communication with Audit Committee as a two way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy and Completion Report; and
- Our Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate. We have taken the decision to report to you all of the matters which we would usually report in our Audit Strategy Memorandum and Audit Completion Report, within this single Audit Strategy and Completion Report given the nature of the backstop arrangements and the impact upon our audit.

## Key communication points at the planning and completion stage of our audit communicated our Audit Strategy and Completion Report

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit and the effects of the backstop arrangements;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements;
- Fees for audit and other services.
- Significant deficiencies in internal control;

- Significant findings from the audit including any significant matters discussed with management and significant difficulties, if any, encountered during the audit;
- Summary of misstatements and other corrections made to the draft financial statements;
- Management representation letter; and
- Our proposed draft audit report.

# Contact

## Forvis Mazars

**Mark Surridge**  
**Key Audit Partner**

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