

North Tyneside Council Report to Audit Committee Date: 25 July 2018

ITEM 4
2017/18 Audit Completion Report

Report from: Finance

Responsible Officer: Janice Gillespie, Head of Finance **Tel: 643 5701**

Wards affected: All

PART 1

1.1 Executive summary:

- 1.1.1 The Audit Committee is required to review the external auditor's opinion and reports on the statement of accounts.
- 1.1.2 The purpose of this report is to present the Audit Completion Report which details the outcome of the external audit of our 2017/18 Financial Statements by Mazars.

1.2 Recommendation(s):

- 1.2.1 The Audit Committee is recommended to:
 - (a) note the matters raised in the Audit Completion Report;
 - (b) note the audit findings set out in the Audit Completion Report;
 - (c) note the internal control recommendations and management responses set out in the Audit Completion Report;
 - (d) note the adjustments set out in the Audit Completion Report;
 - (e) note the Value for Money conclusion set out in the Audit Completion Report; and,
 - (f) note the draft Letter of Representation.

1.3 Forward plan:

- 1.3.1 This report is contained in the forward plan of the Audit Committee.

1.4 Council plan, policy framework:

1.4.1 The Audit Completion Report covers all financial aspects of the Authority's Plans.

1.5 Information

1.5.1 As laid out in the Accounts and Audit Regulations 2015, from 2017/18, the Authority is required to produce draft accounts by 31 May and must publish audited accounts by 31 July. This is a change from the previous publication dates of 30 June and 30 September respectively. The result being that draft accounts were prepared one month earlier than previously, with the audit also due for completion two months earlier than previously.

1.5.2 The audit of the 2017/18 accounts is substantially complete and an unqualified audit opinion is expected to be issued. The Audit Completion Report, produced by Mazars, shows that no material errors have been identified in the financial statements. However, the audit identified a need to revalue elements of the Authority's portfolio due to a large increase in the cost of construction of buildings. The Building Cost Information Service (BCIS) produces indices which are used in the preparation of the valuation of assets. These indices have shown a marked increase in 2018, both nationally and regionally, - with an average of approximately 20% for North Tyneside. As a result it was necessary to revalue the assets within the Authority's portfolio that are valued at Depreciated Replacement Cost (DRC) resulting in an increase in the net book value of £87.686m.

1.5.3 A number of disclosure errors identified during the audit have been corrected and are reflected in the Annual Financial Report. A number of Internal Control issues have been raised and discussed with Mazars. Actions have been agreed to respond to those issues raised. A copy of the Audit Completion Report is attached as Appendix A for consideration.

1.6 Decision options:

The options available are:

- (a) To accept the recommendations made in section 1.2.1; or
- (b) To reject the recommendations made within this report.

1.7 Reasons for recommended option:

The production of an Audited Annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015.

1.8 Appendices:

Appendix A: Audit Completion Report for 2017/18

1.9 Contact officers:

Janice Gillespie, Head of Finance, Tel 643 5701
Cathy Davison, Principal Accountant, Tel 643 5727

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Accounts and Audit Regulations 2015

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report itself and the Audit Completion Report attached as Appendix A to this report together with the 2017/18 Annual Financial Report attached as Appendix B to this report.

2.2 Legal

The Authority is required under the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy's Code to prepare and approve its audited accounts for the financial year 2017/18 by 31 July 2018.

2.3 Consultation/community engagement

In line with statutory requirements the draft Annual Financial report for the year ended 31 March 2018 was published by 31 May 2018 and was available on the Authority's website.

Members of the public were able to inspect the accounts under the statutory public inspection of accounts period from 1 June 2018 to 12 July 2018.

2.4 Human rights

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and diversity

There are no direct equalities and diversity implications arising from this report.

2.6 Risk management

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and disorder

There are no direct crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no direct environmental and sustainability implications arising from this report.