

ACCOUNTS COMMITTEE MEETING

Friday, 27 July 2018

PRESENT: Councillor M Gannon (Chair)

Councillors: C Donovan and J Wallace

1 MINUTES

The minutes of the last meeting of the Committee held on 28 July 2017 were approved as a correct record and signed by the Chair.

2 AUDIT COMPLETION REPORT YEAR ENDED 31 MARCH 2018 AND GATESHEAD COUNCIL STATEMENT OF ACCOUNTS 2017/18

Consideration has been given to Mazars' Audit Completion Report 2016/17, including the Council's arrangements for securing economy, efficiency and effectiveness.

In line with best practice the Audit and Standards Committee has considered the Audit Completion Report prior to its submission to this Committee and has raised no issues.

The report's key messages are:

- **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.
- **Use of Resources:** The Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The report also includes a Letter of Representation to Mazars to be approved by the Committee prior to being signed by the Strategic Director, Corporate Resources following the issue of the Audit Opinion which is expected to be received by the end of July. The Statement of Accounts is materially consistent with the 2017/18 revenue and capital outturn reports considered by the Cabinet on 19 June 2018. Some minor adjustments and presentational changes have been made to the Statement submitted for audit on 31 May 2018 and the following misstatements were amended:

- **Pensions liability / Pension Reserve:** originally included group pension liability in the single entity accounts, this has now been reduced by £38.090m.
- **Comprehensive Income & Expenditure Statement (CIES):** amendments were made to the income and expenditure lines of the CIES due to recalculation of internal recharges. This did not affect the overall cost of services in the CIES.

- **Comprehensive Income & Expenditure Statement (CIES):** amendments were made to the expenditure line of the CIES in relation to pensions. As a result of the staff transfer from the Council to The Gateshead Housing Company on 1 April 2017, the net pension liability of the Council has decreased. This net reduction was included in the re-measurement of the net defined benefit liability in the CIES in the draft accounts. This has been transferred to the net cost of services in the final accounts to reflect the requirements of The Code with regard to such transfers. The decrease has been reflected as an exceptional item in the Net Cost of Services as the reduction is material and is the result of an infrequent event.

In addition, the following immaterial, non-trivial misstatements have been identified by Mazars (materiality was set at £11.568m for the Council and £11.949m for the Group and triviality at £0.347m for the Council and 0.358m for the Group), but have not been amended due to their immaterial nature:

- **Property valuations:** two errors were identified:
Finance costs were included in error for asset revaluations using the Depreciated Replacement Value (DRC) carried out by the Council's external valuer, resulting in an overstatement of asset values of £4.949m.

The Council dwellings revaluation figure was overstated by £1.2m as a number of dwellings were included within the valuation which are no longer owned by the Council (62 transferred to Keelman Homes).

In response to a question, Mazars explained that Immaterial Non Trivial Misstatements are those items that are above the triviality threshold and below the headline material 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. Management have not amended the misstatements in the Statement of Accounts to reflect the adjustments.

Mazars updated verbally on a number of areas of outstanding work itemised in the Audit Completion Report as now complete with no issues raised, with the exception of final assurance being sought from KPMG on The Gateshead Housing Company Pension Liabilities included within the group accounts. It was noted that work is ongoing in reviewing the Council's approach to the consolidation of the accounts of all subsidiaries into the group accounts.

Mazars acknowledged the good team working between themselves and Council officers.

The Chair acknowledged the work of all those involved in the process which had concluded, that subject to final assurance received on the pensions liabilities issue, the Council's accounts and governance arrangements are in order and he reiterated the Audit Completion Report's key messages that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of

resources.

RESOLVED -

- (i) That the contents of Mazars' Audit Completion Report for the year ended 31 March 2018 and the updates received at the meeting be noted.
- (ii) That the issue of the Letter of Representation by the Strategic Director, Corporate Resources on behalf of the Council be approved.
- (iii) That the Council's Statement of Accounts for 2017/18 be approved for publication, subject to receipt of the opinion from Mazars on 31 July 2018.
- (iv) That the Strategic Director, Corporate Resources, following consultation with the Leader of the Council be given delegated power to publish the Statement of Accounts 2017/18, subject to the satisfactory outcome of the outstanding issues and receipt of the opinion from Mazars on 31 July 2018.

Chair.....