

AGENDA ITEM 12**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****26 JULY 2019****REPORT OF HEAD OF
FINANCE AND RESOURCES****ANNUAL FINANCIAL STATEMENTS 18/19****SUMMARY**

To present to Cabinet the draft Annual Financial Statements for 2018/19 and set out the next steps for completion and sign-off.

RECOMMENDATIONS

It is recommended that Cabinet note the draft Annual Financial Statements and the progress to date on finalisation. It is further recommended that final sign-off is delegated to the Chief Executive in conjunction with the Audit and Governance Committee having sight of the final audit letter and accounts.

DETAIL

1. The Authority is required to produce an Annual Statement of Accounts that sets out the financial position for that period. The accounts are prepared in accordance with all relevant prescribed guidance, Codes of Practice and Reporting Standards.
2. As required under the Accounts and Audit Regulations (England) 2015 the Authority published an inspection notice and draft accounts on 3 June 2019. During the consultation period the public have the right to examine the accounts, question the auditor and to make objections. The Authority did not receive any comments during this period.
3. The preparation of the 2018/19 financial statements has presented complex technical accounting issues. A number of new companies now form part of the Authority's group financial statements following the acquisition of land from Tata and the purchase of the airport. These companies are Goosepool 2019 Limited (the joint venture partnership with Stobart), Durham Tees Valley Airport Limited (DTVAL) and South Tees Developments Limited (STDL). All of these companies are established as private sector entities and must adhere to statutory accounting standard FRS102, the principle accounting standard in the UK for financial reporting.
4. However, the Authority and the South Tees Development Corporation, as public bodies must report under Government accounting rules (the CIPFA Code of Practice). As a consequence the financial reporting of Goosepool, DTVAL and STDL must be prepared under FRS102 and then converted to be reported under the CIPFA Code to enable the Group Accounts of the Authority to be prepared. In preparing for this the Authority has sought technical accounting advice from Price Waterhouse

Coopers to undertake extensive technical accounting work in meeting the requirements of both sets of statutory accounting standards. As an exceptional year, the extent of additional work required has had an impact on timescales.

5. Additionally, the audit of the Authorities financial statements is dependent upon the completion of the component audits. The audit of DTVAl has been subject to a number of delays largely in the control of the previous owner. This has included delay in the formal resignation of the previous owners' auditors (which prevented the newly appointed auditors to commence) and delay in providing evidence as required. A challenge for the previous owners has been meeting the public sector audit deadlines as DTVAl would normally audit and submit accounts up to nine months following year end. At present the DTVAl auditors are progressing well with the audit but have not yet completed, which has an impact on the completion of the Authority's group accounts.
6. In summary, both group auditors and component auditors are still to complete their work. However, the work is substantially complete and the auditors have stated that they anticipate issuing an unqualified opinion, without modification, on the financial statements.
7. The financial statements and an update on progress against the audit was presented to the Audit and Governance Committee on 24 July 2019. The Committee has requested that they have sight of the final statements and audit letter prior to the accounts being finalised and submitted to Government. It is therefore proposed to Cabinet that final sign-off on the accounts is delegated to the Chief Executive in conjunction with the Audit and Governance Committee having sight of the final audit letter and accounts.
8. The Statement of Accounts and Annual Governance Statement are presented at Appendix 1 and 2. These are currently in the final stages of audit by Mazars LLP.

FINANCIAL IMPLICATIONS

9. None

LEGAL IMPLICATIONS

10. None

CONSULTATION & COMMUNICATION

11. The draft accounts were published on the Authority's website on 3 June 2019. During this period the public had opportunity to examine the accounts, question the auditor and to make objections.

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