

ANGUS COUNCIL

SCRUTINY & AUDIT SUB-COMMITTEE – 2 NOVEMBER 2010
MEETING OF ANGUS COUNCIL - 4 NOVEMBER 2010

**ANGUS COUNCIL ANNUAL ACCOUNTS 2009/10 AND THE REPORT TO MEMBERS ON
THE 2009/10 AUDIT OF ANGUS COUNCIL**

JOINT REPORT BY THE CHIEF EXECUTIVE, THE DIRECTOR OF CORPORATE
SERVICES AND THE HEAD OF FINANCE

ABSTRACT:

This report covers Henderson Loggie's Report to Members on the 2009/10 Audit of Angus Council and asks Members to formally note the [2009/10 Annual Accounts](#) including the Audited Accounting Statements for Angus Council. The report also advises members of the intention to publish a summarised version of the accounts and seeks approval of budget carry forwards under the terms of the budget virement flexibility scheme.

1 RECOMMENDATION

It is recommended that the Scrutiny & Audit Sub-Committee:-

- (i) scrutinise the content of Henderson Loggie's Report to Members on the 2009/10 Audit of Angus Council (Appendix 1) and provide any commentary considered appropriate at this time; and
- (ii) review the attached 2009/10 audited Annual Accounts for Angus Council

It is recommended that the Council:-

- (i) note the content of Henderson Loggie's Report to Members on the 2009/10 Audit of Angus Council ([Appendix 1](#))
- (ii) note the attached 2009/10 audited Annual Accounts for Angus Council which will be published shortly after the Council meeting;
- (iii) note that the attached summarised version of the 2009/10 Annual Accounts will be published for circulation in the county;
- (iv) note that the £1.877 million of 100% carry forwards previously approved through committee report 95/10 have been reduced to £1.589m following confirmation of actual departmental underspends;
- (v) approve amended 100% carry forward requests totalling £0.070 million for Miscellaneous Other Services;
- (vi) approve £0.508 million of 50% carried forwards by departments from 2009/10 to 2010/11 under the terms of the budget virement flexibility scheme; and
- (vii) note the impact of these changes on the uncommitted General Fund Balance as outlined in Section 7 of this report.

2 INTRODUCTION

- 2.1 The Council is required by law to prepare a set of Accounting Statements (the Accounts) which set out its financial position at the end of each financial year. These Accounts are prepared by the Head of Finance and his team on a draft basis and are subsequently submitted to an External Auditor appointed by the Controller of Audit for independent review.

- 2.2 The Council's draft Accounting Statements for financial year 2009/10 were approved by the Council at its meeting on 24 June 2010 for submission to the Controller of Audit for subsequent audit by the council's appointed external auditors. Henderson Loggie were appointed for the five year period beginning 2006/07 as the external auditors of Angus Council.
- 2.3 Through their external audit role Henderson Loggie:-
- provide an opinion on the financial statements in accordance with relevant legal and regulatory requirements and international standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission;
 - review and report on the Council and its group corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and the Council's financial position;
 - review and report on the Council's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value; and
 - review and report on whether the Council has made adequate arrangements for collecting, recording and publishing prescribed performance information.

3 REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT

- 3.1 Each year the external auditor is required to provide a formal report to the elected members of the Council and the Controller of Audit on the audit of the Council for the latest financial year. The Auditor's Report for the 2009/10 financial year is attached as Appendix 1 to this report and covers each of the areas identified in paragraph 2.3 which are relevant to the auditor's role. The Auditor's report is a key document which informs members of significant matters affecting the Council's financial arrangements, governance and performance.
- 3.2 The Auditor's report is self explanatory and has been the subject of review and discussion with relevant senior officers prior to being finalised. On the whole the report is a positive one and it recognises the progress made by the Council on a number of fronts and the Council's compliance with relevant accounting and governance standards. The report also highlights that there is more work still to do in some areas many of which arise from the recent BV2 audit exercise and it recognises the substantial challenges faced by the Council particularly around funding reductions in future years.
- 3.3 The auditor's report makes 4 recommendations for action and members will see from the management responses (See Action Plan at Section 7 of the Auditor's Report) that action is already in hand to deal with these matters and that 2 of these relate to requirements for the 2010/11 Accounts of the Council rather than the year being audited.
- 3.4 The audit team will be in attendance at the Scrutiny & Audit Sub-Committee should members wish to ask any specific questions on the content of their report.

4 2009/10 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

- 4.1 The Council achieved the statutory deadline for the submission of its draft accounts for audit (30 June 2010). The statements presented for audit had been prepared using the format introduced by the 2009 Statement of Recommended Practice (SORP). **The audit was completed with the issue of an unqualified audit opinion on 29 September 2010.** A copy of the 2009/10 audited Annual Accounts is attached to this report.
- 4.2 Members are asked to review and note the 2009/10 Annual Accounts and to formally acknowledge the content of the 2009/10 Audited Accounting Statements and the issue of the Audit Certificate with no qualifications, which means that the auditor is satisfied that the Council has operated a satisfactory standard of financial stewardship during 2009/10.
- 4.3 Although they are compliant with law and applicable standards the Council's Accounts are complex and detailed and do not therefore lend themselves to review by most local citizens. In order, therefore, to present information on the financial performance of the council in a more easily understood format the summarised version of the accounts will be published. The summarised accounts will be held at public access points of the council and distributed to recipients of the full Annual Accounts. It should be noted that publication of the accounts in this summarised form has been recommended by the Local Authority Accounts (Scotland) Advisory Committee (LAASAC).
- 4.4 Through the audit process a number of adjustments were made to the draft accounts submitted in June 2010. These were agreed between the External Auditor and the Head of Finance. The impact of these adjustments was to revise a deficit of £9.590 million on the Income and Expenditure Account per the draft accounts to a deficit of £11.794 million as follows: -

	£ million	£ million
Income and Expenditure Deficit (Draft Accounts)		(9.590)
<u>Audit Adjustments</u>		
Pension Liability Valuation	0.101	
Depreciation / Impairment	(0.541)	
Interest Payable / Receivable	0.258	
Loss On Disposal Of Assets	<u>(2.022)</u>	<u>(2.204)</u>
Income and Expenditure Deficit (Audited Accounts)		<u>(11.794)</u>

- 4.5 It should be noted however that none of the audit adjustments impact on the Council's total General Fund balance (including HRA and other earmarked funds). The total General Fund balance at 31 March 2010 is unchanged from that position reflected in the draft accounts submitted by the Council for audit (£19.750 million). £17.517 million of this sum in relation to General Fund balances, £1.478 million Housing Revenue Account and £0.755 million other earmarked funds.
- 4.5 The General Fund balance of £17.517 million includes total commitments of £15.423 million e.g. DSM, contingency balance, budget carry forwards, earmarked resources, etc. This leaves an uncommitted General Fund balance at 31 March 2010 of £2.094 million.

5 VIREMENT FLEXIBILITY BETWEEN 2009/10 & 2010/11

100% Carry Forwards

- 5.1 Committee report 95/10 approved 100% carry forwards totalling £1.877 million based on anticipated revenue budget outturns at that time (£1.301 million revenue budget carry forwards to 2010/11 and £0.576 million of transfers to Special Funds). However, as a result of a lower underspend than anticipated for the Education department the previously approved transfer of £0.235 million to the Local Capital Fund was not required and the 100% carry forward request of £0.301 million was reduced to £0.248 million. This represents an overall £0.288 million reduction in virement flexibility for Education.
- 5.2 This report seeks approval for further 100% carry forwards to 2010/11 in respect of projects for Miscellaneous Other Services (Barry Mill and the Senior Open) totalling £0.070 million. The sum reflects underspends that have occurred at the financial year end that will have spending commitments into 2010/11 and have been recommended for approval by the Head of Finance.

50% Carry Forwards

- 5.3 The Council's annual accounts for 2009/10 identified a number of departmental revenue budget underspends. Under the terms of the virement flexibility scheme, departments are permitted to carry forward the lower of 50% of this underspend, or an upper limit. The proposed final position on 50% carry forward amounts in accordance with the scheme are set out in Table A below.

TABLE A – BUDGET CARRY FORWARDS 2009/10 TO 2010/11

Department	Controllable (Over)/ Underspend £ 000	50% Underspend £ 000	Upper Limit £ 000	Carry Forward £ 000
Education	6	3	250	3
Social Work & Health	141	71	250	70
Infrastructure Services *	(29)	0	175	0
Neighbourhood Services	491	245	175	175
Corporate Services	441	221	175	175
Chief Executive	171	85	100	85
TOTAL				508

*members will recall that this overspend results from the impact of the extreme winter conditions on the department's budget and is significantly lower than was initially anticipated. This overspend is being met from corporate resources within Miscellaneous Other Services.

6 ACKNOWLEDGEMENT

- 6.1 The Council is asked to formally record its appreciation of the expeditious manner in which the 2009/10 audit was conducted by the External Auditors. The support and assistance provided by staff throughout the council in the successful delivery of an unqualified Audit Certificate is also gratefully acknowledged.

7 FINANCIAL IMPLICATIONS

- 7.1 The revenue budget 100% carry forward to 2010/11 identified in committee report 95/10 was £1.877 million. This needs to be reduced by £0.288 million as a result of year end departmental outturns as set out in section 5, reducing the approved 100% carry forward amount to £1.589 million.

- 7.2 Approval is now being sought to increase this by £0.070 million in respect of further 100% carry forward requests for Miscellaneous Other Services and £0.508 million for the 50% carry forward amounts set out in section 5. These approvals will result in a total sum being carried forward to 2010/11 and transferred to Special Funds of £2.167 million (£1.589 + £0.070 + £0.508 million).
- 7.3 In addition to the above adjustments to budget carry forwards 2 other issues were identified following submission of the draft accounts which affect the amount of resources which are uncommitted in General Fund Balances. In the draft accounts a sum of £2.7m was identified as uncommitted General Fund Balances as at 31 March 2010. However it was subsequently discovered that this figure excluded unspent government grant income on private sector housing grant (£0.426m) and in Education (£0.126m) which requires to be earmarked for use in 2010/11. Neither of these adjustments affect the Council's accounts nor its General Fund Balance on the Balance Sheet but they do affect the level of Balances which can be regarded as uncommitted. These commitments have now been taken into account and this means the uncommitted General Fund Balance at 31 March 2010 has been revised downwards to £2.1m
- 7.4 The cost of producing the Annual Accounts and summarised Annual Accounts is estimated to be £1,470. This cost can be contained in the 2010/11 Miscellaneous Other Services revenue budget held for this purpose.

8 HUMAN RIGHTS IMPLICATIONS

- 8.1 There are no Human Rights implications pertaining to this report.

9 EQUALITIES IMPLICATIONS

- 9.1 The issues dealt with in this report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.

10 CONSULTATION

- 10.1 The Head of Law and Administration has been consulted on the contents of this report.

11 CONCLUSION

- 11.1 The Council met the deadline of submitting its Accounts by the due date of 30 June 2010 and has been provided with an unqualified audit certificate by the external auditors (Henderson Loggie). The Annual Accounts and Summarised Accounts will now be published.

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing this report.

David S Sawers
Chief Executive
IL/GW, 23/10/10

Colin McMahon
Director of Corporate Services

Ian Lorimer
Head of Finance