

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

Direct line

Email David.Hoose@mazars.co.uk

15 December 2020

Dear Members

Audit Completion Report – follow-up letter

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report as discussed with you on 24 November 2020.

The outstanding matters and the conclusions reached are detailed below:

Audit area	Status	Description of outstanding matters
Property, plant and equipment	Complete	<p>We have received the residual audit evidence and our work is complete.</p> <p>As highlighted previously a ‘material valuation uncertainty’ has been disclosed by the Council’s valuer in respect of its land and buildings and investment assets. At the time of writing the Audit Completion Report and as discussed with you at our meeting the original disclosure in note 4 stated the MVU related to land and buildings and investment assets as a whole and we therefore reported in our Audit Completion Report on this basis. The disclosure in note 4 has since been amended to reflect the fact that the MVU only relates to 2 land and building assets (Arnold Market and Mapperley Golf Course) and 1 investment asset (Bestwood Lodge Hotel). Cumulatively these are still material at £1.6m which is why the MVU has been disclosed in the Council’s financial statements within Note 4.</p> <p>As the value of these assets as recorded on the balance sheet is material, this requires us to include an ‘emphasis of matter’ paragraph in our Audit Report.</p> <p>For clarity, we have included the full text of our Audit Report at Appendix 2.</p>
Pensions	Complete	As discussed with you at our meeting, the pension fund assurance letter had not been received leaving us insufficient

Audit area	Status	Description of outstanding matters
		<p>time to review and complete our work. The letter was received on the 26th November.</p> <p>There are a number of matters arising from our review, including:</p> <ul style="list-style-type: none"> • The Pension Fund submitted asset information to the actuary as at 31 December 2019 and not 31 March 2020. The actuary then estimated asset investment returns as -7%, whereas the actual return for the period was -6.4%. The movement in asset values in the pension fund leads to an estimated £0.452m understatement of the Council's share of pension fund assets. This has been recorded as an unadjusted audit misstatement. • An £18m difference has been reported between the value of scheme assets per the 2019 Triennial Actuarial Report (£5,415m) and the value of scheme assets per the Pension Fund audited financial statements as at 31 March 2019 (£5,433m). <p>We have identified a disclosure error that management has decided not to adjust. This is detailed in Appendix 1.</p> <p>As previously discussed with you, a 'material valuation uncertainty' has been disclosed on the Pension Fund's holding of property assets. This has subsequently been disclosed in the Council's financial statements within Note 4. As the Council's share of those assets as recorded on the balance sheet is material, this requires us to include an 'emphasis of matter' paragraph in our Audit Report extending to cover those pension assets.</p>
Whole of Government Accounts (WGA)	Complete	We have completed our work on WGA and will issue the Audit Certificate at the point of issuing the Auditor's report.
Audit quality control and completion procedures	Complete	We have undertaken the outstanding procedures and received the residual audit documentation required and our work is complete.

If you wish to discuss these or any other points, then please do not hesitate to contact me.

Yours sincerely



David Hoose
Mazars LLP

Appendix 1 – Summary of Audit Misstatements

We set out below the complete set of audit adjustments arising through the audit.

Unadjusted misstatements 2019/20

As previously reported

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Deferred income Cr: Grant Income		54	54	
	Correct recognition of Covid19 first tranche of income into 2019/20 and not 2020/21				
	Total unadjusted misstatements		54	54	

Additional Matters

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	Dr: Net Pension Liability Cr: Pension Reserve			452	452
	Reflecting the estimated impact in the movement of the Council's share of pension fund assets through to 31 March 2020				
6	Plus Impact of above		54	54	
	Total unadjusted misstatements		55	506	452

Adjusted misstatements

There have been no audit misstatements resulting in adjustments to the primary statements since issuing our Audit Completion Report.

Appendix 2 – Final Form of Audit Report

Consultation completed

Independent auditor's report to the members of Gedling Borough Council

Opinion

We have audited the financial statements of Gedling Borough Council ('the Council') for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Gedling Borough as at 31st March 2020 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 2019/20.

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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land and buildings, investment property and the Councils' Share of the pension fund property assets

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings and investment property and the valuation of the Council's share of Nottinghamshire Pension Fund's property assets. As disclosed in Note 4 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer is responsible for the 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. 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.

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 Chief Financial Officer for the financial statements

As explained more fully in the Responsibilities of the Chief Financial Officer, the Chief Financial Officer 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 2019/20, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer 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.

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. This description forms part of our auditor's 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.

Conclusion on Gedling Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Gedling Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. 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.

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.

David Hoose
For and on behalf of Mazars LLP

Park View House, 58 The Ropewalk, Nottingham, NG1 5DW