



ACCOUNTS COMMITTEE
26 July 2019

TITLE OF REPORT: **Audit Completion Report Year ended 31 March 2019
and Statement of Accounts 2018/19**

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

Purpose of the Report

1. This report requests that the Accounts Committee:
 - note Mazars 2018/19 Audit Completion Report (Appendix 2) and update, including the Council's arrangements for securing economy, efficiency and effectiveness;
 - approve the issue of a Letter of Representation (Appendix 3);
 - approve the publication of the Council's 2018/19 Statement of Accounts (Appendix 4); and
 - Delegate authority to the Strategic Director, Corporate Resources, following consultation with the Leader, 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.

Background

2. The annual audit of the Council's Statement of Accounts and use of resources has now been substantially completed for 2018/19 and Mazars has issued its report.
3. The Council successfully met the statutory requirement to prepare its draft accounts by 31 May and to prepare its audited accounts by 31 July.
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 anticipate completing their work in July, it should be noted that they also place reliance on the work of other auditors, including Ernst and Young (EY) work to give assurance on the Tyne and Wear Pension Fund (TWPF) disclosures in the Council's Statement of Accounts, and disclosures in relation to the Council's interest in the airport. They also need to review the work of KPMG in respect of external Audit of The Gateshead Housing Company (TGHC) Statement of Accounts in order to be able to place reliance on the TGHC figures incorporated into the Group Accounts.

- In relation to TGHC, KPMG are to provide Mazars with access to their files to allow the necessary Group Accounts work to be completed. It is anticipated that Mazars will receive sufficient assurance from KPMG's files by the statutory deadline of 31 July to allow the Council's accounts to be full signed off.
6. Mazars will provide a verbal update to the committee on outstanding audit work and issue an update letter on the outstanding issues by the end of July to enable them to provide an opinion.
 7. 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 Audit and Standards Committee noted the above outstanding issues.

Proposal

8. 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, approve the Council's 2018/19 Statement of Accounts for publication, and delegate authority to the Strategic Director, Corporate Resources, following consultation with the Leader, 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.

Recommendations

9. 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;
 - approve the Council's 2018/19 Statement of Accounts for publication; and
 - Delegate authority to the Strategic Director, Corporate Resources, following consultation with the Leader, 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.

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 will contribute to achieving the objectives of the Council's Thrive agenda.

Background

2. The annual audit of the Council's 2018/19 Statement of Accounts has now been substantially completed. Mazars 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 is included as Appendix 2 to this report. Subject to the outstanding issues, 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. To provide a full picture of the economic and financial activities of the Council and its exposure to risk, the accounting statements of material subsidiaries and associate companies were consolidated with those of the Council. In 2018/19 the only material subsidiary was TGHC due to the pension liability.
7. The 2018/19 Statement of Accounts is shown at Appendix 4. The Statement of Accounts is materially consistent with the 2018/19 revenue and capital outturn reports considered by Cabinet on 25 June 2019. Some minor adjustments and presentational changes have been made to the Statement submitted for audit on 31 May 2019 and the following misstatements were amended:

- **Comprehensive Income and Expenditure Statement (CIES)** – removal of cash and cash equivalents belonging to other entities incorrectly posted against short-term deposits rather than bank overdraft. This was also adjusted for 2017/18.
 - **Pensions Liability** - adjusted actuarial assumptions in relation to the McCloud judgement.
 - **Comprehensive Income & Expenditure Statement (CIES)**: amendments were made to the income and expenditure lines of the CIES due to recalculation of internal recharges and insurance charges. This did not affect the overall cost of services in the CIES.
8. In addition, the following immaterial, non-trivial misstatements have been identified by Mazars (materiality is £14.173m for the Council and £14.274m for the Group and triviality at £0.425m for the Council and £0.428m for the Group), but have not been amended due to their immaterial nature:
- **Changes to the Insurance provision** – being an overstatement specific to one individual insurance claim
9. 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**
10. There has been no external consultation on this report.
- Alternative Options**
11. There are no alternative options proposed; the Council is obliged by statute to publish its annual Statement of Accounts.
- Implications of Recommended Option**
12. **Resources:**
- a. **Financial implications:** the Strategic Director, Corporate Resources confirms that the financial implications are as set out in this report and in the 2018/19 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.
13. **Risk management implications:** no additional risks have been identified in this report or in the completion of the 2018/19 Statement of Accounts.

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