

AUDIT AND GOVERNANCE COMMITTEE

30 September 2016

AUDITED STATEMENT OF ACCOUNTS 2015/2016

Report of the Interim Director of Corporate Services

1.0 PURPOSE OF REPORT

- 1.1 To present the Letter of Representation for 2015/2016, to receive the Audit Completion Report received from Mazars LLP concerning the financial statements for 2015/2016 and which also provides their opinion on both the Authority's Statement of Accounts and its arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money).
- 1.2 To provide an audited Statement of Accounts for 2015/2016. This has been revised to take into account the auditor's findings, for approval by members of the Committee. A complete list of the amendments is set out at Appendix A for information.

2.0 DESCRIPTION OF DECISION

- 2.1 Members are recommended to:
 - 2.1.1 Note the contents of the Letter of Representation - Item 8 (i)
 - 2.1.2 Note the contents of the Audit Completion Report - Item 8 (ii) provided by Mazars LLP.
 - 2.1.3 Approve the Amended Audited Statement of Accounts for the financial year ended 31st March 2016 - Item 8 (iii).

3.0 BACKGROUND

- 3.1 Mazars LLP, who are the Authority's external auditors, are required to report on the final accounts, and report other certain matters to Members prior to an opinion being provided on the Authority's accounts.
- 3.2 A Letter of Representation has to be prepared by the Interim Director of Corporate Services which sets out the principles used in preparing the accounts and provides the external auditor with the necessary assurances required by regulation (this is shown as **Item 8 i** on the agenda).

- 3.3 Mazars LLP has audited the financial statements of the Authority in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (ISA) issued by the Auditing Practices Board.
- 3.4 Once the Audit and Governance Committee has noted the contents of this communication, Mazars LLP can then formally provide an opinion on the Statement of Accounts for the year ended 31st March 2016.
- 3.5 In line with Auditing standards, Mazars LLP produces an Audit Completion Report, in which the auditor's opinion is that the financial statements present a true and fair view of the financial position of the Authority as at 31st March 2016 and its income and expenditure for the year then ended. The Audit Completion Report 2015/2016 is included as **Item 8 ii** on the Agenda.
- 3.6 The revised Statement of Accounts 2015/2016 is set out at **Item 8 iii** on the agenda for approval.
- 3.7 This communication from the auditors is in addition to the Annual Audit Letter, which will continue to be presented to Cabinet, the Audit and Governance Committee and Council annually.

4.0 KEY MESSAGES

- 4.1 The full communication is included in the Audit Completion Report. The report is very positive and in summary shows that:
- the external auditors propose to issue an unqualified audit opinion;
 - all non-trifling misstatements have been adjusted by management and those not adjusted are set out with reasons accepted by the auditor in his Annual Audit Report;
 - the external auditors have not identified any material weaknesses in the accounting and internal control systems;
 - the external auditors have referred to a number of presentational issues they identified in relation to the qualitative aspects of the Council's financial reporting and reference is also made in the Letter of Representation but these are not considered to be significant;
 - the external auditors have not identified any matters required by international auditing standards that should be communicated to Members;
 - the external auditors have not identified any other relevant matters relating to the audit that need to be brought to Members attention;
 - the external auditors have reported that the Council has made, in all significant respects, proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2016 'except for' services for children in need of help and protection, children looked after, care leavers and adoption performance which were the subject

to an Ofsted inspection in July 2015 which found these services and their leadership, management and governance inadequate despite the Council's attempts to improve these services. The Auditor's position in this regard is unchanged for the financial year 2015/2016, despite the Council making significant strides to improve children's services, as they must issue a qualified value for money conclusion until Ofsted provide the Council with a positive Ofsted inspection report. Although Ofsted has acknowledged that the Council has made improvements and significant progress during the year to address the position it has not yet issued the required assurance the Council requires for the auditors to provide an unqualified VfM audit opinion.

- 4.2 On the basis of the amendments agreed with the external auditors, Mazars LLP will formally provide an opinion on the amended Statement of Accounts, on or before the 30th September statutory deadline, by which time the Council is required to publish its Audited Statement of Accounts for 2015/2016 and place the audited accounts on its web site appropriately signed by the Chair of this Committee and re-signed by the Interim Director of Corporate Services in line with new reporting requirements set out in the Accounts and Audit Regulations 2015.

Changes made to the Accounts

<u>Description of changes made</u>	<u>Statements/Notes affected</u>
Value of four schools transferred to academy status since 01/07/16 noted	Note 6 – Post Balance Sheet Events
Group CIES – Sunderland Lifestyle Partnership transactions have been moved from Planning Services line to Cultural and Related Services line	Group CIES
50% of Sunderland Lifestyle Partnership's assets have been reflected on Group Balance Sheet	Group BS and related Disclosure Note
Transposition amended re capital debtors (£0.300m)	Cash Flow Statement, Note 24 – Investing Activities, Group Cash Flow Statement, Note 4 – Investing Activities (Group Accounts)
Note 45 – Value of Decrease in fair value of fixed rate borrowing liabilities amended to correctly reflect impact of 1% increase to PWLB borrowing rates	Note 45 - Risk relating to Financial Instruments
Note 37 – Council as Lessor Operating Leases table changed to reflect figures for non-cancellable leases	Note 37 – b) Council as Lessor - Operating Leases
Related Parties Note: NELEP and Key Cities removed SLP – contract value added plus detail re loan to JV	Note 35 – Related Parties
Impairment line moved to sit under 'Accumulated Depreciation and Impairment' heading	Note 12 – PPE
Note 15 – Debtors re-profiled between Financial Instruments and other Debtors	Note 15 – Financial Instruments
Value of Sandhill View Academy's contribution has been added to PFI Note	Note 38 – PFI
Portfolio expenditure re-profiled between employee expenses and other service expenditure	Note 26 – Amounts Reported for Resource Allocation Decisions

