

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**

Purpose of the Report

1 This report updates the Audit and Standards Committee on the outcome and findings of the audit of Gateshead's Statement of Accounts 2015/16 by the Council's external auditor, Mazars.

Background

2 Section 9 of the Accounts and Audit Regulations 2015 requires that the Council's Statement of Accounts be approved by a committee. In Gateshead's governance framework, this is the Accounts Committee. However, best practice guidance outlines that the Audit and Standards Committee should also review the financial statements and external auditor's opinion. Review by this Committee is an additional step in the process to comply with best practice.

3 The annual audit of the Council's Statement of Accounts and use of resources has now been completed for 2015/16 and the Council's external auditor, Mazars has issued its report.

4 The Audit Completion Report covers:

- The Council's Statement of Accounts including significant findings, internal control recommendations and a summary of misstatements;
- The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources including a value for money conclusion.

5 The external auditor's report is attached at Appendix 1 and the Council's Statement of Accounts is attached at Appendix 2.

6 The Statement of Accounts is being presented to Committee two months earlier than in 2014/15; this is a "dry run" in preparation for the statutory deadline for the completion of the accounts changing from 30 September to 31 July from 2017/18.

Audit Completion Report

7 Mazars' Audit Completion Report is included as Appendix 1 to this report. The key messages are as follows:

- Audit Opinion - Mazars has issued 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.

8 The 2015/16 Statement of Accounts, amended for any adjustments identified during the audit, is included at Appendix 2. The Statement of Accounts is materially consistent with the 2015/16 revenue and capital outturn reports considered by Cabinet on 14 June 2016. Along with minor adjustments and presentational changes, the following adjustments to the Statement, submitted for audit on 1 June 2016, have been identified through the audit process:

- **Short-term debtors / creditors:** the debtors and creditors balances were adjusted by £1.065m due to an opening balance error identified;
- **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*;
- **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;
- **Contingent rent:** the contingent rent element of the schools PFI costs were 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; 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.

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 agreed to amend the Statement of Accounts to reflect the adjustments, with the exception of a £4.035m balancing figure within the cash flow statement that was not analysed due to the minimal impact on the Statement.

10 It should be noted that, although Mazars have completed their work, they also place reliance on the work of other auditors. Despite assurances that the work by EY on the Tyne and Wear Pension Fund (TWPF) would be complete by mid-July, the information has been delayed to the end of August. This means that the audit cannot be formally be closed until this information has been received.

Recommendation

11 The Committee is requested to:

- note the contents of the external auditor's report and review and comment on the Statement of Accounts 2015/16, prior to submission to the Accounts Committee on 29 July 2016; and
- agree to receive a further update following completion of the EY work on the TWPF.