

ANGUS COUNCIL

**SCRUTINY & AUDIT COMMITTEE - 26 SEPTEMBER 2017
ANGUS COUNCIL – 19 OCTOBER 2017**

ANGUS COUNCIL ANNUAL ACCOUNTS 2016/17 AND ANNUAL AUDIT REPORT TO MEMBERS

**JOINT REPORT BY CHIEF EXECUTIVE, STRATEGIC DIRECTOR – PLACE AND THE HEAD OF
CORPORATE FINANCE**

ABSTRACT:

This report covers Audit Scotland's Annual Audit Report to Members on the 2016/17 Audit of Angus Council, Strangs Mortification and Angus Council Charitable Trust and asks Members of the Scrutiny & Audit Committee to approve the 2016/17 Audited Annual Accounts of Angus Council for signature. The unaudited Annual Accounts of Angus Council were scrutinised by the Scrutiny and Audit Committee on 22 August 2017, Report 277/17 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 & 1B**) and provide any commentary considered appropriate at this time;
- (ii) approve the 2016/17 Audited Annual Accounts of Angus Council for signature in accordance with the Local Authority Accounts (Scotland) Regulations 2014 found at the link below in section 6.1;

It is recommended that the Council:-

- (i) consider the content of Audit Scotland's Annual Audit Report to Members (**Appendices 1A & 1B**); and
- (ii) note the 2016/17 audited Annual Accounts for Angus Council;

2 BACKGROUND

Angus Council is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

The 2016/17 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.

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 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 2016/17 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 2017. Audit Scotland were re-appointed for the five year period beginning 2016/17 to 2020/21 as the external auditors of Angus Council. The 2016/17 annual accounts represented the first year of this five year 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 financial management arrangements, financial sustainability, governance transparency and value for money.

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 2016/17 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. 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.

5 REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT

5.1 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 audit findings of concern, the report does highlight some significant risks that will need to be managed by the Council going forward in relation to the budget gap to be addressed beyond 2017/18. Service re-design and transformation through the Change Programme is intended to achieve most of the savings, however not all of the required savings have been identified yet.

5.2 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.

5.3 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.

6 2016/17 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

6.1 The Council achieved the statutory deadline for the submission of its draft accounts for audit (30 June 2017). 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 26 September 2017 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** A copy of the 2016/17 Audited Annual Accounts are available at the link below:-

https://www.angus.gov.uk/media/angus_council_annual_accounts_2016_17

6.2 Members of the Scrutiny & Audit Committee are asked to review the 2016/17 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 2016/17.

- 6.3 In scrutinising the Accounts members may wish to review the Management Commentary in the accounts which provides a summary of the Council's financial position and outlook. This shows that the total General Fund balance at 31 March 2017 for the Council is £31.187 million. Some £25.663 million of this sum is in relation to General Fund balances, £4.922 million for Housing Revenue Account and £0.602 million of other earmarked funds.
- 6.4 The General Fund balance of £25.663 million includes total commitments of £25.329 million e.g. DSM, contingency balance, budget carry forwards, earmarked resources, etc. This leaves an uncommitted General Fund balance at 31 March 2017 of £0.334 million.

7 ACKNOWLEDGEMENT

- 7.1 The Council is asked to formally record its appreciation of the expeditious manner in which the 2016/17 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 There are no financial implications arising from this report.

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.

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List of Appendices:

Appendix 1A & 1B - Audit Scotland's Annual Report on the 2016/17 Audit