

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**  
**REPORT OF THE EXECUTIVE MANAGEMENT TEAM**  
**TO THE AUDIT & STANDARDS COMMITTEE**

**29th July 2019**

**EXTERNAL AUDIT OF 2018/19 ACCOUNTS**

**Submitted by:** Interim Executive Director Resources & Support Services

**Portfolio:** Finance and Efficiency

**Ward(s) affected:** All

**Purpose of the Report**

To receive an update on the progress of the external audit of the accounts for the financial year 2018/19.

**Recommendations**

**A That the progress of the external audit of the accounts for the financial year 2018/19 be noted.**

**B That authority be delegated to the Chair of the Committee to sign the final audited accounts on completion of the audit.**

**Reasons**

The Council is required to publish its audited accounts for the financial year 2018/19 by 31<sup>st</sup> July 2019. Due to a number of issues outside of the Council's control the completion of the audit will be delayed beyond the statutory deadline. The report sets out the current status of the audit and the reasons for the delay and asks that authority be delegated to the Chair of the Committee to sign the accounts on completion of the audit so that they can be published at the earliest possible date.

**1. Background**

- 1.1 The Accounts and Audit Regulations 2015 govern the way in which a local authority should present its financial affairs. The regulations require the Council to produce a statement of accounts for the financial year detailing its financial transactions for the year and its position at the year end and that this Statement be scrutinised and approved by an appropriate committee, in this case the Audit and Standards Committee, by 31 July. The Statement is produced in a standardised form in line with CIPFA (the Chartered Institute of Public Finance and Accountancy) guidelines. They set out procedures which must be followed with regard to public inspection rights, audit, approval and publication of the statement.
- 1.2 The Regulations require the draft Statement of Accounts to be certified by the responsible financial officer, the Executive Director (Resources and Support Services), as presenting a true and fair view of the Council's financial position by 31 May and this was done on 30 May. On presentation to the committee for approval the final audited version of the Statement will be recertified by her. The period during which the public have the right to inspect the accounts commenced on 3 June 2019 and closed on 12 July.

- 1.3 At the last meeting of the Audit & Standards Committee officers advised that there was a risk that the Council would not meet the statutory deadline for publication of its accounts for 2018/19 due to the need to obtain further information from the Staffordshire Pension Fund actuaries about the impact on the Council's pension liabilities of a recent Supreme Court ruling regarding transitional protection for members of public sector pension schemes (the McCloud judgement). That information has now been received and amendments made to the draft accounts. However, a number of further issues have arisen in recent weeks which have delayed the completion of the audit and the Council's auditors, Grant Thornton, have now advised that they will not be in a position to issue their audit opinion before the statutory deadline for publication.

2. **Details**

- 2.1 Since the draft accounts were presented to this Committee on 24<sup>th</sup> June 2019 four significant issues have arisen which have delayed the completion of the audit, three of which are outside the Council's control:
- 2.1.1 An updated report from the pension fund actuary regarding the Council's pension fund liabilities following the McCloud judgement has been received and amendments made to the draft accounts. However, a further complication has now arisen with regard to the valuation of pension fund net assets which Staffordshire County Council is working to resolve with their auditors. Until this matter is settled it is not known whether further adjustments will be required to NuLBC's draft statement of accounts.
- 2.1.2 The Property team have been forced to revalue all 38 of the Council's operational buildings due to an error in the SPONS price book. SPONS is the industry standard reference for property valuation so NuLBC is by no means the only Council likely to be affected. However, Grant Thornton will now need to re-perform all their testing on the new Property, Plant and Equipment (PPE) valuations. This is a significant piece of work which will add two weeks to the audit timetable.
- 2.1.3 Advice is still awaited from Grant Thornton's technical team on the appropriate accounting treatment of Castle House. This is a complex issue which hinges on where control of the asset effectively lies. Although this was flagged during the pre-audit planning process and has been the subject of detailed discussions with Staffordshire County Council, the police and the external auditors over the past three months, arriving at a definitive position has proved problematic due to the complexities of the arrangements.
- 2.1.4 Discussions with the external auditors about the appropriate valuation of the Civic Offices are still ongoing in light of the current status of the Ryecroft development and potential costs of dilapidations and demolition. Further information requested by the auditors has been provided, however they will require more time to consider this.
- 2.2 Grant Thornton's draft Audit Findings Report is appended to this report. Their auditors are currently off site but will be returning during the first two weeks of August with a view to delivering an opinion by the 17<sup>th</sup> or 18<sup>th</sup> August. There are some caveats around that, as it will depend on the auditors being satisfied with the proposed changes to PPE valuations, and also satisfied that the changes are accounted for properly within the statement of accounts. In addition, there are still areas of testing that they have not completed including NDR liabilities and bad debt provision, and if any problems arise with regard to those, that could also build in delay. In that case Grant Thornton are unlikely to be in a position to

complete the audit before September due to annual leave commitments of their staff and Council officers during the second half of August.

- 2.3 Grant Thornton have also indicated that in view of the significant additional work involved in completing the audit due to the issues highlighted above they will be issuing a supplementary fee request. The amount of any additional audit fees is unknown at this time.

3. **Options Considered**

- 3.1 In consultation with the Chair the option of rescheduling the July meeting of the Committee to August was considered. However, in view of the uncertainty around the timing of the completion of the audit and the fact that a number of members of the Committee are likely to be absent during August due to holiday commitments this option was not considered feasible.
- 3.2 A further option considered was delaying signing the accounts until the next scheduled meeting of the Committee on 23<sup>rd</sup> September. This option was discounted on the basis that it would delay publication of the accounts by a further month, well beyond the statutory deadline.
- 3.3 The final option considered was to ask the Committee to delegate authority to the Chair to sign the audited accounts should Grant Thornton be in a position to issue their opinion during August in order that the accounts can be published at the earliest possible date. This is the recommended option.

4. **Proposal**

- 4.1 That authority be delegated to the Chair of the Committee to sign the accounts on receipt of the external auditor's opinion.

5. **Reasons for Preferred Solution**

- 5.1 The recommended option will ensure that the Council is able to publish its final accounts at the earliest possible date.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 6.1 The publication of the Council's annual accounts supports the principles of openness, transparency and public accountability. The external audit opinion on the financial statements and compliance with the duty to deliver value for money assists the Audit & Standards Committee and the Executive Management Team to discharge their roles of accountability and stewardship which represent a key element within the Authority's governance framework.

7. **Legal and Statutory Implications**

- 7.1 The Council is required to approve a draft statement of accounts in accordance with the requirements of the Accounts and Audit Regulations. The deadline for approval has been brought forward by 2 months to 31 July 2019.

8. **Equality Impact Assessment**

8.1 There are no equality impact issues identified.

9. **Financial and Resource Implications**

9.1 There are no financial implications arising from failure to meet the statutory deadline for publication of the annual accounts. The only financial consideration is the supplementary fee request that the Council is likely to receive from Grant Thornton, the amount of any additional audit fees is unknown at this time.

10. **Major Risks**

10.1 The key risk to be considered is the reputational risk to the Council arising from failure to meet the statutory deadline for publication of the annual accounts.

11. **Sustainability and Climate Change Implications**

11.1 There are no sustainability or climate change implications.

12. **Key Decision Information**

12.1 This report is not a key decision as defined by the Council's Constitution.

13. **Earlier Cabinet/Committee Resolutions**

13.1 This report is not in reference to previous Cabinet or Committee resolutions.

14. **List of Appendices**

Grant Thornton draft Audit Findings Report 26 July 2019

15. **Background Papers**

15.1 Audit & Standards Committee 24<sup>th</sup> June 2019 – Draft Statement of Accounts 2018/19.