

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**REPORT OF THE EXECUTIVE MANAGEMENT TEAM
TO THE AUDIT & STANDARDS COMMITTEE**

23rd September 2019

AUDITED ACCOUNTS FOR 2018/19

Submitted by: Interim Executive Director Resources & Support Services

Portfolio: Finance and Efficiency

Ward(s) affected: All

Purpose of the Report

To receive the final accounts and audit findings report for the financial year 2018/19.

Recommendations

A That the final accounts for the financial year 2018/19 be received.

B That the audit findings report for the financial year 2018/19 be received.

C That the additional fee estimate of £20,000 in respect of additional audit work arising from national and local issues be noted.

Reasons

The Council is required to publish its audited accounts for the financial year 2018/19 by 31st July 2019. Due to a number of issues outside of the Council's control the Committee was advised at its last meeting that completion of the audit would be delayed beyond the statutory deadline. The audit has now been completed and the Committee is asked to receive the final audited accounts and audit findings report.

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. 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 the 31st July deadline for publication of the accounts for 2018/19 would not be met due to external developments and ongoing discussions with the external auditors regarding a number of complex accounting issues. The Committee delegated authority to the Chair of the Committee to sign the final audited accounts on completion of the audit in order to allow them to be published at the earliest possible date.
- 1.4 All of the outstanding audit issues have now been resolved and the audit of the accounts was completed on 5th September. An unqualified opinion has been issued on the financial statements and on the Council's arrangements for ensuring economy, efficiency and effectiveness in the use of resources.

2. **Details**

- 2.1 Since the last meeting of this Committee officers have continued to work closely with the external auditors to resolve all of the following issues:
- Changes to the Council's pension fund liabilities and net assets arising from the McCloud Supreme Court judgement.
 - Revisions to property valuations necessitated by the publication of incorrect SPONS indices.
 - The appropriate accounting treatment of Castle House.
 - The appropriate valuation of the Civic Offices.
- 2.2 The external audit has now been completed and unqualified opinions on the financial statements and the Council's value for money arrangements were issued on 5th September 2019. The amended accounts have been recertified by the Council's s151 officer, the Interim Director of Resources and Support Services, approved by the Chair of Audit & Standards Committee and published on the Council's website.
- 2.3 The Committee are now asked to formally receive the audited accounts and the final audit findings report. The annual audit letter is presented as a separate item on the Committee's agenda.
- 2.4 At the Committee's July meeting Grant Thornton indicated that they would be seeking supplementary audit fees of £4,500 in respect of additional audit work arising from national issues and that they would also be levying a supplementary fee request for the significant additional work arising from local issues. They have now confirmed that the local element of this supplementary fee request will be £15,500. This relates to additional audit resources required for the following:
- Consideration of complex accounting and valuation issues, specifically in relation to Castle House, Jubilee2 and the old civic centre
 - Use of Grant Thornton expert, technical and valuation staff to support our consideration of the above issues
 - Discussions and agreement of audit adjustments in relation to the above issues which required additional meetings with officers
 - Obtaining comprehensive explanations in relation to issues uncovered during the audit including requesting additional and appropriate working papers.

- 2.4 In order to identify improvements to the planning and delivery of the 2019-20 audit officers will now be arranging a “lessons learned” session with the external auditors. This will include establishing clear standards for working papers. Priority will also be given to implementing a computerised capital asset register to overcome the difficulties experienced this year in providing timely and detailed working papers to support Plant, Property and Equipment valuations.

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

- 3.1 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.

4. **Legal and Statutory Implications**

- 7.1 The Council is required to approve the final accounts in accordance with the requirements of the Accounts and Audit Regulations. The Committee delegated authority to approve the accounts to the Chair of the Committee at their July meeting.

8. **Equality Impact Assessment**

- 8.1 There are no equality impact issues identified.

9. **Financial and Resource Implications**

- 9.1 The supplementary fee request of £20,000 will be met from the Resources & Support Services directorate budget.

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**

Appendix A Audited Statement of Accounts for the Financial Year 2018-19

15. **Background Papers**

- 15.1 Audit & Standards Committee 24th June 2019 – Draft Statement of Accounts 2018/19.
Audit & Standards Committee 29th July 2019 – External Audit of the 2018/19 Accounts