

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 30 SEPTEMBER 2014

2013/14 EXTERNAL AUDIT PROCESS (ISA 260) – REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2013/14 AUDIT & 2013/14 AUDITED ACCOUNTING STATEMENTS

REPORT BY IAN LORIMER, HEAD OF CORPORATE IMPROVEMENT AND FINANCE

ABSTRACT

The Council's 2013/14 Draft Accounting Statements were submitted to the Scrutiny and Audit Committee on 26 August 2014. The final accounts were subject external audit review undertaken by Audit Scotland and this report advises of the outcome of that review as documented in the auditor's ISA 260 report. Angus Council's 2013/14 Audited Accounting Statements are also presented for the Committee's scrutiny.

1. RECOMMENDATIONS

It is recommended that the Scrutiny & Audit Committee:

- (i) scrutinise the content of the ISA 260 report from the Council's external auditor and provide any commentary considered appropriate at this time.
- (ii) scrutinise the content of the 2013/14 final audited accounting statements and provide any commentary considered appropriate at this time.
- (iii) Note that the Auditor's formal Report to Members and the Controller of Audit will be provided to the Committee in the next cycle.

2. ALIGNMENT TO ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT

- 2.1 This report contributes as a whole to the local outcome(s) contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

3. BACKGROUND

- 3.1 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. The Accounts were prepared by the Head of Corporate Improvement and Finance and his team on a draft basis and were submitted to the Controller of Audit for audit purposes in accordance with the statutory deadline of 30 June 2014.

4. CURRENT POSITION

- 4.1 The Accounts are prepared on a draft basis and are submitted to an External Auditor appointed by the Controller of Audit for independent review. Audit Scotland was appointed as Angus Council's external auditor for the five year period beginning 2011/12.

The audit process determines that the auditor should communicate clearly with those charged with the financial governance of Angus Council and make timely observations arising from the audit that are significant and relevant. This information is formally documented and communicated by the International Standard on Auditing 260 (ISA 260).

The ISA 260 Report is included as Appendix 1 to this report. Members are requested to consider the contents of the ISA 260 Report and ask questions of officers and the external auditor as appropriate.

The audit process for 2013/14 is now complete and arrangements have been made for the audited accounts and audit certificate to be signed. The audited Accounts are appended to this report for the Committee's consideration. The Auditor's Report to Members and the Controller of Audit will

come to the Scrutiny & Audit Committee on the 25 November 2014 and Angus Council on 11 December 2014 for further review.

The ISA 260 Report highlights to members some errors and corrections which have been identified through the audit of the draft accounts. These have been adjusted in the audited accounts except for 2 items (see Appendix B to the ISA 260 Report) which have been agreed with the External Auditors to leave unadjusted due to their non-material nature.

The items to be adjusted in the audited accounts mainly affect the Comprehensive Income & Expenditure Account and the Balance Sheet and its presentation, however none of the adjustments impact on the General Fund balance. The uncommitted General Fund balance at 31 March 2014 remains at the £1.553m level reflected in the draft Accounts.

The other main issues raised by the auditor are commented upon briefly below:-

- Council Dwellings – the auditor has commented that our write off periods for depreciation purposes are longer than average and depreciation is low as we don't take account of differing lives for different components within dwellings. Council Dwellings are scheduled for revaluation this year (2014/15) and this issue will be considered as part of this process.
- Common Good – the auditor commented on the review of the Common Good Funds that was undertaken as a result of the increasing level of depreciation being charged to the Common Good with no offset which was reducing the Common Good Revenue Reserves.

Finance Officers reviewed accounting guidance and agreed a revised approach with the appointed auditors for accounting for annual depreciation in the Common Good Funds. This approach was applied to the Balance Sheet for 2013/14, and the 2012/13 figures were also restated for comparative purposes. As part of this review the Common Good reserves have been split between usable and unusable to improve the transparency of the annual statements and subsequently the value of revenue and capital cash balances are now readily identifiable.

The effect of this review has been to increase the Revenue Reserves of the Common Good Funds primarily due to the revised treatment of six years depreciation charges. The Common Good Revenue Reserves position is summarised in the following table.

	Balance 31/3/13 £000	Restatement £000	Balance 31/3/13 £000	Movement 2013/14 £000	Balance 31/3/14 £000
Arbroath	570	74	644	(1)	643
Brechin	479	165	644	14	658
Forfar	670	69	739	62	801
Kirriemuir	7	0	7	0	7
Montrose	200	178	378	(17)	361
TOTAL	1,926	486	2,412	58	2,470

This approach in accounting for depreciation will continue in future years and Revenue Reserves of the Common Good will no longer be depleted by the depreciation charge each year as they were previously.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

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

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List of Appendices:

[ISA 260 & Audited Accounting Statements](#)