

## Cabinet

Tuesday, 30 July 2019 at 2.00 pm

Meeting to be held: Committee Room, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

[www.northoftyne-ca.gov.uk](http://www.northoftyne-ca.gov.uk)

---

## SUPPLEMENTAL AGENDA 2

---

	<b>Page No</b>
<b>6. Annual Financial Report 2018/19</b>	
<b>2018/19 Statement of Accounts</b>	<b>1 - 4</b>

Contact Officer: Victoria Miller  
Tel: 0191 211 5118  
Email: [Victoria.Miller@northeast-ca.gov.uk](mailto:Victoria.Miller@northeast-ca.gov.uk)

This page is intentionally left blank

**Subject: 2018/19 Statement of Accounts**

**Report of: Chief Finance Officer**

### Report Summary

The purpose of this report is to update the Cabinet on progress with the production of the audited 2018/19 Statement of Accounts and the position of the Local Auditor.

### Recommendations

The Committee is recommended to:

1. note the issues set out in the report; and
2. agree that Public Sector Audit Appointments Ltd be asked to appoint a replacement local auditor for NTCA and authorise the Chief Finance Officer to take all necessary steps to formalise the appointment of a new local auditor.

### 1. Background Information

- 1.1 At its meeting on 12 March 2019 Cabinet agreed to appoint Ernst and Young LLP (EY) as the local (i.e. external) auditor for the North of Tyne Combined Authority (NTCA). Subsequently, EY attended the meeting of the Audit and Standards Committee to explain their role as local auditor. Since that time, the Chief Finance Officer has been working with EY to progress and conclude the audit of the 2018/19 Financial Statements.
- 1.2 However, on 16 July 2019, EY contacted the Chief Finance Officer to advise that they could not act as NTCA's local auditor due to them having identified a material conflict of interest. The conflict of interest relates to other (non-audit) services which EY have provided to Nexus. This impacts on their ability to carry out audit work for NTCA because NTCA's Statement of Accounts must include Group Accounts with Nexus and EY cannot audit accounts where they have been involved in providing advice.

## **2. Appointment of replacement Local Auditor**

- 2.1 There are a number of steps which NTCA must take as a result of the above circumstances, most important of which is the appointment of a replacement local auditor.
- 2.2 NTCA has 2 options in this respect. It can either (a) carry out a procurement exercise to appoint a new local auditor, or (b) 'opt-in' to the national scheme for appointing local auditors operated by Public Sector Audit Appointments Ltd ("PSAA Ltd").
- 2.3 PSAA Ltd is recognised as an "appointing person" under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. As such, PSAA Ltd can therefore appoint a local auditor for NTCA, set the fee level for the contract and manage the contract with the appointed audit firm. The contract fee will need to be paid by NTCA, in common with all other audited 'relevant authorities'. Guidance would need to be sought from PSAA Ltd on the duration of the contract. The initial appointments made by PSAA for accounting periods beginning from 2018/19 were for 5 years, meaning contracts awarded as part of that tranche are due to end in 2022/23. It is likely that, if PSAA are requested to appoint a local auditor for NTCA, the same contract period would apply, i.e. the auditor would be in place up to 2022/23.
- 2.4 Given the time which would be involved in carrying out a procurement exercise at this stage (which would include the need for NTCA to seek the views of its Independent Auditor Panel), it is proposed to follow the PSAA Ltd route to secure the appointment of a new local auditor as expeditiously as possible. If the PSAA Ltd route is chosen, there is no need to convene the Independent Auditor Panel to participate in the appointment – the independence element is covered by the participation in the national scheme.

## **3. Publication of Statement of Accounts**

- 3.1 There is a statutory requirement on NTCA to ensure its 2018/19 Statement of Accounts is audited and published on its website by 31 July 2019. Given the circumstances outlined above, NTCA will now not be able to comply with the statutory deadline and so will need to publish a statement on its website explaining the reasons for this.

## **4. Potential Impact on Objectives**

- 4.1 There are no direct implications arising from this report in respect of NTCA's vision, policies and priorities.

## **5. Key Risks**

- 5.1 As set out above, NTCA will now not be able to publish its audited Statement of Accounts by the statutory deadline. Whilst there are no direct consequences of this non-compliance, NTCA will be required to publish notice of the reason for this non-compliance. The approach to the appointment of a new local auditor outlined above

should ensure that NTCA is able to minimise further delay to the publication of its audited Statement of Accounts.

## **6. Financial and Other Resources Implications**

6.1 There are no financial implications arising directly from this report. Additional officer time will be required to undertake further work when a new local auditor is appointed, but this is within the current resources budget. There is not anticipated to be a material increase in the level of external audit fee.

## **7. Legal Implications**

7.1 These are dealt with in the body of this report.

## **8. Consultation/Engagement**

8.1 Consultation has been undertaken with the Chair of Audit and Standards Committee, the Interim Head of Paid Service, the Mayor and Cabinet. In addition, consultation has been undertaken with PSAA Ltd. NTCA's Independent Auditor Panel will be informed of the position.

## **9. Appendices**

9.1 None

## **10. Background Papers**

10.1 None

## **11. Contact Officers**

11.1 Janice Gillespie, Interim Section 73 Officer (Chief Finance Officer),  
email [Janice.Gillespie@northoftyne-ca.gov.uk](mailto:Janice.Gillespie@northoftyne-ca.gov.uk), Telephone number 6435701

## **12. Sign-off**

12.1 Interim Head of Paid Service: Yes  
Interim Monitoring Officer: Yes  
Interim Chief Finance Officer: Yes

This page is intentionally left blank