

TITLE OF REPORT: **Audit Completion Report Year ended 31 March 2013 and Gateshead Council Statement of Accounts 2012/13**

REPORT OF: **Darren Collins, Strategic Director, Finance & ICT**

Purpose of the Report

1. This report requests that the Accounts Committee:
 - note the contents of the covering report at Appendix 1;
 - note Mazars' 2012/13 Audit Completion Report (Appendix 2), 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 2012/13 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 2012/13 and Mazars LLP has issued its report.
3. 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.

Proposal

4. The proposal is for the Accounts Committee to note the contents of Mazars' Audit Completion Report including arrangements for securing economy, efficiency and effectiveness, approve the issue of the Letter of Representation by the Strategic Director, Finance & ICT on behalf of the Council, and approve the Council's 2012/13 Statement of Accounts for publication.

Recommendations

5. The Accounts Committee is requested to:
 - note the contents of Mazars' Audit Completion Report and the covering report;
 - approve the issue of the Letter of Representation by the Strategic Director, Finance & ICT on behalf of the Council; and
 - approve the Council's 2012/13 Statement of Accounts for publication.

for the following reason(s)

- (i) to comply with legal requirements and the Council's Constitution.
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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. Following the announcement of the abolition of the Audit Commission in 2010, the external audit of North Eastern councils was outsourced to Mazars LLP from 2012/13.
3. The annual audit of the Council's 2012/13 Statement of Accounts has now been completed. Mazars LLP is required to:
 - Issue a report to those charged with governance summarising its conclusions from their audit work by 30 September 2013;
 - 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.
4. 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

5. Mazars' Audit Completion Report is included as Appendix 2 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.
6. The report also includes a Letter of Representation to Mazars, to be approved by the Committee prior to being signed by the Strategic Director, Finance & ICT, attached as Appendix 3.
7. The Council's 2012/13 Statement of Accounts, amended for any adjustments identified during the audit, is shown at Appendix 4. The Statement of Accounts is materially consistent with the revenue and capital outturn reports considered by Cabinet on 25 June 2013. Along with minor adjustments and presentational changes, the following adjustments have been made to the statement submitted for audit on 30 June 2013:
 - Internal recharges: these charges between Services are included in the revenue outturn positions but should have been excluded from the Statement of Accounts. As such, the gross expenditure and gross income figures were initially overstated by

£18.5m. Amending the Statement of Accounts reduces both income and expenditure, and as such has no effect on the Net Cost of Services.

- Housing Revenue Account charge for Corporate and Democratic Core costs: CDC costs have previously been borne by the General Fund; however, best practice suggests that they should be shared between the General Fund and the HRA. As such, the Council has made an additional charge of £0.588m to the HRA, reducing the HRA Reserve and increasing the General Fund Reserve by this value.

8. The internal recharge adjustment does not impact on the revenue and capital outturn positions reported to Cabinet in June 2013. The HRA charge results in a £0.588m transfer from the HRA to the General Fund that was not included within the report to Cabinet.

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 the Statement of Accounts.

Implications of Recommended Option

11. **Financial Implications** – The Strategic Director, Finance & ICT confirms that the financial implications are as set out in this report and in the 2012/13 Statement of Accounts.
12. **Risk Management Implication** – no additional risks have been identified in this report or in the completion of the 2012/13 Statement of Accounts.
13. **Human Resources Implications** – There are no human resources implications associated with this proposal.
14. **Equality and Diversity Implications** – There are no equality and diversity implications associated with this proposal.
15. **Crime and Disorder Implications** – There are no crime and disorder implications associated with this proposal.
16. **Sustainability Implications** – There are no sustainability implications associated with this proposal.
17. **Health Implications** - There are no health implications associated with this proposal.
18. **Human Rights Implications** – There are no human rights implications associated with this proposal.
19. **Area and Ward Implications** – There are no area and ward implications associated with this proposal.