

AGENDA ITEM NO 10

REPORT NO 313/19

ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE - 24 SEPTEMBER 2019

ANGUS COUNCIL – 17 OCTOBER 2019

ANGUS COUNCIL ANNUAL ACCOUNTS 2018/19 AND ANNUAL AUDIT REPORT TO MEMBERS

REPORT BY CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

ABSTRACT:

This report covers Audit Scotland's Annual Audit Report to Members on the 2018/19 Audit of Angus Council, Robert & William Strang Mortification and Angus Council Charitable Trust and asks Members of the Scrutiny & Audit Committee to approve the 2018/19 Audited Annual Accounts of Angus Council, Robert & William Strang Mortification and Angus Council Charitable Trust for signature.

1 RECOMMENDATION

It is recommended that the Scrutiny & Audit Committee:-

- (i) review the content of Audit Scotland's Annual Audit Report to Members attached at **Appendices 1A & 1B** and provide any commentary considered appropriate at this time;
- (ii) scrutinise and approve for signature in accordance with the Local Authority Accounts (Scotland) Regulations 2014 the 2018/19 Audited Annual Accounts of :
 - Angus Council;
 - Robert & William Strang Mortification; and
 - Angus Council Charitable Trust.
- (iii) note the summary of the main movements within the Angus Council Audited Annual Accounts attached at Appendix 2; and
- (iv) note the Key Messages and 2018/19 Action Plan within the Annual Audit Report to Members

It is recommended that the Council:-

- (i) review the content of Audit Scotland's Annual Audit Report to Members attached at **Appendices 1A & 1B**.

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 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.

- 3.2 The 2018/19 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 unaudited Annual Accounts of Angus Council were scrutinised by the Scrutiny and Audit Committee on 20 August 2019, Report 265/19 refers.

4 AUDIT PROCESS

- 4.1 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 Director of 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.

- 4.2 The Council's unaudited Annual Accounts for financial year 2018/19 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 2019. Audit Scotland were re-appointed for the five year period beginning 2016/17 to 2020/21 as the external auditors of Angus Council. The 2018/19 annual accounts represented the third year of this five year appointment.

- 4.3 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.

5 REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT

- 5.1 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 2018/19 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.

- 5.2 The Auditor's report is self explanatory and has been the subject of review and discussion with relevant senior officers prior to being finalised. Members will note the mainly positive comments made in the Key Messages section of the Auditor's Report regarding the 2018/19 Accounts, the Council's financial management arrangements, the efforts being made to reshape services in line with our stated priorities and the Council's governance and transparency. The Key Messages also highlight the challenges the Council faces regarding its financial sustainability and that improvement is required in the Council's use of performance information. Members will also wish to note the emphasis from the Auditor on the importance of members scrutiny role.

- 5.3 The Auditor's report highlights the strong progress made in addressing the actions from the 2017/18 Audit Report to Members and identifies a number of new actions for the Council to consider. This independent and external perspective is helpful and work is in hand to address these actions as shown in the action plan in Appendix 1 of the Auditor's report.

- 5.4 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.

6 2018/19 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

6.1 The Council achieved the statutory deadline for the submission of its draft accounts for audit (30 June 2019). 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 24 September 2019 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** A copy of the 2018/19 Audited Annual Accounts are available at the link below:-

https://www.angus.gov.uk/media/angus_council_annual_accounts_2018_19

6.2 The unaudited accounts presented to Scrutiny & Audit on 20 August 2019 have been amended for a small number of audit adjustments and details of the main movements are set out in Appendix 2 to this report.

6.3 The opportunity has also been taken to update the 2018/19 Annual Governance Statement (Page 16 of the Accounts) to reflect activity since the original draft was approved by Scrutiny & Audit in June.

6.4 Members of the Scrutiny & Audit Committee are asked to review the 2018/19 Audited Annual Accounts and the proposed Audit Certificate, noting that this 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 2018/19.

6.5 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 2019 for the Council is £35.582 million. Some £30.657 million of this sum is in relation to General Fund balances, £4.211 million for Housing Revenue Account and £0.714 million of other earmarked funds.

6.6 The General Fund balance of £30.657 million includes total commitments of £23.437 million e.g. DSM, contingency balance, budget carry forwards, earmarked resources, etc. This leaves an uncommitted General Fund balance at 31 March 2019 of £7.220 million.

7 ROBERT & WILLIAM STRANG MORTIFICATION AND ANGUS COUNCIL CHARITABLE TRUST 2018/19 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

7.1 The statutory deadline for the submission of the draft accounts for audit (30 June 2019) was achieved. The statements were prepared in accordance with the Charity Statement of Recommended Practice. It is necessary for the accounts to be approved for signature prior to 30 September 2019 and the charity Trustees have approved the delegation of this role to the Council's Scrutiny & Audit committee. **The audits will be completed with the issue of unqualified audit opinions on 24 September 2019 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** The audited accounts will be presented to a meeting of Trustees in October. A copy of the 2018/19 Audited Annual Accounts for both Charities are available at the link below:-

https://www.angus.gov.uk/media/angus_council_charitable_trust_accounts_2018_19_audited

https://www.angus.gov.uk/media/strangs_mortification_annual_accounts_for_year_ended_31_march_2019_audited

8 ACKNOWLEDGEMENT

- 8.1 The Council is asked to formally record its appreciation of the expeditious manner in which the 2018/19 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.

9 FINANCIAL IMPLICATIONS

- 9.1 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 2018/19 Audit
Appendix 2 – Annual Accounts 2018/19 - Summary of Main Movements