

ANGUS COUNCIL

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

**EAST OF SCOTLAND EUROPEAN CONSORTIUM 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 KPMG's Annual Audit Report to Members on the 2016/17 Audit of East of Scotland European Consortium (ESEC) and asks Members of the Scrutiny & Audit Committee to approve the 2016/17 Audited Annual Accounts of ESEC for signature. The unaudited Annual Accounts of ESEC were scrutinised by the Scrutiny and Audit Committee on 22 August 2017, Report 277/17 refers.

1 RECOMMENDATION

It is recommended that the Scrutiny & Audit Committee:-

- (i) scrutinise the content of KPMG's Annual Audit Report (**Appendix 1**) and provide any commentary considered appropriate at this time;
- (ii) approve the 2016/17 Audited Annual Accounts of ESEC for signature in accordance with the Local Authority Accounts (Scotland) Regulations 2014 found at the link at paragraph 5.1 below;

It is recommended that the Council:-

- (i) consider the content of KPMG's Annual Audit Report to Members (**Appendix 1**); and
- (ii) note the 2016/17 audited Annual Accounts for ESEC.

2 BACKGROUND

General

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) and the 2016/17 annual accounts required minimal changes in the compliance requirements.

3 AUDIT PROCESS

- 3.1 ESEC 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 ESEC's unaudited Annual Accounts for financial year 2016/17 were submitted to the Controller of Audit for audit by ESEC's appointed external auditors, KPMG, in accordance with the statutory deadline of 30 June 2017.

3.3 Through their external audit role KPMG:-

- 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 ESEC's 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 financial position;

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 ESEC and the Controller of Audit on the audit of ESEC's latest financial year. The Auditor's Report is attached as Appendix 1. The Auditor's report is a key document which informs members of significant matters affecting ESEC'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 there were no matters required to be reported by exception. It concludes satisfactorily in relation to significant risks and focus areas identified in the audit strategy document, the contents of the financial statements, the governance arrangements and the Consortium's ability to continue as a going concern.

4.3 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.

5 2016/17 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

5.1 ESEC 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 ESEC 2016/17 Audited Annual Accounts are available at the link below.

https://www.angus.gov.uk/council_and_democracy/council_information/annual_accounts

5.2 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 ESEC's Accounts provide a true and fair view of the financial position and has operated a satisfactory standard of financial stewardship and corporate governance during 2016/17.

6 ACKNOWLEDGEMENT

6.1 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 from Corporate Finance and Economic Development in the successful delivery of an unqualified Audit Certificate is also gratefully acknowledged.

7 FINANCIAL IMPLICATIONS

7.1 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.

Margo Williamson
Chief Executive

Alan McKeown
Strategic Director – Place

Ian Lorimer
Head of Corporate Finance

REPORT AUTHOR: GILLIAN WOODCOCK

EMAIL DETAILS: FINANCE@angus.gov.uk

List of Appendices:

Appendix 1 – KPMG's Annual Audit Report For the ear ended 31 March 2017