

ANGUS COUNCIL

**SCRUTINY & AUDIT COMMITTEE - 24 NOVEMBER 2020
ANGUS COUNCIL – 17 DECEMBER 2020**

ANGUS COUNCIL ANNUAL ACCOUNTS 2019/20 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 2019/20 Audit of Angus Council, Robert & William Strang Mortification and Angus Council Charitable Trust and asks Members of the Scrutiny & Audit Committee to approve the 2019/20 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 A & B** 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 2019/20 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 C; and
- (iv) note the Key Messages and the 2019/20 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 A & B**.

2 ALIGNMENT TO ANGUS COUNCIL PLAN / COMMUNITY PLAN

2.1 This report contributes as a whole to the Council Plan and the Community 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 2019/20 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). The publication of the Local Government Finance Circular 10/2020 (Local Authority Accounts 2019/20 – COVID-19) provided flexibility on the audit timeframe. The statutory deadline for signing off the annual accounts is the 30 September with publication on our website no later than the 31 October. Under the new finance circular 10/2020 the audit

sign off date of 30 September was an 'aim' and the regulations anticipated there may be occasions when events prevent this aim being achieved. The publication deadline was extended to 31 December 2020. External audit confirmed that they could not guarantee completing their audit by the 30 September due to the impact that COVID-19 was having on their resources and the impact that remote working can have on audit tasks. Agreement was reached that the sign off date would be moved to 30 November 2020. This delay has had a significant impact on the routine workload requirements and various deadlines of the Finance Service and in turn has increased the pressures placed on Council officers to deliver the audited annual accounts within the prescribed timescales. The unaudited Annual Accounts of Angus Council were scrutinised by the Scrutiny and Audit Committee on 25 August 2020, Report 205/20 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 is legally obliged to complete the draft Accounts and submit them by 30 June to Audit Scotland. However the publication of Local Government Finance Circular 10/2020 (Local Authority Accounts 2019/20 – COVID-19) also provided the flexibility to Local Authorities to extend this deadline, and others, this year. However the draft Annual Accounts were completed and submitted to the Controller of Audit for audit by the council's appointed external auditors by the 30 June deadline.
- 4.3 Audit Scotland were re-appointed for the five year period 2016/17 to 2020/21 as the external auditors of Angus Council. The 2019/20 annual accounts represented the fourth year of this five year appointment. Due to the significant disruption for public bodies and to auditors of the public sector from COVID-19 the Auditor General for Scotland and the Accounts Commission for Scotland have confirmed that the current audit appointments will be extended by one year in the first instance. This means that the current appointment will be extended to cover the audit of the 2021/22 Accounts.
- 4.4 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 best value.

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 (which has 4 appendices) for the 2019/20 financial year is attached as **Appendices A (main Report) and B (Letter)** to this report. The report summarises the findings arising from the 2019/20 audit of Angus Council and its group. The report is a key document which informs members of significant matters and covers the Audit of the 2019/20 Annual Accounts, Financial Management, Financial Sustainability, Governance and Transparency and Best Value.
- 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. The Key Messages also highlight the challenge the Council faces regarding financial sustainability and the Change Programme being able to continue to deliver savings and identify efficiencies,
- 5.3 The Auditor's report highlights the strong progress made in addressing the actions from the 2018/19 Audit Report to Members and identifies a number of new actions for the Council to consider for 2019/20. This independent and external perspective is helpful and work is in

hand to address these actions as shown in the action plan in Appendix 1a & 1b 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 2019/20 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

- 6.1 The Council achieved the statutory deadline for the submission of its draft annual accounts for audit (30 June 2020), albeit an extension had been granted. 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 November 2020 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** A copy of the 2019/20 Audited Annual Accounts are available at the link below:-

[Angus Council Audited Accounts 2019/20](#)

- 6.2 The unaudited accounts presented to Scrutiny & Audit on 25 August 2020 have been amended for a small number of audit adjustments, however it should be noted that none of the accounting adjustments affect the unusable reserve position as reported in the Unaudited Annual Accounts in June 2020. Details of the main movements are set out in Appendix C to this report.
- 6.3 The opportunity has also been taken to update the 2019/20 Annual Governance Statement (Page 18 of the Accounts) to reflect activity since the original draft was approved by Scrutiny & Audit in June. A specific section on the outcome of the recent Court of Session case regarding the former Lochside Leisure Centre has been added.
- 6.4 Members of the Scrutiny & Audit Committee are asked to review the 2019/20 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 2019/20.
- 6.5 One point of note which arises this year due to COVID-19 is an Emphasis of Matter point in the wording of the Audit Certificate which highlights the uncertainty caused by COVID-19 on property valuations. The audit opinion is however unmodified for this point.
- 6.6 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 Reserve at 31 March 2020 for the Council is £40.465 million. Some £37.369 million of this sum is in relation to General Fund Reserve and £3.096 million for the Housing Revenue Account.
- 6.7 As stated in paragraph 6.6 the General Fund Reserve of £37.369 million and this includes the Car Parking Reserve of £0.356 million, the Arbroath Harbour Reserve of £0.168 million and Specific Reserves of £0.229 million, a total of £0.753 million, leaving a General Fund Reserve of £36.616 million.
- 6.8 The General Fund Reserve of £36.616 million includes total commitments of £35.286 million e.g. DSM, contingency balance, budget carry forwards, earmarked resources, etc. This leaves an uncommitted General Fund Reserve at 31 March 2020 of £1.330 million which was used as part of the 2020/21 budget recast exercise (report 211/20 refers).

7 ROBERT & WILLIAM STRANG MORTIFICATION AND ANGUS COUNCIL CHARITABLE TRUST 2019/20 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

- 7.1 The statutory deadline for the submission of the draft accounts for audit (30 June 2020) 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 November 2020 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 November 2020 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** The audited accounts will be presented to a meeting of Trustees in December. A copy of the 2019/20 Audited Annual Accounts for both Charities are available at the link below:-

[Angus Council Charitable Trust Audited Accounts 2019/20](#)

[Robert & William Strang Mortification Accounts 2019/20](#)

8 ACKNOWLEDGEMENT

- 8.1 The Council is asked to formally record its appreciation of the expeditious manner in which the 2019/20 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 A & B - Audit Scotland's Annual Report on the 2019/20 Audit
Appendix C – Annual Accounts 2019/20 - Summary of Main Movements