

**North Tyneside Council
Report to Audit Committee
Date: 24 July 2019**

ITEM 4
2018/19 Annual Financial Report

Report from: Finance

Responsible Officer: Janice Gillespie, Head of Resources 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 Annual Financial Report.

1.1.2 The purpose of this report is to present the Audit Results Report which details the outcome of the external audit of our 2018/19 Financial Statements by Ernst and Young.

1.2 Recommendation(s):

1.2.1 The Audit Committee is recommended to:

- (a) note the matters raised in the Audit Results Report;
- (b) note the audit findings set out in the Audit Results Report;
- (c) note the internal control recommendations and management responses set out in the Audit Results Report;
- (d) note the adjustments set out in the Audit Results Report;
- (e) note the Value for Money conclusion set out in the Audit Results 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 Results Report covers all financial aspects of the Authority's Plans.

1.5 Information

1.5.1 For 2018/19, the requirements and timeline for the approval of a local authority's Annual Financial Report are set out in the Accounts and Audit Regulations 2015. The legislation requires the Authority to produce draft accounts by 31 May and that following the conclusion of a 30 day period of public inspection the Council must submit the Statement of Accounts for consideration and approval by no later than 31 July.

1.5.2 This is the first year that the Council's audit has been undertaken by Ernst and Young, as would be expected, extensive testing has been conducted, including the examination of larger samples and more in-depth review of processes. The overall audit process, to date, has been positive and Officers have been working closely with the External Audit team to ensure all aspects of the audit are dealt with promptly.

1.5.3 The audit of the 2018/19 accounts is substantially complete and an unqualified audit opinion is expected to be issued. The Audit Results Report, produced by Ernst and Young, shows that no material errors have been identified in the financial statements. However, the audit has identified the following adjustments to the draft Annual Financial Report:

- (a) Following discussion with Ernst and Young around the interpretation of the accounting requirements for trust schools these schools have now been removed from the Authority's balance sheet as a prior period adjustment in 2017/18;
- (b) The recent McCloud judgement has resulted in a revaluation of the IAS19 pension liabilities for the Local Government Pension Scheme by our actuary and a restatement of costs shown in the Annual Financial Report; and,
- (c) The valuation for Newcastle International Airport provided by an external valuer has been revised resulting in a restatement to the Annual Financial Report.

The adjustments for item (a) is still being worked through and a final version of the audited accounts will be circulated once the adjustments are completed and audited.

It should be noted that these adjustments do not impact on the Authority's reserves and balances.

1.5.4 A number of non-material 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 Ernst and Young. Actions have been agreed to respond to those issues raised. A copy of the Audit Results 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 Financial Report is a requirement of the Accounts and Audit Regulations 2015.

1.8 Appendices:

Appendix A: Audit Results Report for 2018/19

1.9 Contact officers:

Janice Gillespie, Head of Resources, Tel 643 5701
Claire Emmerson, Senior Manager Financial Strategy & 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) 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 Results Report attached as Appendix A to this report together with the 2018/19 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 2018/19 by 31 July 2019.

2.3 Consultation/community engagement

In line with statutory requirements the draft Annual Financial report for the year ended 31 March 2019 was published by 31 May 2019 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 3 June 2019 to 12 July 2019.

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.