

# North Tyneside Council Report to Council Date: 26 September 2019

## ITEM 4

2018/19 Annual Audit Letter

<b>Portfolio(s):</b> Elected Mayor  Finance and Resources	<b>Cabinet Member(s):</b> Norma Redfearn  Councillor Ray Glendon
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**Report from Service Area:** Finance

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

**Wards affected:** All

### PART 1

#### **1.1 Executive Summary:**

1.1.1 The purpose of the report is to present to Council the Annual Audit Letter ("the Letter") from the Authority's appointed auditors, Ernst Young.

1.1.2 The Letter summarises many of the points raised in the Audit Results Report which was presented to Council on 25 July 2019 and the Audit Committee on 24 July 2019.

1.1.3 The Letter will be presented by Ernst Young at Council on 26 September 2019.

#### **1.2 Recommendation(s):**

It is recommended that Council notes the contents of the Annual Audit Letter.

#### **1.3 Forward plan:**

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 17 June 2019.

#### **1.4 Council plan and policy framework:**

The Annual Audit Letter covers all the service responsibilities as identified within the Our North Tyneside Plan.

## 1.5 Information:

1.5.1 The full Letter is attached as **Appendix A** to this report. The letter covers the period 1 April 2018 to 31 March 2019.

1.5.2 The Letter covers:

- The overall conclusion in respect of the Authority's Financial Statements which includes the annual governance statement;
- The assessment of arrangements to achieve value for money in the Authority's use of resources;
- Future challenges facing the Authority; and
- Fees payable to Ernst Young for 2018/19.

1.5.3 Ernst Young issued an **unqualified opinion** on the Authority's accounts for 2018/19. In this context unqualified means that the Auditor was satisfied with the quality of the Authority's accounts which is a positive outcome for the Authority.

1.5.4 The Audit Results Report presented to Council on 25 July 2019 and to the Audit Committee on 24 July 2019 includes more detailed information in respect of the findings of the audit of the 2018/19 Annual Financial Report. No material errors were identified in the financial statements.

A number of disclosure errors were identified during the audit and these have been corrected and are reflected in the Annual Financial Report. The significant adjustments that were required related to the following items:

- a) the removal of trust schools from the Authority's balance sheet;
- b) changes required to IAS19 pension liabilities following the recent McCloud judgement; and
- c) the revised valuation for Newcastle International Airport.

It should be noted that these adjustments had no impact on the Authority's reserves and balances.

1.5.5 Ernst Young issued an **unqualified Value for Money conclusion**, confirming that the Authority had adequate arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

## 1.6 Decision options:

Council is recommended to note the contents of the Annual Audit Letter. Alternatively it could request further information.

## 1.7 Reasons for recommended option:

Under the Authority's Constitution, it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, that it safeguards and properly accounts for public money and that proper arrangements are in place to secure value for money. The Accounts and Audit Regulations 2015

require a meeting of the Council to receive, consider and publish the Annual Audit Letter received from the external auditor.

## **1.8 Appendices:**

Appendix A: Annual Audit Letter 2018/19

## **1.9 Contact officers:**

Janice Gillespie, Head of Resources, Tel 643 5701  
Claire Emmerson, Senior Manager Financial Strategy and Planning, Tel 643 8109  
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) 2018/19 Audit Results Report  
<https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/5c.%20Appendix%20B%20Final%20Audit%20Results%20Report.pdf>

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

There are no financial implications arising from this report. Where any of the individual actions require financing, this will be reported separately to Cabinet and /or Council as appropriate.

### **2.2 Legal**

The Accounts and Audit Regulations 2015 require a meeting of the Council to receive, consider and publish the Annual Audit Letter received from the external auditor.

### **2.3 Consultation/community engagement**

2.3.1 Internal Consultation has taken place with the Mayor, the Cabinet Member for Finance and Resources, the Senior Leadership Team and relevant officers of the Authority.

2.3.2 External Consultation/engagement has taken place with Ernst Young.

### **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 direct no 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.

### PART 3 - SIGN OFF

- Chief Executive  X
- Head of Service  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Head of Corporate Strategy and Customer Service  X