



**ACCOUNTS COMMITTEE  
22 September 2016**

**TITLE OF REPORT:** **Audit Completion Report Year ended 31 March 2016  
and Statement of Accounts 2015/16**

**REPORT OF:** **Darren Collins, Strategic Director, Corporate  
Resources**

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**Purpose of the Report**

1. This report requests that the Accounts Committee:
  - note Mazars' 2015/16 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 2015/16 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 2015/16 and Mazars LLP has issued its draft report.
3. The Statement of Accounts was finalised two months earlier than in previous years. This is a "dry run" in preparation for the statutory deadline for the completion of the Statement from 30 September to 31 July from 2017/18.
4. 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.
5. 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 Committee agreed to receive a further update following completion of the Ernst and Young (EY) work to give assurance on the Tyne and Wear Pension Fund (TWPF) disclosures in the Council's Statement of Accounts.
6. Although Mazars completed their work in July, it should be noted that they also place reliance on the work of other auditors. Despite assurances that the work by EY on the TWPF would be completed during July, the TWPF Audit Opinion has not yet been issued. Due to this delay, the Council's audit could not be formally closed by the planned date, resulting in the Accounts Committee being deferred from the original date of 29 July. It is anticipated that the Council's auditors will have received sufficient assurance from EY by the Committee date to allow the Council's accounts to be fully signed off. An update report will be presented to the Committee by Mazars.

### **Proposal**

7. 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 by the Strategic Director, Corporate Resources on behalf of the Council, and approve the Council's 2015/16 Statement of Accounts for publication.

### **Recommendations**

8. 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, Corporate Resources on behalf of the Council; and
  - approve the Council's 2015/16 Statement of Accounts for publication.

for the following reason(s)

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

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# **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. The annual audit of the Council's 2015/16 Statement of Accounts has now been completed, subject to receipt of the audit report on the TWPF (being carried out by EY). Mazars LLP is required to:
  - Issue a report to those charged with governance summarising its conclusions from their audit work by 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.

## **Audit Completion Report**

4. Mazars' Audit Completion Report is included as Appendix 2 to this report. The key messages are as follows:
  - 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; and
  - Use of resources: the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
5. The report also includes a Letter of Representation to Mazars (attached as Appendix 3), to be approved by the Committee prior to being signed by the Strategic Director, Corporate Resources following the issue of the Audit Opinion.
6. The 2015/16 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 2015/16 revenue and capital outturn reports considered by Cabinet 14 June 2016. Along with minor adjustments and presentational changes, the following adjustments have been made to the Statement submitted for audit on 31 May 2016:

- **Long-term / short-term debtors:** £0.831m interest relating to a loan was incorrectly treated as long-term, rather than being split between amounts due within and beyond one year;
- **Better Care Fund grant:** the £5.808m grant was received as part of the Local Government Finance Settlement during 2015/16, and as such was treated as a general grant within the Comprehensive Income and Expenditure Statement. It was subsequently reclassified as a service-specific grant as it relates solely to Social Care, and was moved within the *Cost of Services*;
- **Short-term debtors / creditors:** the debtors and creditors balances were adjusted by £1.065m due to an opening balance error identified;
- **Cash balance:** accrued income was credited to the cash account in error, resulting in a minor error identified by officers and reported to Mazars. The error is trivial at £0.094m, but has been disclosed due to the sensitivity of the area;
- **Contingent rent:** the contingent rent element of the schools PFI costs (£0.961m) was treated as part of the *children's and education services* line of the Comprehensive Income and Expenditure Statement. This was amended to form part of the *financing and investment income and expenditure* line;
- **General income:** a £0.990m accounting error in reporting council tax and business rates income was identified and corrected;
- **Trading accounts:** the surplus on the trading accounts was reduced by £1.517m, which impacted on the *financing and investment income and expenditure* line of the Comprehensive Income and Expenditure Statement;
- **Cash Flow Statement:** this was amended to reduce a £4m balancing figure to £0.875m; and
- **Disclosure amendments:** in addition to the above, the Statement of Accounts was also amended for a number of minor errors, clarifications or inconsistencies within the Notes to the Accounts.

7. 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 agreed to amend the Statement of Accounts to reflect the adjustments.

#### **Consultation**

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

#### **Alternative Options**

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

## **Implications of Recommended Option**

10. **Resources:**
  - a. **Financial implications:** the Strategic Director, Corporate Resources confirms that the financial implications are as set out in this report and in the 2015/16 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.
11. **Risk management implications:** no additional risks have been identified in this report or in the completion of the 2015/16 Statement of Accounts.
12. **Equality and diversity implications:** there are no equality and diversity implications arising from this report.
13. **Crime and disorder implications:** there are no crime and disorder implications arising from this report.
14. **Sustainability implications:** there are no sustainability implications arising from this report.
15. **Health implications:** there are no health implications arising from this report.
16. **Human rights implications:** there are no human rights implications arising from this report.
17. **Area and ward implications:** there are no area and ward implications arising from this report.