

TITLE OF REPORT: **Audit Completion Report Year ended 31 March 2017
and Statement of Accounts 2016/17**

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

Purpose of the Report

1. This report requests that the Accounts Committee:
 - note Mazars' 2016/17 Audit Completion Report and update (Appendix 2 and 2a), 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 2016/17 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 2016/17 and Mazars LLP has issued its report.
3. The Statement of Accounts was finalised two months earlier than historically, as 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. Although Mazars completed their work in July, it should be noted that they also place reliance on the work of other auditors; the most significant item in 2016/17 being the ongoing audit of the Triennial Review of the Tyne and Wear Pension Fund (TWPF) by Ernst and Young (EY). It is anticipated that EY will provide their assurance on the pension figures in the Council's Statement of Accounts by the end of July. Due to this outstanding issue, the TWPF Audit Opinion has not yet been issued and as a result the Council's audit cannot be formally closed until this is received. An update report will be presented to the Committee by Mazars.
6. 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 noted the above outstanding issue.

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 2016/17 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 2016/17 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

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 2016/17 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 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 and update report is included as Appendix 2 and 2a 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 2016/17 Statement of Accounts is shown at Appendix 4. The Statement of Accounts is materially consistent with the 2016/17 revenue and capital outturn reports considered by Cabinet 20 June 2017. Some minor adjustments and presentational changes have been made to the Statement submitted for audit on 31 May 2017 but no misstatements requiring amendment were identified.

7. In addition, the following immaterial, non-trivial misstatements have been identified by Mazars (materiality was set at £10.844m and triviality at £0.325m), but have not been amended due to their immaterial nature:
- **Short-term debtors:** unpaid interest of £0.665m on the Council's Newcastle Airport loan notes was included within short-term investments, rather than short-term debtors
 - **Property valuations:** two errors were identified:
 - Finance costs were included in error in the revaluations carried out by the Council's new external valuer, resulting in an overstatement of asset values of £4.481m
 - The Council's share of the SITA waste facility was over-depreciated by one year, resulting in an understatement of asset values of £2.307m
 - **Disclosure amendments:** a number of minor disclosure errors were noted and corrected, as were a number of presentational items.
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 not amended the misstatements in the Statement of Accounts to reflect the adjustments.

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 its annual Statement of Accounts.

Implications of Recommended Option

11. **Resources:**
- a. **Financial implications:** the Strategic Director, Corporate Resources confirms that the financial implications are as set out in this report and in the 2016/17 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.
12. **Risk management implications:** no additional risks have been identified in this report or in the completion of the 2016/17 Statement of Accounts.

13. **Equality and diversity implications:** there are no equality and diversity implications arising from this report.
14. **Crime and disorder implications:** there are no crime and disorder implications arising from this report.
15. **Sustainability implications:** there are no sustainability implications arising from this report.
16. **Health implications:** there are no health implications arising from this report.
17. **Human rights implications:** there are no human rights implications arising from this report.
18. **Area and ward implications:** there are no area and ward implications arising from this report.