

GATESHEAD METROPOLITAN BOROUGH COUNCIL

ACCOUNTS COMMITTEE MEETING

Thursday, 27 October 2022

PRESENT: Councillor M Gannon (Chair)

Councillors: C Donovan and J Wallace

1 MINUTES

The minutes of the last meeting of the Committee held on 30 September 2021 were approved as a correct record and signed by the Chair.

2 **AUDIT COMPLETION REPORT YEAR ENDED 31 MARCH 2022 AND STATEMENT OF ACCOUNTS 2021/22**

Consideration has been given to Mazars Audit Completion Report 2021/22, including the Council's arrangements for securing economy, efficiency and effectiveness.

The key messages are 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. However, this is subject to conclusion of matters in relation to infrastructure.
- Identified misstatements – The auditor's work identified a number of misstatements that have been discussed with management. Further work is ongoing in relation to the audit of revised actuarial disclosures, and the accounting treatment following the decision to bring The Gateshead Housing Company (TGHC) back within the Council.
- 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 the use of resources.
- Whole of Government Accounts (WGA) – The timetable for the Council's submission for 2021/22 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.

The report also includes a draft 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.

The Cabinet agreed to the integration of the management and maintenance of the Council's housing stock back into the Council with effect from 1 April 2021. This resulted in the cessation of TGHC and its governance arrangements. The Council's draft Statement of Accounts submitted for audit on 29 July 2022 accounted for this using the principles of 'merger' accounting. Mazars challenged this approach on the basis that TGHC was technically a public sector body, therefore, a different form of accounting would apply, namely 'absorption' accounting. The draft accounts prepared for committee are still being presented under merger accounting principles and the work to re-cast the statement under absorption accounting principles is currently ongoing. It is important to highlight that this change in accounting is presentational in terms of the prior and current year and does not change the net position as at 31 March 2022.

The Statement of Accounts is materially consistent with the 2021/22 revenue and capital outturn reports considered by Cabinet on 21 June 2022. Along with minor adjustments and presentational changes, significant findings and misstatements to the Statement submitted to audit on 29 July 2022 have been identified through the audit process. These are outlined in Mazars Audit Completion Report.

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 misstatements 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 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, subject to confirmation of the final position on misstatements and outstanding work.
 - (iii) That the Statement of Accounts 2021/22 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 authorise the Statement of Accounts for issue, subject to the satisfactory outcome of the outstanding issues and receipt of the audit opinion from Mazars.

Chair.....