

# North Tyneside Council Report to Council 27 September 2018

## ITEM 6

2017/18 Annual Audit Letter

**Portfolio(s):** Elected Mayor  
  
Finance and  
Resources

**Cabinet Member(s):** Norma Redfearn  
  
Councillor Ray  
Glendon

**Report from Service Area:** Finance

**Responsible Officer:** Janice Gillespie, Head of Finance      Tel 6435701

**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, Mazars.
- 1.1.2 The Letter summarises many of the points raised in the Audit Completion Report which was presented to Council on 26 July 2018 and the Audit Committee on 25 July 2018.
- 1.1.3 The Letter will be presented by Mazars at Council on 27 September 2018.

#### **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 27 July 2018.

#### **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 2017 to 31 March 2018.

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 Mazars for 2017/18.

1.5.3 Mazars issued an **unqualified opinion** on the Authority's accounts for 2017/18. 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 Completion Report presented to Council on 26 July 2018 and to the Audit Committee on 25 July 2018 includes more detailed information in respect of the findings of the audit of the 2017/18 Annual Financial Report.

1.5.5 When reviewing the financial statements external audit make an assessment of risk and classify risks based on the following:-

Priority Ranking	Description
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.
2 (medium)	In our view, there is a need to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.
3 (low)	In our view, internal controls should be strengthened in these additional areas where practicable.

There was only 1 risk area that was given a level 1 'high' priority recommendation which related to Property, Plant and Equipment (PPE) valuations. The other lower risk areas identified were signed off where assurance had been sought with no significant matters arising.

1.5.6 At the last Council meeting on the 26<sup>th</sup> July 2018 Council received the 2017/18 Annual Financial Report and Audit Completion Report. The 'high' priority risk relating to PPE valuations was raised in section 1.5.2 of the report. During the external audit it was identified that valuations of certain categories of PPE had not been reviewed for significant changes in the underlying indices at the year-end by

the Capita Property Team. As a result PPE valuations were understated by £87.7m. Council should note that once identified by external audit this issue was raised swiftly at the highest level within Capita. Subsequently and to satisfy external audit recommendations year-end processes have been reviewed and amended to ensure that this issue will not occur in future years. It should also be noted that officers from within the Council worked closely with both colleagues from Capita and our external auditors to ensure that there was no detrimental impact to the Councils statutory reporting requirement. Despite this issue arising the authority met the statutory deadline and published a fully audited set of accounts by the 31<sup>st</sup> July 2018.

- 1.5.7 Mazars 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 2017/18

## 1.9 Contact officers:

Janice Gillespie, Head of Finance, 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) 2017/18 Audit Completion report

## **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 Mazars.

### **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**

- Acting Chief Executive ☐
- Head of Service ☐
- Mayor/Cabinet Member(s) ☐
- Chief Finance Officer ☐
- Monitoring Officer ☐
- Head of Corporate Strategy ☐