

ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE - 27 SEPTEMBER 2016
ANGUS COUNCIL – 20 OCTOBER 2016

ANGUS COUNCIL ANNUAL ACCOUNTS 2015/16 AND ANNUAL AUDIT REPORT TO MEMBERS

REPORT BY CHIEF EXECUTIVE, STRATEGIC DIRECTOR – RESOURCES AND THE HEAD OF
CORPORATE IMPROVEMENT AND FINANCE

ABSTRACT:

This report covers Audit Scotland's Annual Audit Report to Members on the 2015/16 Audit of Angus Council, Strangs Mortification and Angus Council Charitable Trust and asks Members of the Scrutiny & Audit Committee to approve the 2015/16 Audited Annual Accounts of Angus Council for signature. The unaudited Annual Accounts of Angus Council were scrutinised by the Scrutiny and Audit Committee on 23 August 2016, Report 304/16 refers.

1 RECOMMENDATIONS

It is recommended that the Scrutiny & Audit Committee:-

- (i) scrutinise the content of Audit Scotland's Annual Audit Report to Members (**Appendices 1A and 1B**) and provide any commentary considered appropriate at this time;
- (ii) approve the 2015/16 Audited Annual Accounts of Angus Council for signature in accordance with the Local Authority Accounts (Scotland) Regulations 2014 (**Appendix 2**); and
- (iii) consider the contents of Audit Scotland's report on their Review of Internal Financial Controls (**Appendix 3**).

It is recommended that the Council:-

- (i) consider the content of Audit Scotland's Annual Audit Report to Members (**Appendices 1A and 1B**); and
- (ii) note the 2015/16 audited Annual Accounts for Angus Council;

2 BACKGROUND

General

The 2015/16 accounts have been prepared to be compliant with the Local Authority Accounting Code of Practice. The code is based on International Financial Reporting Standards (IFRS) which has added significant additional complexity and workload requirements to the final accounts process and in turn has increased the pressures placed on Council officers to deliver the annual accounts within the prescribed timescales. The 2015/16 annual accounts required minimal changes in the compliance requirements.

3 AUDIT PROCESS

- 3.1 The Council is required by law to prepare a set of Annual Accounts (the Accounts) which set out its financial position at the end of each financial year. These Accounts are prepared by the Head of Corporate Improvement and 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.
- 3.2 The Council's unaudited Annual Accounts for financial year 2015/16 were submitted to the Controller of Audit for audit by the council's appointed external auditors in accordance with the statutory deadline of 30 June 2016. Audit Scotland were appointed for the five year period beginning 2011/12 as the external auditors of Angus Council. The 2015/16 annual accounts represented Audit Scotland's fifth audit as part of this appointment.
- 3.3 Through their external audit role Audit Scotland:-
- provide an opinion on the annual accounts 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 in relation to best value, use of resources and performance information.

4 REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT

- 4.1 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 and a covering letter for the 2015/16 financial year is attached as Appendices 1A and 1B to this report and covers each of the areas identified in paragraph 3.3 which are relevant to the auditor's role. Appendix 1A provides the proposed auditor's report for the Accounts of Angus Council, the Strang Mortification Trust and the Angus Council Charitable Trust because all 3 are audited by Audit Scotland. The Auditor's report (Appendix 1B) is a key document which informs members of significant matters affecting the Council's financial arrangements, governance and performance.
- 4.2 The Auditor's report is self explanatory and has been the subject of review and discussion with relevant senior officers prior to being finalised. 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. Although there are no major areas of concern the report does highlight some significant risks that will need to be managed by the Council including those associated with the funding environment which is subject to sustained pressure to deliver more with less.
- 4.3 The Auditor's report identifies 5 actions and work is in hand to address these as shown in the action plan at the end of the Auditor's report.
- 4.4 The External Auditors will be in attendance at the Scrutiny & Audit Committee to present their report and allow members to ask any specific questions on the content of their report.

5 2015/16 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

- 5.1 The Council achieved the statutory deadline for the submission of its draft accounts for audit (30 June 2016). The statements were prepared in accordance with the Local Authority Accounting Code of Practice. **The audit will be completed with the issue of an unqualified audit opinion on 27 September 2016 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** A copy of the 2015/16 Audited Annual Accounts are attached separately at **Appendix 2.**

- 5.2 Members of the Scrutiny & Audit Committee are asked to review the 2015/16 Audited Annual Accounts and the proposed Audit Certificate which has no qualifications and authorise that the Accounts be signed off in accordance with the Local Authority Accounts (Scotland) Regulations 2014. The unqualified audit certificate means that the auditor is satisfied that the Council's Accounts provide a true and fair view of the Council's financial position and has operated a satisfactory standard of financial stewardship and corporate governance during 2015/16.
- 5.3 In scrutinising the Accounts members may wish to review the Management Commentary in Appendix B which provides a summary of the Council's financial position and outlook. This shows that the total General Fund balance at 31 March 2016 for the Council is £35.886 million. Some £29.609 million of this sum is in relation to General Fund balances, £5.691 million for Housing Revenue Account and £0.586 million of other earmarked funds. The Annual Governance Statement has also been updated from the position provided with the unaudited accounts to reflect issues arising from the Angus Alive audit process and the action plan now being delivered to address those issues.
- 5.4 The General Fund balance of £29.609 million includes total commitments of £27.594 million e.g. DSM, contingency balance, budget carry forwards, earmarked resources, etc. This leaves an uncommitted General Fund balance at 31 March 2016 of £2.015 million.

6 REVIEW OF INTERNAL FINANCIAL CONTROLS

- 6.1 Attached at Appendix 3 is Audit Scotland's report on their Review of Internal Financial Controls. This Review summarises Audit Scotland's comments arising from their 2015/16 audit work. It may be noted from Table 1 of the report that of the 47 controls reviewed, control weakness were identified in 8 areas. The action plan in Appendix A of the Review identifies 7 action points to address these control weaknesses. It may be noted that corrective management action has already been implemented for 5 of these. The other 2 action points will be completed by 31 October (No. 7) and 31 January (No. 5).

7 ACKNOWLEDGEMENT

- 7.1 The Council is asked to formally record its appreciation of the expeditious manner in which the 2015/16 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.

8 FINANCIAL IMPLICATIONS

- 8.1 The cost of publishing a small number of printed versions of the Annual Accounts is approximately £500. This cost can be contained in the 2016/17 Other Services revenue budget held for this purpose. Electronic copies of the Accounts will be published on line in the near future in line with statutory requirements.

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.

Richard Stiff
Chief Executive

Mark Armstrong
Strategic Director - Resources

Ian Lorimer
Head of Corporate Improvement
and Finance

REPORT AUTHOR: GILLIAN WOODCOCK
EMAIL DETAILS: FINANCE@angus.gov.uk

List of Appendices:

Appendix 1A and 1B – Audit Scotland's Annual Report on the 2015/16 Audit
Appendix 2 – 2015/16 Audited Annual Accounts of Angus Council
Appendix 3 – Audit Scotland Internal Control Report