

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 21 AUGUST 2018

2017/18 UNAUDITED ANNUAL ACCOUNTS

REPORT BY IAN LORIMER, HEAD OF FINANCE AND LEGAL

ABSTRACT

The Council's 2017/18 unaudited Annual Accounts and ESEC 2017/18 unaudited Annual Accounts are submitted under cover of this report. As required by law the draft annual accounts have been submitted to the Controller of Audit for audit purposes. Members are now asked to note both sets of annual accounts, scrutinise them and provide appropriate commentary.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

(i) note the Angus Council 2017/18 Unaudited Annual Accounts available at:

<https://www.angus.gov.uk/sites/angus-cms/files/2018-07/Angus%20Council%20Annual%20Accounts%202017-18%20Unaudited.pdf>

(ii) provide any commentary on the Angus Council Unaudited Annual Accounts considered appropriate at this time;

(iii) note the ESEC 2017/18 Unaudited Annual Accounts available at:

<https://www.angus.gov.uk/sites/angus-cms/files/2018-07/East%20of%20Scotland%20European%20Consortium%20-%20Annual%20Accounts%20for%20year%20ended%2031%20March%202018%20Unaudited.pdf>

(iv) provide any commentary on the ESEC Unaudited Annual Accounts considered appropriate at this time.

2. ALIGNMENT TO ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT

2.1 This report contributes as a whole to the Council Plan/Local Outcome Improvement Plan

3. BACKGROUND

3.1 The Council is required by law to prepare Annual Accounts which set out its financial position at the end of each financial year. The Annual Accounts have been prepared by the Head of Finance & Legal 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 2018. Committee report 190/18 provided a commentary on the revenue and capital financial outturn for the Council for 2017/18. In line with the Committee's remit members now have the opportunity to undertake a detailed review of the Annual Accounts and provide any commentary / seek clarification. The Angus Council Unaudited Annual Accounts are for committee's review and comment, and can be obtained from the Council's website at the link below-

<https://www.angus.gov.uk/sites/angus-cms/files/2018-07/Angus%20Council%20Annual%20Accounts%202017-18%20Unaudited.pdf>

Appendix 1 includes a summary of the Council's financial performance for the year which is an extract from the management commentary within the accounts.

At the ESEC Board meeting of 20 March 2015 the Board was advised of the requirement for producing their Annual Accounts under the Local Authority Accounts (Scotland) Regulations 2014, which came into force on 10 October 2014. This has presented some challenges to the

accounts preparation process in particular in relation to the scrutiny of the unaudited accounts. Therefore, at the Board meeting it was agreed, that due to the geographical spread of Members and that the Board is made up of nominees from several different local authorities, to delegate the Board's responsibilities for scrutiny of the unaudited accounts to the host authority's Scrutiny and Audit Committee which performs the same function for the Angus Council Accounts. ESEC Unaudited Annual Accounts are for committee's review and comment and can be obtained from the link below:-

<https://www.angus.gov.uk/sites/angus-cms/files/2018-07/East%20of%20Scotland%20European%20Consortium%20-%20Annual%20Accounts%20for%20year%20ended%2031%20March%202018%20Unaudited.pdf>

In summary, ESEC commenced the year with reserves of £68k. During the year there were contributions from members of £47k compared with expenditure of £69k, resulting in a deficit of £22k. As a result, ESEC concluded the year with reserves of £46k.

4. CURRENT POSITION

- 4.1 As noted the Annual Accounts for both organisations are prepared on a draft basis and are submitted to an External Auditor appointed by the Controller of Audit for independent review within the statutory timeframe. For the five year period commencing with audit of the 2016/17 accounts, Audit Scotland have been appointed as Angus Council external auditor. KPMG LLP (UK) were appointed as ESEC's external auditor for 2016/17 however this has transferred to Audit Scotland for 2017/18.

The audit process recognises that the auditor should communicate clearly and directly with those charged with the financial governance of the organisation 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) Report.

The ISA 260 Report for Angus Council will not be available until the audit work is complete. This will occur in September 2018 enabling the audit certificate to be issued. The findings from the audit work and ISA 260 Report for Angus Council will be incorporated into the Annual Report to Members and this will be submitted to the Scrutiny and Audit Committee meeting on 25 September 2018. This report will also be presented to Angus Council on 18 October 2018.

The ESEC audited Accounts and associated annual report incorporating the ISA 260 report will be presented to the ESEC board at the end of October 2018 to fulfil its role in authorising the audited accounts for signature thus concluding the ESEC annual accounts process for the year.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no new financial implications arising from the recommendations in this report however the Committee's attention is drawn to corrections in the final unaudited financial position which arose subsequent to the production of Report 190/18. These corrections were identified as part of finalising the full accounting statements prior to their submission for audit. Report 190/18 identified an uncommitted general fund balance of £4.930m but this has now been corrected to £2.357m, a reduction of £2.573m. This change arises due to:-

- The earmarking of the receipt of £2.766m from the residual waste contract. This receipt remains available for use within the General Fund balance but has now been shown as committed rather than uncommitted for accounting purposes;
- Refinements to the overall outturn position of £0.187m which reduces the uncommitted funds available; and
- Correction of the presentation of the underspend on Adult Services of £0.380m which had been earmarked twice in the calculation of the uncommitted general fund balance in Report 190/18.

- 5.2 A summary of the updated position as reflected in the Annual Accounts is attached at Appendix 1.

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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Appendix 1 – Financial Performance in 2017/18