



north east combined authority

Leadership Board

Tuesday 31st July 2018

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**SUPPLEMENTAL AGENDA 2 –
DOCUMENTS CIRCULATED AT THE
MEETING**

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Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: victoria.miller@northeastca.gov.uk

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The Leadership Board
 North East Combined Authority
 North Tyneside Council
 Quadrant
 The Silverlink North, Cobalt Business Park
 North Tyneside
 NE27 0BY

Direct line +44 (0)191 383 6314
 Email cameron.waddell@mazars.co.uk

31 July 2018

Conclusion of outstanding matters– Audit Completion Report

Following the meeting of the Leadership Board on 31 July 2018 and as required by International Standards on Auditing (UK), we are writing to confirm the completion of the matters that were marked as outstanding in the Audit Completion Report we presented to the Governance Committee on 30 July 2018 and Leadership Board earlier today.

The outstanding matters set out in our Audit Completion Report and the conclusions reached are shown below:

Matter	Conclusion
Short term debtors	Our work identified issues which have been reported in Appendix 1.
Short term creditors	Our work identified issues which have been reported in Appendix 1.
Financial instruments	Our work identified issues which have been reported in Appendix 1
Group Accounts	Our work identified issues which have been reported in Appendix 1.
Whole of Government Accounts	Work complete – No issues to report
Audit closure procedures	Work complete – No issues to report
Cash and cash equivalent (additional identified issue)	In our Audit Completion report we identified that Goldman Sachs liquidity funds were disclosed as short term investments instead of cash & cash equivalents. Subsequently we identified that this issue also applied to 2016/17. Officers have therefore disclosed a Prior Period

Mazars LLP – Salvus House - Aykley Heads - Durham - DH1 5TS
 Tel: +44 (0) 191 383 6300 – Fax: +44 (0) 191 383 6350 – www.mazars.co.uk

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Adjustment.

This is explained in note G18 and outlined in Appendix 1.

There have been a significant number of amendments to the draft accounts following our audit. These amendments have resulted in a significant amount of additional work for us in auditing each amended set of accounts, obtaining revised working papers and supporting evidence. In previous years we have highlighted the need improve quality assurance processes. In our view this remains a key area for improvement.

The final version of accounts dated 31 July 2018 also include a large number of rounding issues in the associated notes. Whilst clearly trivial, these issues further highlight scope to improve quality assurance arrangements in future years.

The fee implications of the significant amount of additional work we have had to undertake this year will be discussed and agreed with the Treasurer on conclusion of our audit.

If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours sincerely



Cameron Waddell, Partner
For and on behalf of Mazars LLP

Appendix 1

Summary of Misstatements

We set out below the misstatements identified for adjustment since the production of our Audit Completion Report, above the level of trivial threshold of £116k for NECA, £192k for the Group.

The first table outlines the misstatements that were identified which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Additional Unadjusted misstatements 2017/18

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Long term debtors			1,636	
Cr: Short term debtors				1,636

An element of the amount owed by Nexus had been incorrectly classified as due in less than one year.

Dr: Expenditure	293	
Cr: Creditors – amounts owed to local authorities		293

Audit testing of a sample of creditors identified one which had been understated. This understatement has been extrapolated across the sub population of amounts owed to local authorities.

Additional Unadjusted Disclosure amendments

None - all additional identified amendments have been adjusted.

Additional adjusted misstatements 2016/17

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: cash & cash equivalents			6,000	
Cr: Short term investments				6,000

Re-classification of highly liquid funds from short term investments to cash and cash equivalents.

Additional Disclosure amendments

Financial instruments (note 11) has been amended to remove a number of items which do not meet the definition of a financial instrument

Short term debtors (note 13) – note has been updated to correct for errors in classification of debtors.

Short term creditors (note 15) – note has been updated to correct for errors in classification of creditors.

Cash flow statement has been amended to ensure it is internally consistent with information in the financial statements.

Within the group financial statements a number of amendments have been made in relation to the deferred taxation note and the financial instruments note to provide additional information and to ensure internal consistency.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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