

GATESHEAD METROPOLITAN BOROUGH COUNCIL

ACCOUNTS COMMITTEE MEETING

Monday, 2 November 2020

PRESENT: Councillor M Gannon (Chair)

Councillors: C Donovan and J Wallace

1 MINUTES

The minutes of the last meeting of the Committee held on 26 July 2019 were approved as a correct record and signed by the Chair.

2 AUDIT COMPLETION REPORT YEAR ENDED 31 MARCH 2020 AND GATESHEAD COUNCIL STATEMENT OF ACCOUNTS 2019/20

Consideration has been given to Mazars' Audit Completion Report 2019/20, including the Council's arrangements for securing economy, efficiency and effectiveness.

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. This includes drawing attention to the Valuer's material uncertainty statement of property, plant and equipment (PPE).
- **Value for Money:** 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, Resources and Digital following the issue of the audit opinion.

To provide a full picture of the economic and financial activities of the Council and its exposure to risk, the accounting statements of material subsidiaries and associate companies were consolidated with those of the Council. In 2019/20 the only material subsidiary was TGHC due to the pension liability.

The Statement of Accounts is materially consistent with the 2019/20 revenue and capital outturn reports considered by Cabinet on 23 June 2020. Along with minor adjustments and presentational changes, the following significant findings and misstatements to the Statement submitted for audit on 7 July 2020 have been identified through the audit process:

Significant Findings:

- Significant risk of management override of controls – no issues.
- Significant risk of revenue recognition – no issues.
- Significant risk of defined benefit liability valuations – subject to the completion of outstanding work. Assurance awaited from the Pension Fund auditor EY.
- Significant risk property, plant and equipment valuation – attention to be drawn to material valuation uncertainty disclosure as a ‘emphasis of matter’. Following audit findings, the Statement of Accounts have been amended in relation to the Council’s shared waste facility, and the current valuation of primary and special schools. Assurance work remains ongoing in relation to the findings.
- Significant risk valuation of short and long-term debtors – subject to outstanding work.
- Enhanced risk valuation of long-term investments – no issues.

Unadjusted Misstatements:

- Changes to the Insurance Provision – being an overstatement specific to one individual insurance claim.
- Reclassification of short-term to long-term debtors.

Adjusted Misstatements:

A number of adjustments have been made between the draft accounts and the final accounts. These are:

- Comprehensive Income and Expenditure Statement (CIES) – reanalysis of the deficit recognised on the investment in Newcastle Airport.
- Bad Debt Provision – correction of over provision for council tax and business rates.
- CIES: correction of group income and expenditure.
- Property, Plant and Equipment – amendments to the valuation of the Council’s shared waste facility, and amendments to the valuations of primary and special schools.

Disclosure Amendments:

A number of presentational and disclosure errors have been amended.

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 assessed the identified unadjusted misstatement as not being material, either individually or in aggregate to the financial statements, and does not plan to adjust.

Mazars gave an update at the meeting on issues raised within its Audit Completion Report.

RESOLVED - (i) That the contents of Mazars Audit Completion Report and

the updates given at the meeting be noted.

- (ii) That the issue of the Letter of Representation by the Strategic Director, Resources and Digital on behalf of the Council be approved.
- (iii) That the Council's Statement of Accounts for 2019/20 be approved for publication.
- (iv) That the Strategic Director, Resources and Digital, following consultation with the Leader of the Council, be given delegated powers to publish the Statement of Accounts 2019/20, subject to the satisfactory outcome of the outstanding issues and receipt of the audit opinion from Mazars.

Chair.....