



External Audit Progress Report
Gedling Borough Council

June 2026

The Statutory 'Backstop'

What happened and why it matters

National backstop regulations required all local authorities to publish their financial statements by December 2024, regardless of whether auditors had obtained sufficient appropriate evidence to issue a non-disclaimed opinion.

The Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 was published with the endorsement of the Financial Reporting Council (FRC) in June 2025. LARRIG 06 makes clear the work required to rebuild assurance following a disclaimer of opinion may be significant and will vary between authorities.

Why is Gedling Borough Council in this position?

As previously reported, during the 2021/22 audit cycle, a former member of the Council's finance team was convicted of fraud.

The fraud exposed IT control weaknesses over the financial ledger, adding complexity to the Council's position. This increased audit risk as we needed to obtain assurance that the historic ledger transactions were complete.

Our risk assessment over the most effective way forwards on rebuilding assurance is ongoing. The need to obtain assurance over the fraud impact on the ledger being a key component of the risk evaluation.

Progress

The Council has successfully produced complete and good-quality working papers to support the 2023/24 and 2024/25 Statement of Accounts and our VFM risk assessment. This has helped to demonstrate that the earlier VFM significant weakness in financial reporting arrangements no longer exists, although this has not been able to be confirmed by a full audit.

We have liaised with our internal IT specialists to agree a route forward, but we must gain some assurance over the completeness of the historic ledger.

Remaining constraints

We not yet been unable to obtain sufficient appropriate audit evidence from the Council's IT team or ledger provider to confirm that historic ledger transactions could not have been deleted or modified via identified historic weaknesses in controls. There are inherent difficulties with gaining assurance over historic control environments, as control testing is usually 'at a point in time'. We hope to focus on this during 2025/26.

Routes to rebuilding assurance

The 'Proof-in-Total' (PIT) Approach

If the Council can prepare and support a partial audit for 2025/26, this will allow us to consider our risk assessment and determine whether PIT is possible. This means the Council may, subject to our risk assessment, be able to rebuild assurance via the Proof-in-Total method, as set out in the NAO LARRIG 06 guidance.

What Proof in Total requires

Proof in Total focuses on reconstructing assurance by auditing the top half of the balance sheet and establishing the total reserves position. It can only be applied if auditors have confidence that current-year financial reporting is robust.

Under this approach we would:

- Perform a full balance sheet audit for 2025/26, rebuilding assurance over the net asset position
- Audit the classification of reserves, supported by targeted substantive testing
- If no material issues arise, move to a full audit with Proof in Total in 2026/27, subject to approval by our central technical team.

What the Council needs to do

- Maintain strong financial reporting capacity and provide timely, complete working papers.
- Support sample selection, respond promptly to queries, and ensure reconciliations are performed and reviewed.
- Demonstrate the ability to deliver an audit of the Balance Sheet in 2025/26, including any other required procedures to support future rebuild

External Audit - responsibilities summary

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit Committee (as Those Charged With Governance), of their responsibilities.

At Gedling Borough Council, the Chief Finance Officer (Section 151 Officer) is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Chief Finance Officer (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both the Audit Committee (as 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 enquire of the Audit Committee (as those charged with governance), including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Internal control

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

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

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 that are unique to the audit of local authorities in the United Kingdom.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.



Types of audit opinions

Auditors are required to give either an unmodified opinion (commonly referred to as a 'clean' opinion), or a modified opinion.

A modified audit opinion can arise where there is an error, a disagreement over a particular matter or a lack of sufficient audit evidence in a particular area of the financial statements, including disclosures. How material or pervasive the impact is will determine the type of modification.

UNMODIFIED OPINION	MODIFIED OPINION		
Unqualified Opinion	Qualified Opinion	Disclaimer of Opinion	Adverse Opinion
<p>An unqualified opinion is also known as a clean opinion.</p> <p>It indicates that the auditors found the financial statements to be fairly presented in all material respects, as required by the applicable financial reporting framework.</p> <p>When an auditor issues an unqualified opinion, they have found no material misstatements during the audit which have not been amended.</p>	<p>A qualified opinion is issued when the auditor has identified material misstatements in the financial statements, but these misstatements are not pervasive.</p> <p>This type of opinion is also issued when the auditor cannot obtain sufficient audit evidence for a specific aspect of the financial statements. Still, the potential impact of the missing information is not pervasive.</p>	<p>A disclaimer of opinion is issued when the auditor is unable to obtain sufficient appropriate audit evidence to form an opinion, and this is material and so pervasive that the auditor is unable to form a view as to whether the financial statements give a true and fair view.</p>	<p>An adverse opinion is the most severe type of audit opinion.</p> <p>It is issued when the auditor judges, despite having obtained sufficient evidence, that there is a material and pervasive misstatement in the financial statements and that, because of the significance of the matter, the financial statements do not give a true and fair view.</p>

Other Matters – Emphasis of Matter

These may include reference to material uncertainties in relation to going concern or to other specific matters in the financial statements that the auditors believe require specific emphasis (emphases of matter). These do not change the audit opinion and these sections will state specifically that the audit opinion is not modified in respect of these matters. They are used by auditors to draw the attention of users to a matter that the auditor thinks is important to their understanding of the financial statements.

National publications and technical updates

National publications and technical updates

NAO

1. NAO insight: Financial management in government: monitoring and forecasting

Good financial management is critical in the public sector. For public services to be efficient and productive, the effective management of public finances is essential. This guide outlines how finance leaders across government can monitor budgets and their performance and ensure forecasting is effective. It focuses on three principles:

- Promote a culture of accountability – leadership emphasises the importance of budget holders being accountable for monitoring financial performance and ensuring forecasts are accurate and realistic.
- Develop the right skills and capabilities – finance professionals possess the skills and capabilities to monitor effectively and forecast with precision and leverage these to elevate the quality of the organisation’s decision-making.
- Make the best use of data and information – high-quality data and information is used to enable better monitoring and more accurate forecasting, helping decision-makers respond to events quickly and effectively.:

Link: [Financial management in government: monitoring and forecasting](#)

2. NAO insight: Government’s approach to technology suppliers: addressing the challenges

This report examines government’s overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government’s approach to digital procurement. The NAO focus on major procurement of technology to support business change, including the digital transformation of government and planning for technology of the future. The report examines:

- the scale of the challenge of undertaking digital procurement in a way that supports the modernisation of the public sector to make it more efficient and effective, and government’s response to that challenge;
- how the centre of government can adopt a more strategic approach to how it works with digital and technology suppliers; and
- how departments can better understand and manage the complexities of digital procurement, including making full use of their digital expertise.

Link: [Government’s approach to technology suppliers: addressing the challenges](#)

National publications and technical updates

NAO

3. NAO insight: Financial management in government: allocating resources

This guide outlines how finance leaders across government can allocate resources effectively when resources are scarce and trade-offs need to be made. It focuses on three principles:

- Using information intelligently an organisation should use trusted and objective information intelligently, so it can allocate resources to support strategic objectives.
- Prioritising effectively – finance leaders should support decision makers to make difficult decisions and trade-offs to generate good value-for-money outcomes based on agreed priorities.
- Building for the long term – decisions need to balance short-term pressures with long-term priorities and align with the strategic objectives of the organisation.

Link: [Financial management in government: allocating resources](#)

4. NAO report: Managing conflicts of interest: value for money

This report looks at the governance, systems and processes that public bodies have used to manage conflicts of interest. It aims to answer the following questions:

- Is central government guidance effective in supporting public bodies to manage conflicts of interest?
- Do public bodies have effective and proportionate governance, systems and controls over the management of conflicts of interest?
- Have public bodies done enough to set a culture where conflicts are managed properly?

Link: [Managing conflicts of interest: value for money](#)

5. NAO report: Local Government Financial Sustainability

This report focuses on MHCLG as the department responsible for the framework in which within local government operate, and provides transparency over the current position of local government finances. By examining the current finance system and context for local government finances, the NAO aims to help inform MHCLG's consideration of future reforms.

Link: [Local government financial sustainability - NAO report](#)

National publications and technical updates

Other

7. Forvis Mazars - Annual Local Government Risk Report 2025/26

The report deep dives into the known and emerging risks for Local Authorities in 2025/26, as well as what they should include in their internal audit plans.

Link: [Annual Local Government Risk Report for 2025/26](#)

8. Forvis Mazars – Public Sector in Focus Report

Forvis Mazars have issued a report for the public and social sector, Public sector in focus: Charting the road ahead. With over 390 responses from across the UK public and social sector, the study reveals the top priorities and risks shaping the future of the sector.

Link: [Public sector in focus: Charting the road ahead - Forvis Mazars - United Kingdom](#)

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