

ACCOUNTS COMMITTEE

FRIDAY 28 JULY 2017

Present: Councillor C Donovan in the Chair

Councillors J Wallace

Apology: Councillor M Gannon

1 MINUTES

The minutes of the last meeting of the Committee held on 22 September 2016 were approved as a correct record and signed by the Chair.

2 AUDIT COMPLETION REPORT YEAR ENDED 31 MARCH 2017 AND GATESHEAD COUNCIL STATEMENT OF ACCOUNTS 2016/17

Consideration has been given to Mazars' Audit Completion Report 2016/17, including the Council's arrangements for securing economy, efficiency and effectiveness.

In line with best practice the Audit and Standards Committee has considered the Audit Completion Report prior to its submission to this Committee and has raised no issues.

The report's key messages are:

- **Audit Opinion:** Mazars anticipate issuing an unqualified opinion on the Statement of Accounts, meaning that it is free from material error and has been prepared in accordance with proper practice.
- **Use of Resources:** The Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The report also includes a Letter of Representation to Mazars to be approved by the Committee prior to being signed by the Strategic Director, Corporate Resources following the issue of the Audit Opinion which is expected to be received by the end of July. The Statement of Accounts is materially consistent with the 2016/17 revenue and capital outturn reports considered by the Cabinet on 20 June 2017. Some minor adjustments and presentational changes have been made to the Statement submitted for audit on 31 May 2017 but no misstatements requiring amendment were identified.

In addition, the following immaterial, non-trivial misstatements have been identified by Mazars (materiality was set at £10.844m and triviality at £0.325m), but have not been amended due to their immaterial nature:

- **Short-term debtors:** unpaid interest of £0.665m on the Council's Newcastle Airport loan notes was included within short-term investments, rather than short-term debtors.
- **Property valuations:** two errors were identified:
 - finance costs were included in error in the revaluations carried out by the Council's new external valuer, resulting in an overstatement of asset values of £4.481m; and

- the Council's share of the SITA waste facility was over-depreciated by one year, resulting in an understatement of asset values of £2.307m.
- Disclosure amendments: a number of minor disclosure errors were noted and corrected, as were a number of presentational items.

None of the changes to the Statement of Accounts impact on the revenue and capital outturn positions reported to Cabinet, nor do they affect the position of any usable reserves. Management have not amended the misstatements in the Statement of Accounts to reflect the adjustments.

In addition at the Committee meeting, Mazars reported that Ernst and Young had provided assurance on the pension figures in the Council's Statement of Accounts.

Mazars also updated verbally on a number of areas of outstanding work itemised in the Audit Completion Report as now complete with no issues raised. In addition that the following had been appropriately amended and were now satisfactory:

- The Cash Flow statement – a number of presentational issues and some items have moved between categories
- Financial Instruments Note – a number relating to financial instruments creditors disclosed has been changed.
- The Expenditure and Funding Analysis has been updated to reflect an analysis of fees and charges income by reporting segment.
- A note has been added to the CIES to explain the 2015/16 restatement of gross income and expenditure.
- Some minor narrative changes to provide greater understanding.

In response to a question, Mazars explained that the triviality threshold was the level at which they would not report misstatements to the Committee. This level was 3% of the headline materiality figure. However, Mazars would raise these matters with Council's officers. If there were a significant number of triviality misstatements they might be reported to the Committee due to their cumulative impact on the Statement of Accounts.

Mazars concluded that the audit had gone very smoothly and they considered the accounts to be a good set of accounts with good working papers. They further commented on the good working relationship with Council officers, excellent two way communication and thanked officers in relation to prompt responses to audit queries.

- RESOLVED -
- (i) That the contents of Mazars' Audit Completion Report for the year ended 31 March 2017 and the updates received at the meeting be noted.
 - (ii) That the issue of the Letter of Representation by the Strategic Director, Corporate Resources on behalf of the Council be approved.
 - (iii) That the Council's Statement of Accounts for 2016/17 be approved for publication, subject to receipt of the opinion from Mazars on 31 July 2017.

- (iv) That the Strategic Director, Corporate Resources be given delegated power to publish the Statement of Accounts 2016/17, subject to receipt of the opinion from Mazars on 31 July 2017.