

TITLE OF REPORT: **Audit Completion Report Year ended 31 March 2021
and Statement of Accounts 2020/21**

REPORT OF: **Darren Collins, Strategic Director, Resources and
Digital**

Purpose of the Report

1. This report requests that the Accounts Committee:
 - Note Mazars 2020/21 Audit Completion Report (Appendix 2) and update, including the Council's arrangements for securing economy, efficiency and effectiveness;
 - Approve the issue of a Letter of Representation (Appendix 3), subject to confirmation of the final position on misstatements;
 - Approve the publication of the Council's 2020/21 Statement of Accounts (Appendix 4); and
 - Delegate authority to the Strategic Director, Resources and Digital, following consultation with the Leader, to authorise the Statement of Accounts 2020/21 for issue subject to the satisfactory outcome of the outstanding issues and receipt of the audit opinion from Mazars.

Background

2. As a result of COVID-19, the Accounts and Audit (Amendment) Regulations 2021 extended the statutory deadlines for 2020/21. The publication date for the final, audited accounts moved from 31 July 2021 to 30 September 2021.
3. The annual audit of the Council's Statement of Accounts and use of resources has now been substantially completed for 2020/21 and the Council's external auditor, Mazars, has issued its reports, subject to the completion of outstanding work.
4. The Audit Completion Report covers:
 - the Council's Statement of Accounts including significant findings, internal control recommendations, and a summary of adjusted and unadjusted misstatements; and
 - the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The primary output of Mazars work on the Council's approach to Value for Money is the commentary on those arrangements that form part of the Annual Report. Mazars intend to issue the Annual Report no later than three months after the report on the financial statements is signed.
5. Although Mazars have substantially completed their work, it should be noted that they also place reliance on the work of other auditors, including Ernst and Young (EY) work

to give assurance on the Tyne and Wear Pension Fund (TWPF) disclosures in the Council's Statement of Accounts. They also need to review the work of KPMG in respect of external Audit of The Gateshead Housing Company (TGHC) Statement of Accounts in order to be able to place reliance on the TGHC figures incorporated into the Group Accounts.

6. An update position will be presented to the Committee by Mazars. A follow-up letter will be provided, prior to signing the auditor's report.
7. In line with best practice, the Audit and Standards Committee has considered the Audit Completion Report prior to submission to this Committee and had no issues to raise. The Audit and Standards Committee noted the outstanding issues.

Proposal

8. The proposal is for the Accounts Committee to note the contents of Mazars Audit Completion Report (and any additional updates provided to the Committee) including arrangements for securing economy, efficiency and effectiveness, approve the issue of the Letter of Representation, subject to the final position on misstatements, by the Strategic Director, Resources and Digital on behalf of the Council, approve the Council's 2020/21 Statement of Accounts for publication, and delegate authority to the Strategic Director, Resources and Digital, following consultation with the Leader, to authorise the Statement of Accounts for issue subject to the satisfactory outcome of the outstanding issues and receipt of the audit opinion from Mazars.

Recommendations

9. The Accounts Committee is requested to:
 - note the contents of Mazars Audit Completion Report and any update reports, and the covering report;
 - approve the issue of the Letter of Representation by the Strategic Director, Resources and Digital on behalf of the Council, subject to confirmation of the final position on misstatements;
 - approve the Council's 2020/21 Statement of Accounts for publication; and
 - Delegate authority to the Strategic Director, Resources and Digital, following consultation with the Leader, to authorise the Statement of Accounts for issue subject to the satisfactory outcome of the outstanding issues and receipt of the audit opinion from Mazars.

for the following reason(s)

- (i) to comply with legal requirements and the Council's Constitution.

CONTACT: Darren Collins, x3582

Policy Context

1. The proposals in this report will contribute to achieving the objectives of the Council's Thrive agenda.

Background

2. The annual audit of the Council's 2020/21 Statement of Accounts has now been substantially completed. Mazars is required to:
 - Issue a report to those charged with governance summarising its conclusions from their audit work following the Accounts Committee;
 - Report to those charged with governance certain matters before giving its opinion on the financial statements; and
 - Issue a conclusion relating to proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
3. The report covers:
 - The Council's financial statements; and
 - The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The primary output of Mazars work on the Council's approach to Value for Money is the commentary on those arrangements that form part of the Annual Report. Mazars intend to issue the Annual Report no later than three months after the report on the financial statements is signed.

Audit Completion Report

4. Mazars Audit Completion Report is included as Appendix 2 to this report. Subject to the outstanding issues, the key messages are as follows:
 - Audit Opinion – At the time of issuing the report, and subject to satisfactory conclusion of the remaining audit work, Mazars anticipate issuing an unqualified opinion, without modification, on the financial statements, including drawing attention to the Valuer's material uncertainty statement on property, plant and equipment (PPE) as a result of COVID-19.
 - Identified misstatements – the auditors' work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is set out in the report.
 - Value for Money – at the time of issuing the report, Mazars anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.
 - Whole of Government Accounts (WGA) – the timetable for the Council's submission has not yet been published. Audit work will commence once such instructions have been received.
 - Wider Powers – the Local Audit and Accountability Act 2014 requires the auditor to give an elector, or any other representative of the elector, the opportunity to question them about the accounting record of the Council and to consider any objection to the accounts. No questions or objections have been received.

5. The report also includes a draft Letter of Representation to Mazars (attached as Appendix 3), to be approved by the Committee prior to being signed by the Strategic Director, Resources and Digital following the issue of the audit opinion. Once the outstanding work has been completed, the final misstatements will be added to the Letter of Representation and a final signed version will be circulated to Accounts Committee members.
6. 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 2020/21 the only material subsidiary was TGHC due to the pension liability.
7. The 2020/21 Statement of Accounts is shown at Appendix 4. The Statement of Accounts is materially consistent with the 2020/21 revenue and capital outturn reports considered by Cabinet on 20 July 2021. Along with minor adjustments and presentational changes, the following significant findings and misstatements to the Statement submitted for audit on 30 June 2021 have been identified through the audit process:
 - Significant Findings – section 4;
 - Internal Control Recommendations – section 5; and
 - Summary of misstatements (adjusted and unadjusted) – section 6.
8. 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.
9. By 30 September 2021, the Council is required to publish its Audited Statement of Accounts for 2020/2021 and place them on its website appropriately signed by the Chair of the Accounts Committee and re-signed by the Strategic Director, Resources and Digital, in line with reporting requirements set out in the Accounts and Audit (Amended) Regulations 2021. If this is not possible due to delays in finalising the outstanding audit items, Accounts Committee Members will be notified, and the Council will issue the required notice on its website to advise stakeholders of the delay.

Consultation

10. There has been no external consultation on this report.

Alternative Options

11. There are no alternative options proposed; the Council is obliged by statute to publish its annual Statement of Accounts.

Implications of Recommended Option

12. **Resources:**
 - a. **Financial Implications:** the Strategic Director, Resources and Digital confirms that the financial implications are as set out in this report and in the 2020/21 Statement of Accounts. There are no additional financial implications associated with the report.

- b. Human Resources Implication:** there are no human resources implications arising from this report.
 - c. Property Implications:** there are no property implications arising from this report.
- 13. **Risk Management Implications:** no additional risks have been identified in this report or in the completion of the 2020/21 Statement of Accounts.
- 14. **Equality and Diversity Implications:** there are no equality and diversity implications arising from this report.
- 15. **Crime and Disorder Implications:** there are no crime and disorder implications arising from this report.
- 16. **Health Implications:** there are no health implications arising from this report.
- 17. **Climate Emergency and Sustainability Implications:** there are no implications arising from this report.
- 18. **Human Rights Implications:** there are no human rights implications arising from this report.
- 19. **Area and Ward Implications:** there are no area and ward implications arising from this report.