

TITLE OF REPORT: **Audit Completion Report Year ended 31 March 2014 and Gateshead Council Statement of Accounts 2013/14**

REPORT OF: **Darren Collins, Strategic Director, Finance & ICT**

Purpose of the Report

1. This report requests that the Accounts Committee:
 - note Mazars' 2013/14 Audit Completion Report (Appendix 2), including the Council's arrangements for securing economy, efficiency and effectiveness;
 - approve the issue of a Letter of Representation (Appendix 3); and
 - approve the publication of the Council's 2013/14 Statement of Accounts (Appendix 4).

Background

2. The annual audit of the Council's Statement of Accounts and use of resources has now been completed for 2013/14 and Mazars LLP has issued its report.
3. The Audit Completion Report covers:
 - the Council's Statement of Accounts; and
 - the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Proposal

4. The proposal is for the Accounts Committee to note the contents of Mazars' Audit Completion Report including arrangements for securing economy, efficiency and effectiveness, approve the issue of the Letter of Representation by the Strategic Director, Finance & ICT on behalf of the Council, and approve the Council's 2013/14 Statement of Accounts for publication.

Recommendations

5. The Accounts Committee is requested to:
 - note the contents of Mazars' Audit Completion Report and the covering report;
 - approve the issue of the Letter of Representation by the Strategic Director, Finance & ICT on behalf of the Council; and
 - approve the Council's 2013/14 Statement of Accounts for publication.

for the following reason(s)

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

CONTACT: Darren Collins, x3582

Appendix 1

Policy Context

1. The proposals in this report are consistent with Vision 2030 and the Council's Corporate Plan. In particular, they contribute to achieving a sustainable financial position over the life of the Council Plan and the Medium Term Financial Strategy (MTFS).

Background

2. Following the announcement of the abolition of the Audit Commission in 2010, the external audit of North Eastern councils was outsourced to Mazars LLP from 2012/13.
3. The annual audit of the Council's 2013/14 Statement of Accounts has now been completed. Mazars LLP is required to:
 - Issue a report to those charged with governance summarising its conclusions from their audit work by 30 September 2014;
 - 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.
4. The report covers:
 - The Council's financial statements; and
 - The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Audit Completion Report

5. Mazars' Audit Completion Report is included as Appendix 2 to this report. The key messages are as follows:
 - Audit Opinion - Mazars has issued 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; and
 - Use of resources – the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
6. The report also includes a Letter of Representation to Mazars, to be approved by the Committee prior to being signed by the Strategic Director, Finance & ICT, attached as Appendix 3.
7. The 2013/14 Statement of Accounts, amended for any adjustments identified during the audit, is shown at Appendix 4. The Statement of Accounts is materially consistent with the 2013/14 revenue and capital outturn reports considered by Cabinet; please note that the Statement also includes additional reserves movements approved in the MTFS review of reserves. Along with minor adjustments and presentational changes, the following adjustments have been made to the Statement submitted for audit on 30 June 2014:
 - **Depreciation:** the depreciation charge was reduced by £1.179m as a depreciation charge had been incorrectly applied to the land component of some of the Council dwellings. There was a corresponding increase to the revenue contribution to capital

expenditure within the HRA to ensure there was no overall impact on the HRA balance;

- **Dwelling valuations:** the capital charges to the Comprehensive Income and Expenditure Statement relating to Council dwellings were reduced by £4.862m as the formula within the asset register had incorrectly excluded the impact of property disposals from the revaluation calculation and had therefore overstated the original valuation movement;
- **Revaluations:** an error in the revaluation gain for three of the Council's assets, primarily the Sage Gateshead, which charged the gain in full to the revaluation reserve rather than being used to reverse a prior year revaluation loss that had previously been charged to the Cost of Services within the Comprehensive Income and Expenditure Statement. A total of £6.850m was moved from Other Comprehensive Income to Cost of Services within the Comprehensive Income and Expenditure Statement.
- **Grants:** two grants, Public Health (£15.401m) and NHS social care contributions (£4.056m) were treated as unringfenced grants; these were reclassified as service-specific grants and moved within the *Cost of Services* within the Comprehensive Income and Expenditure Statement. In addition, an element of the Dedicated Schools Grant (£7.338m income and expenditure) was accounted for twice.
- **Provision for business rates appeals:** £1.656m was reclassified from bad debt provisions (part of the debtors' balance) to short-term provisions on the Balance Sheet.
- **Airport loan notes interest:** £0.664m interest receivable within 12 months was originally included within long-term debtors; it has been revised to be included within short-term debtors.

8. The net effect of the above changes increases the value of the Balance Sheet by £6.041m (due to the reduction in the 2013/14 depreciation charge and revised revaluation figure). 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.

Consultation

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

Alternative Options

10. There are no alternative options proposed. The Council is obliged by statute to publish the Statement of Accounts.

Implications of Recommended Option

11. **Financial Implications** – The Strategic Director, Finance & ICT confirms that the financial implications are as set out in this report and in the 2013/14 Statement of Accounts.
12. **Risk Management Implication** – no additional risks have been identified in this report or in the completion of the 2013/14 Statement of Accounts.
13. **Human Resources Implications** – There are no human resources implications associated with this proposal.
14. **Equality and Diversity Implications** – There are no equality and diversity implications associated with this proposal.

15. **Crime and Disorder Implications** – There are no crime and disorder implications associated with this proposal.
16. **Sustainability Implications** – There are no sustainability implications associated with this proposal.
17. **Health Implications** - There are no health implications associated with this proposal.
18. **Human Rights Implications** – There are no human rights implications associated with this proposal.
19. **Area and Ward Implications** – There are no area and ward implications associated with this proposal.