

Angus Council

2019/20 Annual Audit Report – DRAFT



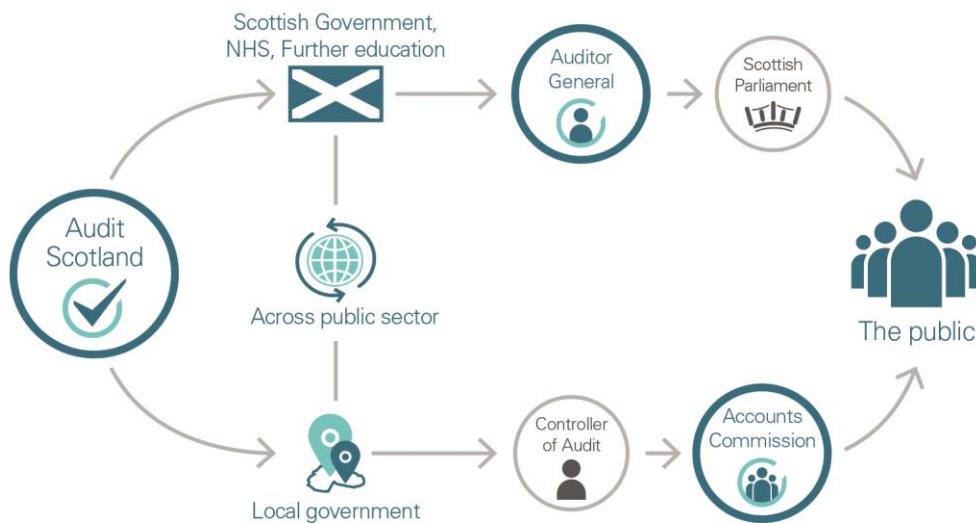
Prepared for the Members of Angus Council and the Controller of Audit

24 November 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2019/20 annual accounts

- 1** Our audit opinions on the annual accounts of the council, its group and the two section 106 charities administered by the council are unmodified.
- 2** An 'emphasis of matter' paragraph is included in the independent auditor's report to draw attention to the material uncertainty in property valuations caused by the Covid-19 pandemic.
- 3** The 2019/20 council housing stock valuation exercise was incomplete, and auditors worked closely with officers to ensure better compliance with extant guidance by the conclusion of the audit.

Financial management

- 4** The council has appropriate and effective financial management arrangements.
- 5** Financial systems of internal control operated adequately with some recommendations for improvement noted.
- 6** The council remained within budget in 2019/20. This was achieved through efficiency savings and planned use of reserves.
- 7** A judicial review concluded that all council assets built on Common Good land are to be considered Common Good assets. The council is carrying out a review of the accounting and legal implications of this decision.

Financial sustainability

- 8** The Covid-19 global pandemic has had a significant impact on the short-term finances of the council, estimated at £13.2 million for 2020/21. This is partially offset by additional funding of £9.5 million; the £3.7 million net additional cost will be covered through use of reserves. A revised budget has been presented to committee.
- 9** The council has a three-year medium term financial plan; the impact of Covid-19 on this medium term plan is still to be evaluated. Work to develop a long term financial strategy has started but has been delayed by other work pressures.
- 10** The Change Programme continues to deliver savings, but it is increasingly challenging to identify efficiencies. The council is focusing on four main areas to address the challenges of delivering services on a sustainable basis against increasing demand and constrained finances.

Governance and transparency

- 11** The council has appropriate and effective governance arrangements in place.
- 12** Revised governance arrangements were in place and operated effectively during the lockdown period, supporting good governance and

accountability. Governance changes due to Covid-19 restrictions were appropriately disclosed in the Annual Governance Statement.

Best Value

- 13** The council is engaging with the local community on participatory budgeting and community asset transfers. Participatory budgeting is still at an early stage. There is scope to work with the local community to increase capacity for community-led expansion of these initiatives.
- 14** The council has an established approach to mainstreaming equalities and progress is publicly reported. There is scope to increase the detail of equality impact assessments.
- 15** The council continues to develop its performance management arrangements to support its ambition to be a performance led council.

Introduction

1. This report summarises the findings arising from the 2019/20 audit of Angus Council (the council) and its group.

2. The scope of the audit was set out in our 2019/20 Annual Audit Plan presented to the 3 March 2020 meeting of the Scrutiny and Audit Committee. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2019/20 have been:

- an audit of the annual accounts of the council and its group including the statement of accounts of the two section 106 charities administered by the council and the issue of independent auditor's reports setting out our opinions
- a review of the council's key financial systems
- audit work covering the council's arrangements for securing best value in Working with Communities (community empowerment and engagement) and Fairness and Equality
- consideration of the four audit dimensions

4. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the council has had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21 and beyond. This has had significant implications not least for the services it delivers, enabling staff to work from home, and the temporary suspension of non-essential projects and activities, such as capital construction. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

Adding value through the audit

5. We add value to the council through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

6. Taking this together, we aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

7. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

8. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

9. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

10. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the council's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and,
- Best Value arrangements.

11. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#). and supplementary guidance.

12. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its

responsibility to address the issues we raise and to maintain adequate systems of control.

13. Our annual audit report contains an agreed action plan at [Appendix 1a](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

Auditor Independence

14. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £249,840 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

15. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Our audit opinions on the annual accounts of the council, its group and the two section 106 charities administered by the council are unmodified.

An 'emphasis of matter' paragraph is included in the independent auditor's report to draw attention to the material uncertainty in property valuations caused by the Covid-19 pandemic.

The 2019/20 council housing stock valuation exercise was incomplete, and auditors worked closely with officers to ensure better compliance with extant guidance by the conclusion of the audit.

The annual accounts are the principal means of accounting for the stewardship of resources and performance.

Our audit opinions on the annual accounts are unmodified

16. The accounts for the council and its group for the year ended 31 March 2020 were approved by the Scrutiny and Audit Committee on 24 November 2020. As reported in the independent auditor's report;

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance

17. We have included an 'Emphasis of Matter' paragraph in our Independent Auditor's Report which refers to the impact of Covid-19 on the valuation of property, plant and equipment. Emphasis of Matter paragraphs are added to auditors' reports where the auditor considers it necessary to draw users' attention to matters which are fundamental to the understanding of the accounts. This stems from RICS guidance which is the foundation of the work carried out by the valuer. Note 11 in the annual accounts highlights the uncertainty. The audit opinion is not modified in respect of this matter. Further information is contained in [Exhibit 3](#).

18. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were affected by the Covid-19 outbreak. Examples included:

- Some supporting documentation for transactions selected for testing was held in council offices that were not accessible due to Covid-19 restrictions. We carried out additional testing to ensure we had enough assurance.
- Officers worked hard to prepare the unaudited accounts for audit in line with the original timetable. Time pressure did not allow for detailed management review of the accounts prior to submission for audit. A number of arithmetic

errors and inconsistencies were identified in initial audit checks and have been corrected in the audited accounts.

19. However, we did not consider these to be material to our audit opinions and have not modified our opinion.

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

20. The provisions in Schedule 6 of the Coronavirus (Scotland) Act 2020 allowed each local authority to determine its own revised timetable for the annual accounts. The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2020. The unaudited annual accounts provided for audit were complete but as noted above, contained a number of inconsistencies which needed to be corrected. The majority of working papers were readily available despite remote working. We have made some recommendations at paragraphs 32-33 for improvement to working papers. Officers provided good support to the audit team throughout the audit.

21. The impact of Covid-19 was a factor for the audit team which led to some loss of productivity. The audit timetable was revised in response to this. The annual accounts were signed off by 30 November which was the Scottish Government's revised deadline for the submission of audited annual accounts.

Our audit opinions on Section 106 charities were unmodified

22. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Angus Council are sole trustees, irrespective of the size of the charity.

23. Our audit opinions on the two Section 106 charities are unmodified.

Objections

24. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council complied with the regulations. There were no objections to the 2019/20 accounts.

Whole of Government Accounts

25. The council submitted its Whole of Government Accounts (WGA) consolidation pack to the Scottish Government by the revised deadline of 30 September. The council is below the £500 million threshold for detailed audit examination of the consolidation pack. The WGA consolidation pack was submitted to us on 27 October. We completed the required assurance statement and submitted it to the Scottish Government WGA team by the revised audit deadline of 4 December 2020.

Overall materiality is £4.6 million

26. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

27. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

28. On receipt of the unaudited annual accounts we reviewed our materiality levels. The revised materiality levels were not significantly different from planning materiality levels and did not require a change in our audit approach.

Exhibit 2

Materiality values

Materiality level	Planning	Revised
Overall materiality	£4.0 million	£4.6 million
Performance materiality	£2.6 million	£2.7 million
Reporting threshold	£60 thousand	£70 thousand

Source: Audit Scotland, Annual Audit Plan 2019/20

29. We also set separate materiality levels for the Robert & William Strang Mortification and the Angus Council Charitable Trust (1% of the gross expenditure for each charity). On receipt of the unaudited statement of accounts we reviewed our planning materiality calculations and concluded that they remained appropriate.

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

30. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

We have a number of significant findings to report on the accounts



31. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings are summarised in [Exhibit 3](#).

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Non current assets – council housing stock revaluation</p> <p>The 2019/20 revaluation included the council's housing stock. The net book value of council dwellings at 31 March 2020 was £324.6 million, an increase of £23.9 million from 31 March 2019.</p> <p>In accordance with the Code of Practice on Local Authority Accounting, the basis of the valuation was Existing Use Value for Social Housing (EUV-SH)</p>	<p>During the audit the council issued a subsequent request to the valuer, who provided additional assurances over the remaining beacon values and a new social housing adjustment factor of 58%. The audited accounts have been revised for the valuer's social housing adjustment factor, increasing the value of council dwellings by £5.5 million.</p> <p>The valuer provided additional assurances on the value of garages and on the 35 beacon values which were estimated by Finance. The audited accounts have been revised for the valuer's</p>

Issue	Resolution
<p>and the Beacon approach adopted as the basis for the valuation process.</p> <p>The instructions to the valuer for carrying out the revaluation of the council housing stock were not compliant with extant guidance.</p> <p>Only 56 of 91 beacon values selected were assessed by the valuer: the remaining 35 Beacon values were estimated by Finance staff. These 35 beacon values represent properties with a gross book value of £206.8 million (£117.9 million after applying the original social housing adjustment factor).</p> <p>The social housing adjustment factor, reflecting the difference between market rent and social housing rent levels, was not initially requested from the valuer and was estimated by Finance staff. The 57% social housing adjustment factor from the previous revaluation in 2015 was used.</p> <p>The working papers to support the housing stock valuation showed a discrepancy of 107 fewer properties than the Housing Revenue Account stock figure. On investigation the difference was due to 70 properties overlooked which had been transferred in from Angus Community Care Charitable Trust and 37 newly included when the housing service updated their system, which was after Finance extracted the listing for valuation. These houses, valued at £1.7 million, have now been included.</p> <p>The council's 2589 garages, which are also Housing Revenue Account assets, were to be included in the 2019/20 revaluation but were omitted. It was unclear whether the net book value of £1.8 million remained appropriate.</p>	<p>assessment, increasing the value of garages by £1.2 million and increasing the value of council dwellings by £0.7 million (after applying the social housing adjustment factor).</p> <p>The Housing Revenue Account housing stock figure has been confirmed as correct and property numbers have been reconciled. An additional 37 properties were added to the Property Plant & Equipment Note, increasing the value of council dwellings by £1.7 million.</p> <p>We are now satisfied that there is no risk of material misstatement in the revised estimated valuation of housing stock at year end.</p> <p> Recommendation 1 (refer appendix 1a, action plan)</p> <p>The council should prepare detailed instructions to the valuer for future housing stock valuations, ensuring that all required assurances for the Beacon approach are covered.</p> <p> Recommendation 2 (refer appendix 1a, action plan)</p> <p>The council should ensure that all property assets are specified in the revaluation programme so that they are revalued at least every 5 years.</p> <p> Recommendation 3 (refer appendix 1a, action plan)</p> <p>The council should ensure that the asset list provided to the valuer each year reconciles fully to the asset register (or to Housing Service asset records for HRA assets).</p>
<p>2. Impact of Covid-19 on valuations of property, plant and equipment (PPE)</p> <p>Council dwellings, investment properties, miscellaneous land and other houses were subject to valuation by J&E Shepherd at 31 March 2020. Their valuation report added a caveat citing a 'material valuation uncertainty' regarding the impact of Covid-19.</p>	<p>Property assets are material and the impact of Covid-19 has increased the uncertainty over associated valuations. The extent and timing of the rolling programme of valuation work and the conclusions of the valuer have contributed to the view that less certainty can be attached to the valuation than would otherwise be the case. The accounts disclose this increased uncertainty at Notes 4 and 11 of the financial statements.</p> <p>After consideration, we have included an 'Emphasis of Matter' paragraph in the Independent Auditor's Report to highlight this disclosure; it is important to users' understanding of the accounts. This relates solely to the impact of the Covid-19 pandemic.</p> <p>The audit opinion is not modified in respect of this matter.</p>
<p>3. Statutory adjustments do not apply to Common Good funds</p> <p>Statutory adjustments are made in local government accounting to ensure that the required accounting treatment for non current assets does</p>	<p>Management propose to review this closely and amend, if considered appropriate, in 2020/21 as part of the wider review of Common Good accounting treatment referenced below.</p>

Issue	Resolution
<p>not impact the General Fund (and council tax bills). It came to our attention this year that statutory adjustments are not permitted for Common Good funds. Statutory adjustments have been made in the Angus Common Good Funds accounts for a number of years. The Capital Adjustment Account should be eliminated.</p>	<p>This does not impact on the council nor group accounts.</p> <p> Recommendation 4 (refer appendix 1a, action plan)</p> <p>The council should not apply statutory adjustments when accounting for the Common Good Funds.</p>
<p>4. Judicial review decision on Common Good assets</p> <p>A judicial review decision published in August 2020 concluded that all council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. This is a new legal ruling with wide ranging impact on all Common Good funds across Scotland. Angus Council has a number of operational assets which stand on Common Good land. The full list of affected assets is still to be determined. These assets are all included in Angus Council's 2019/20 Balance Sheet as owned assets. The council is in the process of reviewing the legal and accounting implications of the judicial ruling.</p>	<p>Operational assets which stand on Common Good land and are used to deliver council services can be considered in substance, if not legal form, to be finance leases, i.e. the council bears all the risks and rewards of asset ownership, even although the Common Good is the legal owner. Assets leased under finance leases are shown on the Balance Sheet of the lessee, so the 2019/20 Angus Council accounts, which include these assets in the Balance Sheet and Note 11 Property, Plant and Equipment, are not materially misstated. When the full extent of assets affected by this ruling is determined, the value of those assets should be disclosed in the accounts as leased rather than owned assets.</p> <p> Recommendation 5 (refer appendix 1a, action plan)</p> <p>The council should: identify the full list of assets on Common Good land, which are now legally considered Common Good assets rather than council owned assets; review its accounting policies for use of these assets, including responsibility for maintenance costs, rental payments; and determine exit strategies for when assets are no longer used by the council for service delivery, or reach the end of their useful lives.</p>

Source: Audit Scotland

Other findings

32. We identified areas where the working papers to support the financial statements could be improved. Opening balances on the fixed asset register were not updated for year-end adjustments agreed last year. The fixed asset register reconciled in total to Note 11 (Property, Plant and Equipment) in the financial statements but was not fully reconciled at the asset category level reported in the Note. Additional auditor time was required to reconcile this to demonstrate that the Note 11 disclosure was correct.



Recommendation 6

The council should reconcile the fixed asset register to the financial statements at asset category level and should ensure that all year-end adjustments are included in the asset register presented as evidence to support the financial statements.

33. Our review of the asset register identified items of generic capital expenditure. These related to specific capital grants which had been used to finance capital expenditure, but which had not been allocated to specific assets. Such practises can result in the double counting and overstatement of asset values. We estimate that there was a potential £0.78 million overstatement of asset values resulting from generic capital expenditure in the asset register at 31 March 2020.



Recommendation 7

The council should review its use of generic asset codes to ensure that capital expenditure is allocated to a specific asset. Where expenditure cannot be not allocated to a specific asset, the council must be able to demonstrate that the expenditure meets the requirement for capitalisation.

34. Abbeyview school campus opened in February 2020 and was revalued at 31 March 2020. In reviewing the entries for this revaluation, we noted that the £1.1 million value of land was still included under Assets Under Construction rather than Other Land and Buildings. This has been adjusted in the audited accounts.

35. Investment property was revalued in 2019/20, reducing its value by £0.1 million, but the entries for the revaluation were posted to the wrong asset category. This has been corrected in the audited accounts.

36. Debit balances of £0.4 million for the Shared Apprenticeship Scheme were included in creditors ledger codes, understating both debtors and creditors in the Balance Sheet by this amount. These balances have been adjusted in the audited accounts.

37. Credit balances of £0.8 million for local tax creditors were included in debtors ledger codes, understating both debtors and creditors in the Balance Sheet by this amount. These balances have been adjusted in the audited accounts.

38. Our financial instruments testing identified that £0.2 million accrued interest receivable would be more accurately included in short term investments than in short term debtors in the Balance Sheet, and £1.0 million accrued interest payable should be in short term borrowing rather than creditors. These balances have been adjusted in the audited accounts.

39. The Cash Flow Statement was updated to include the Forfar Community Campus PFI scheme repayment of £0.8 million.

40. “Employee slippage” budget figures (i.e. posts which have not been filled) have been reallocated in the Comprehensive Income and Expenditure Statement (CIES), removing this element from service budgets to a central budget. The reallocation in the unaudited accounts was made incorrectly, against some actual figures rather than budget figures. Individual service lines have been adjusted in the audited accounts, but this did not affect the bottom line of the CIES.

Identified misstatements of £9.1 million were adjusted in the accounts. As these were more than our performance materiality we reviewed our audit approach to address the risk of further similar misstatements

41. Total misstatements identified and adjusted, as described above, were £9.1 million, which increased net assets by £9.1 million. As this was above our performance materiality threshold, we reviewed our audit approach to consider whether further testing was required to identify any similar misstatements, or if the full extent of the misstatement had been identified. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

42. The only unadjusted misstatement above our £70,000 reporting threshold is the £2.6 million reported above in [Exhibit 3](#), no.3. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have not adjusted for this item as it would not affect the total reserves in the Common Good Account or the group accounts.

The Management Commentary meets the Scottish Government's reduced reporting requirements for 2019/20

43. The Management Commentary that accompanies the financial statements should clearly explain how the council has performed against its budget and how this is reconciled to the financial statements. The quality of the council's Management Commentary has improved in recent years, reflecting considerable effort by officers to ensure it is clear and accessible.

44. The Management Commentary meets the Scottish Government's reduced reporting requirements for 2019/20 as set out in Finance Circular 10/2020.

45. The Management Commentary in the unaudited accounts lacked narrative on non-financial performance information for the whole year on a balanced basis. It was largely based on 2018/19 annual performance report highlights. It did not give any context to indicate if the reported achievements were in line with targets or plans for the year. The Management Commentary should be based on timely performance information in accordance with the Local Authority Accounts (Scotland) Regulations 2014. The regulations and associated statutory guidance require a balanced and comprehensive analysis of the development and performance of the council's business during the financial year and of its position at the year end. (The 'comprehensive' requirement was relaxed for 2019/20 under the reduced reporting requirements in Finance Circular 10/2020.)



Recommendation 8

The Management Commentary should report a balanced and comprehensive analysis of the development and performance of the council's business during the financial year and of its position at the year end, in accordance with the Local Authority Accounts (Scotland) Regulations 2014. This requires performance information to be available on a timely basis.

Good progress was made on prior year recommendations

46. The council has made good progress in implementing our prior year audit recommendations. Progress in some areas has been restricted by limited capacity and other workload pressures in the finance team. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1b](#).

Integration Joint Board

47. For the fourth year the council included its share of the financial results of Angus Integration Joint Board (the IJB) within its group financial statements. We have completed our audit of the IJB and reported our findings to the Angus IJB Audit Committee in August 2020. There were no audit adjustments to the IJB accounts so there are no audit adjustments required to the IJB figures in the group accounts. We are satisfied that the council had adequate arrangements in place to agree year end balances with the IJB. Our audit testing also confirmed that the council properly identified transactions that relate to work commissioned by the IJB.

Part 2

Financial management



Main judgements

The council has appropriate and effective financial management arrangements.

Financial systems of internal control operated adequately with some recommendations for improvement noted.

The council remained within budget in 2019/20. This was achieved through efficiency savings and planned use of reserves.

A judicial review concluded that all council assets built on Common Good land are to be considered Common Good assets. The council is carrying out a review of the accounting and legal implications of this decision.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

The 2019/20 budget included planned savings and contributions from reserves to address the funding gap.

48. The council approved its 2019/20 budget in February 2019. The budget was set at £271.0 million, with a 3% council tax increase, planned savings of £10.2 million and a planned transfer of £1.6 million from reserves to address the funding gap and deliver a balanced budget. Savings plans included savings from: Angus IJB £4.4 million; review of budgets (Zero Based Budgeting) £2.4 million; workforce change £0.6 million; and Agile office savings of £0.6 million.

49. The budget was kept under review in the year with no significant changes made in year. The final budget reported in 2019/20 was £272.1 million.

The council operated within budget in 2019/20

50. The council spent £14 million less than budgeted in 2019/20. While the council's spending remained within its overall budget, there are significant variations in how different services have performed. The more significant under and overspends are summarised in [Exhibit 4](#).

Exhibit 4

Summary of significant under / overspends against budget

Area	£m	Reason for variance
Underspends		
Schools and Learning	£7.2	Underspend on Early Learning and Childcare and Pupil Equity Funding.
Communities	£2.0	Deferral of additional repayment of capital charges as part of the vehicle replacement programme and savings carried forward to 2020/21 to offset additional costs associated with Covid-19
Corporate Items	£2.1	Savings in energy costs £0.5m, teachers' pay award and pension provision £1m. IJB reserves returned to the council £0.545m.
Overspends		
Digital Enablement, Information Technology, Human Resources and Business Support	£0.5	Office365 costs were reallocated from capital to revenue and less than budgeted recharge from the HRA.

Source: Angus Council 2019/20 Annual Accounts and Angus Council Report 118/20

Budget process was appropriate

51. We observed that senior management and members receive regular and accurate financial information on the council's financial position. The council has appropriate budget setting and monitoring arrangements.

Usable reserves have increased, but earmarked balances within that have also increased, meaning a decrease in available uncommitted reserves

52. One of the key measures of the financial health of a body is the level of reserves held. The level of usable reserves held by the council increased from £45.6 million in 2018/19 to £47.8 million in 2019/20.

53. The general fund is the largest reserve and is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of uneven cash flows. The majority of this reserve is earmarked for particular purposes.

54. The council reviews the level of its uncommitted reserves when setting the budget each year. The council holds a £4.9 million 'contingency policy level' within its general fund reserves. The council considers this to be a committed reserve although it is a general contingency balance. Beyond this contingency, the level of uncommitted general fund reserves as at 31 March 2019 was £1.3 million, reduced from the £7.2 million balance as at 31 March 2019.

55. The council's 2019/20 reserves position has provided some resources to address the net additional impact of Covid-19 in 2020/21 (see paragraph 77).

Planned efficiency savings were largely achieved

56. In 2019/20, the council planned to achieve efficiency savings of £10.2 million to address the budgeted funding gap. The actual savings achieved were £10 million (98%). Change Programme savings are a significant part of addressing the council's recurring funding gap identified in the medium term budget strategy.

The council did not fully deliver the capital programme in 2019/20 and Covid-related backlogs of work will affect contractors' capacity in 2020/21

57. Total capital expenditure in the 2019/20 accounts was £42.3 million against a budget of £57.7 million. General Fund Services capital expenditure (including £0.3 million on partner bodies) was £28.1 million and Housing Revenue Account capital expenditure was £14.2 million. There was a General Fund Services underspend of £8.9 million (24%) against budget and a Housing Revenue Account underspend of £6.5 million (31%) against budget.

58. The most significant elements of the General Fund underspend against the capital programme were reported to committee as: Arbroath Schools project rephased; delay in capping at Restenneth Landfill Site Phase 3b; and delay in Gables Replacement.

59. The main Housing Revenue Account underspends were reported as: housing redevelopment at Timmergreens, Arbroath, incurred delays in finalising design drawings and cost plans; slippage due to preparation of complex Energy Efficiency Standard for Social Housing project; termination of heating contract due to unsatisfactory contractor performance.

60. The council has a history of underspends against its capital programme. Following the 2020 lockdown period, contractors across Scotland have a significant backlog of work and it is unlikely that all planned capital works will be achievable. The council should review its capital programme, identifying the impact that delays in the completion of major capital projects could have on future service delivery, and prioritising planned work accordingly.

Borrowing levels have remained stable

61. At 31 March 2020, long term borrowing stood at £141.6 million, a decrease of £3.5 million on the 2019 level of £145.1 million. During the same period, short term borrowing decreased slightly from £8.8 million to £8.5 million. Angus Council operated within the limits and operational boundaries set out in the treasury management strategy. No new loans were taken out in 2019/20; this was also the case in 2018/19 and 2017/18.

Financial systems of internal control operated adequately with some recommendations for improvement noted.

62. As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

63. Our findings were included in our Management Report that was presented to the Scrutiny and Audit Committee on 25 August 2020. We concluded that the key controls were operating effectively. No significant internal control weaknesses were identified which could affect the council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements. We made some recommendations for improvement and amended our audit approach to gain assurance in these areas.

64. The council made additional Covid-19 related payments in the final month of 2019/20. We increased our year end audit testing, as the risk of fraud or error increases in times of change, particularly when payments are required to be made quickly and where the standard checks cannot always be carried out. We did not identify any matters requiring to be reported from this additional testing. We note that the council's counter fraud measures have identified and prevented payment of a number of fraudulent applications for Covid-19 related financial support.

Internal audit

65. Internal audit is provided by Angus Council's in-house team. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA 610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

66. We concluded that Angus Council's internal audit function complies with the main requirements of PSIAS and that we can rely on its work. The internal audit function is required to have an external review of its compliance with PSIAS at least every 5 years. This review has been delayed by the impact of Covid-19, which takes the council beyond the permitted 5 years. We note that the impact of Covid-19 may also reduce the capacity of the peer-reviewing internal audit service so alternative arrangements may be required.



Recommendation 9

The council should progress arrangements for the 5-yearly external review of internal audit's compliance with Public Sector Internal Audit Standards as this is review now overdue.

67. We placed formal reliance on internal audit's work on: Payroll – Leavers and Establishment Changes. This avoided duplication of effort and allowed us to focus external audit resource on other areas of assessed risk. We have taken account of internal audit's other reports to inform our wider dimension audit work.

A judicial review concluded that all council assets built on Common Good land are to be considered Common Good assets. The council is carrying out a review of the accounting and legal implications of this decision.

68. A judicial review decision published in August 2020 concluded that all council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. This is a new legal ruling with wide ranging impact on all Common Good funds across Scotland. Angus Council has a number of operational assets which stand on Common Good land. The full list of affected assets is still to be determined. These assets are all included in Angus Council's 2019/20 Balance Sheet as owned assets. The council is in the process of reviewing the legal and accounting implications of the judicial ruling.

69. This judicial review decision was an appeal ruling on an earlier judicial review of a legal challenge to the council's decision in May 2018 to demolish a former leisure centre which stands on Common Good land. The split decision (2 of the 3 judges agreed; 1 dissented) was against the council and as noted above, the council now has to consider the implications. Prior to this legal challenge, the council had commissioned an internal audit review of the decision making process and governance arrangements regarding this particular asset. The review results were reported to the Scrutiny and Audit Committee in November 2018. The review concluded that the evidence available was consistent with the decision making, and nothing was identified to give internal audit concern that the wrong decision was made at the time demolition was recommended. The review identified some lessons to be learned and made recommendations for improvement in the framework for this type of decision making, and in providing evidence to demonstrate the probity and propriety behind the decision making and how Best Value has been achieved.

70. A further Common Good legal requirement is set out in Part 8 of the Community Empowerment (Scotland) Act 2015. This requires councils to prepare and consult on a publicly accessible register of Common Good property assets. Angus Council has not yet compiled its register or set a timescale for the completion of this work.



Recommendation 10

The council should set a timescale for compilation of and consultation on a publicly accessible register of Common Good property assets. This accessible register and associate consultation are required under Part 8 of the Community Empowerment (Scotland) Act 2015.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

71. The council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

72. We have reviewed the arrangements in place to maintain standards of conduct including the staff code of conduct and the councillors' code of conduct. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

73. Appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities. We are not aware of any specific issues that we need to bring to your attention.

National Fraud Initiative

74. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Audit Scotland coordinate NFI in Scotland. Computerised techniques are used to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

75. As reported in our 2019/20 Management Report, Angus Council continues to engage positively with the National Fraud Initiative and appropriate risk-based arrangements are in place for NFI data match investigations. In the latest 2018/19 NFI exercise six errors were identified, with a value of £30,679. This amount is being recovered through the council's debt recovery procedures. Angus Council was also one of seven councils who participated in a pilot exercise to help identify

businesses inappropriately claiming Small Business Bonus Scheme rates relief. Four Angus Council cases were identified as errors, with a value of £10,921.

Part 3

Financial sustainability



Main judgements

The Covid-19 global pandemic has had a significant impact on the short-term finances of the council, estimated at £13.2 million for 2020/21. This is partially offset by additional funding of £9.5 million; the £3.7 million net additional cost will be covered through use of reserves. A revised budget has been presented to committee.

The council has a three-year medium term financial plan; the impact of Covid-19 on this medium term plan is still to be evaluated. Work to develop a long term financial strategy has started but has been delayed by other work pressures.

The Change Programme continues to deliver savings, but it is increasingly challenging to identify efficiencies. The council is focusing on four main areas to address the challenges of delivering services on a sustainable basis against increasing demand and constrained finances.

Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered.

The financial impact of the Covid-19 pandemic will be significant

76. The 2020/21 budget was agreed in February 2020, the final agreed revenue budget was set at £279.2 million with £4.2 million of reserves and projected savings of £10.2 million.

77. At the Angus Council meeting on 10 September 2020 a revised 2020/21 budget was discussed and agreed. The impact of the pandemic is estimated to have increased costs within the council by £13.2 million. This includes Education recovery costs of £3.1 million and mobilisation costs of £1.7 million and £4.5 million of lost income across Communities and Infrastructure services. The increased costs have been partially offset by anticipated additional Scottish Government funding of £9.5 million. The balance of £3.7 million will be funded from reserves.

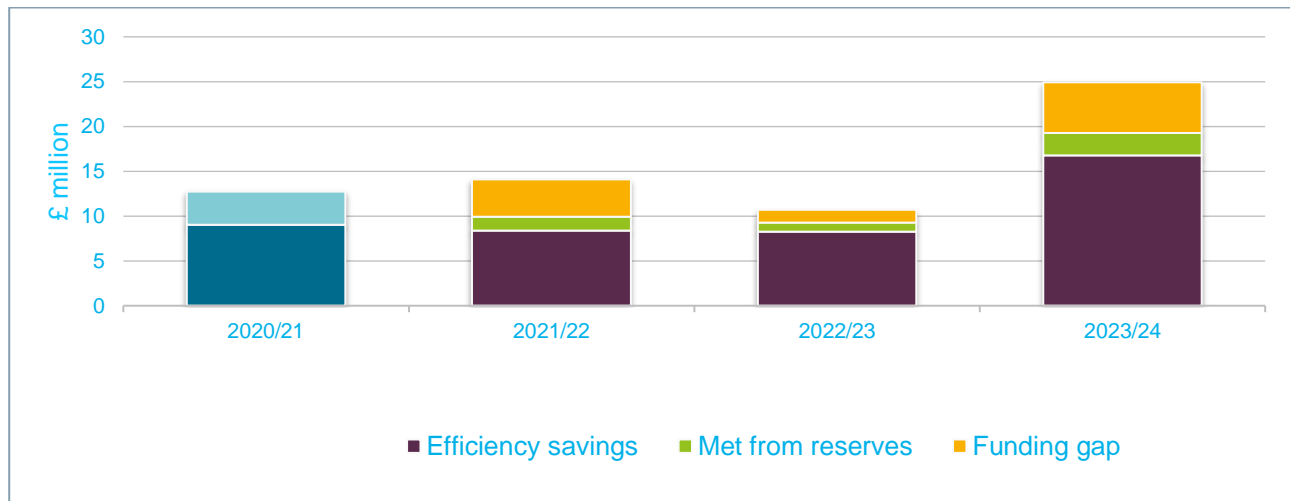
78. The pandemic has had an impact on all aspects of service delivery for the council, from staff working at home as the default to services being provided in new ways. The council's Agile working policy put it in a good position to ensure staff could work from home. Angus Council has reserves that it can call upon to ensure that it can work within a balanced budget in 2020/21.

Medium term financial plans are in place but will have to be updated

79. Angus Council produces a Medium Term Budget Strategy, usually in September, which covers the funding gaps for the next three years. Due to the work required to recast the 2020/21 budget this has not been produced in 2020. The council plans to bridge its funding gaps mostly by efficiency savings and the transfer of reserves from the general fund, as illustrated in [Exhibit 8](#). The Medium Term Budget Strategy has yet to be updated to reflect the future financial impact of the Covid-19 pandemic. This will be concluded within the 2021/22 budget papers in February 2021.

80. Work to develop a long term financial strategy started during 2019/20 but was delayed by other work pressures as officers' time was diverted onto more urgent matters. The council intends to include long term financial planning aspects within its 2021/22 budget papers in February 2021.

Exhibit 8 Identified funding gaps 2020/21 – 2022/23



Source: Angus Council report 211/20 and Funding gap analysis to Policy & Budget Strategy Group

The Change Programme continues to deliver savings, but it is increasingly challenging to identify efficiencies.

81. The Change Programme has delivered savings for the council and enabled change, improvement and some investment across a range of services. The Organisational Development/ Zero Based Budgeting (OD/ZBB) reviews have been a valuable tool for the council to review its services and methods of service delivery to identify options for the future. However, there is a limit to the extent that the council can make further internal efficiencies and still deliver on its priorities. The council must work with partners and the wider local community to find new ways of working that ensure essential public services are delivered and that the council continues to operate within its funding envelope.

82. The council is focusing on four main areas to address the challenges of delivering services on a sustainable basis against increasing demand and constrained finances:

- Demand management
- Innovation/commercialisation
- Partnership/collaboration
- Service contraction.

83. Other councils are also looking at similar options and Angus Council is in contact with them to share knowledge and experiences. We will monitor the council's progress in developing these areas as part of our wider dimension audit work.

Part 4

Governance and transparency



Main Judgements

The council has appropriate and effective governance arrangements in place.

Revised governance arrangements were in place and operated effectively during the lockdown period, supporting good governance and accountability. Governance changes due to Covid-19 restrictions were appropriately disclosed in the Annual Governance Statement.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

Governance and transparency arrangements were appropriate

84. The council's management and service structure changed from 1 April 2019. Reporting to elected members and the annual accounts reflect this new service structure. Our previously reported conclusions on governance arrangements remain valid, that the council has appropriate and effective governance arrangements in place.

85. The governance and transparency arrangements we consider include:

- council and committee structure and conduct
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption. This includes action in response to the National Fraud Initiative
- openness of council and committees
- reporting of performance and whether this is fair, balanced and understandable.

Revised governance arrangements were in place and operated effectively during the lockdown period, supporting good governance and accountability

86. The impact of Covid-19 from March 2020 has been set out in the Annual Governance Statement in the council's annual accounts. The changes were significant and allowed the council to manage the unprecedented nature and scale of the threat to its communities and staff. We note that the following steps were taken to allow the council staff to prioritise their response to the outbreak:

- Council and committee meetings were suspended, with a Special Arrangements Committee formed to ensure council decision making continued and a Special Education Committee for education related matters.

- The Scrutiny and Audit Committee met as planned in June 2020 to ensure that there was continued scrutiny by elected members.
- Committees met virtually using the Zoom application; meetings were recorded and published on YouTube to ensure they were publicly accessible.
- There was additional interim delegation to the Chief Executive and to other Directors from 3 April 2020 for any urgent decisions that could not wait until a committee meeting was held.

87. These arrangements supported good governance and accountability.

88. The council stood down the special committees and restarted its standard committee cycle from August 2020. Meetings continue to be held virtually to ensure full participation while supporting any Covid-19 related restrictions.

89. There was a “Zoombombing” incident in one of the first virtual committee meetings where inappropriate material was shared on-screen by a member of the public who accessed the meeting. The council reviewed its arrangements to avoid a repeat of this incident. Virtual meeting participation is by invitation, including elected members, officers, auditors, and a local media representative. Meetings are recorded (livestreamed where possible) and the recorded meetings are published on the Angus Council YouTube channel to ensure public accessibility.

Part 5

Best Value



Main judgements

The council is engaging with the local community on participatory budgeting and community asset transfers. Participatory budgeting is still at an early stage. There is scope to work with the local community to increase capacity for community-led expansion of these initiatives.

The council has an established approach to mainstreaming equalities and progress is publicly reported. There is scope to increase the detail of equality impact assessments.

The council continues to develop its performance management arrangements to support its ambition to be a performance led council.

Best Value is concerned with using resources effectively and continually improving services.

Best value

90. Best value is assessed over the audit appointment as part of the annual audit work. A Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this period. The BVAR report for Angus Council was planned for 2021. However, the BVAR programme has been delayed due to Covid-19. The BVAR is now expected to commence in Autumn 2021.

91. The best value audit work carried out this year focussed on the council's arrangements for demonstrating best value in Working with Communities (community empowerment and engagement) and Fairness and Equality. The findings of this work are reported below. The effectiveness of the council's best value arrangements in other areas will be assessed and reported throughout our audit appointment.

Working with communities (community empowerment and engagement)

92. The Community Empowerment (Scotland) Act 2015 requires community planning partners to secure the participation of community bodies in community planning, in particular those that represent the interests of people who experience inequalities of outcome from socio-economic disadvantage.

93. We reviewed how Angus Council is progressing with the implementation of the Community Empowerment (Scotland) Act 2015. The following observations were noted:

- Angus Council is developing participatory budgeting (PB), using small grant schemes as a way to get the community involved in deciding how public money is spent. Further progress has to be made in mainstreaming PB to ensure the Council meets the Scottish Government target of having 1% of their budget subject to PB by the end of 2021. In 2019/20 approximately 0.1% of the budget was subject to PB.

- Angus Council has engaged with the community asset transfer process for a number of years, with 2 assets being transferred into community control during 2019/20. A further 6 applications were received during 2019/20 and these are currently being reviewed. There is scope to work with the local community to build capacity for community led projects with financially sustainable proposals for community asset transfers.
- The Local Outcomes Improvement Plan (LOIP) and locality plans were developed in partnership with the local community. There were a number of engagement events held where members of the community could give feedback. There is a timeline of engagement included within the LOIP which highlights the events which were held.
- Angus Council is currently piloting a digital platform called 'Social Pinpoint' which offers 2-way engagement with the public. This is monitored and the comments are responded to by a member of the team as opposed to the traditional 'Have your say' section of the website. This is currently being used for the 'Accessible Angus' project, which is in its design phase. Social Pinpoint was also used for public engagement on how best to spend £1.1 million of Town Centre Fund monies allocated to the Council by the Scottish Government.

94. The Angus Community Planning Partnership has developed a local outcomes improvement plan 2017-30, which highlights the commitments and outcomes that the partners, including Angus Council, are committed to improving in relation to Community Empowerment. This is supported by 4 locality plans, which have been developed in association with communities throughout Angus and are more specifically tailored to individual locality needs. Implementation and monitoring of progress of these plans is carried out by the Angus Community Planning Partnership (CPP). The minutes of CPP meeting and the reports produced are published on the Angus Council website.

95. The Angus Community Planning Partnership produces an annual report each year which details the progress against the outcomes set out in the plan. The majority of the outcomes have shown improvement; however, there was declining performance in 5 areas in the 2018/19 report (relating to: underemployment, child poverty, educational attainment in deprived areas, smoking rates in pregnant women, healthy weight in primary age children). To aid review of progress, a detailed set of Key Performance Indicators has been developed with input from all partners. Progress against these will be reported in the 2020/21 progress report.

Fairness and equality

96. One of the council's strategic priorities is to "maximise inclusion and reduce inequalities". In line with the Equality Act 2010, the council has developed an approach to mainstreaming equality, as outlined in the Equalities Mainstreaming and Equality Outcomes Report 2019-2021. The report shows clear progress has been made against Equality Outcomes and includes summary information on actions planned for the next 3 years.

97. The Policy and Resources Committee has overall responsibility for the Equalities Mainstreaming Report (EMR) and overall equality outcomes while the corporate leadership team is responsible for ensuring achievement of individual outcomes. Angus Council also has a corporate equalities group with membership consisting of an elected member who is equality champion, and senior leads on equality from each service including Angus IJB and ANGUSalive. The corporate equalities group is responsible for reporting on equalities developments, providing support to service directors and raising equality issues to the leadership team.

98. Angus Council has been developing its own bespoke equalities training course for staff and managers. The staff training course was completed and rolled out in 2019 and the course for managers has just been finalised and is currently being tested. The induction process for new staff includes an e-learning module on equalities and there has also been specific training held for elected members and training on the use of Equality Impact Assessments (EIAs).

99. Angus Council makes use of EIAs in the budget process each year for any changes to services, to determine if this will have a detrimental impact on anyone falling within the protected characteristics set out in the Equality Act 2010. As part of the budget process for 2020/21, 27 EIAs were carried out for various changes to services. EIAs are also required for any new policies the council wishes to implement. All EIAs are publicly available on the Angus Council website. A review of the EIAs published on the website highlighted that the length and level of detail included within the EIAs can differ greatly. There is scope for the council to expand its Equality Impact Assessments to give more detail of the consideration of anticipated impacts on protected characteristics, and any mitigating actions required.



Recommendation 11

Angus Council should ensure that Equality Impact Assessments contain sufficient detail of the anticipated impacts on protected characteristics and appropriate mitigating actions.

100. The most recent EMR produced by the council covers the period 2019-21, and reports on progress against outcomes, recent work the council have been doing to promote equality and reporting on equal pay information. Angus Council reports an overall gender pay gap of -1.05%, which highlights that on average, female employees are paid more than male employees. This gap is a reduction from the previous EMR, where the gap was 1.74%. This shows an improving position within the council overall. From a review of the EMR there were three significant equal pay gaps identified within individual job roles. Per European Commission for Human Rights guidance, any gaps of greater than 5% should be investigated to determine the cause. Of the three gaps identified within the council, only two of these had been reviewed, although it was noted that a further review is planned later in 2020. We recommend that all gaps of 5% or greater should be investigated as soon as possible so that action can be taken where appropriate.

101. The EMR also covers the areas of disability and race and progress against those outcomes. There has been an increase in the disability pay gap from 12.3% in 2017 to 13.5% in 2019. This means that on average, persons who are disabled are paid less than those who are not. The EMR also notes that over 88% of council staff chose not to disclose whether they had a disability or not. If the council does not have equalities data recorded it becomes more challenging to identify where improvement action may need to be taken.



Recommendation 12

Angus Council should engage with its employees on the purpose and use of equalities data to ensure that staff feel confident disclosing any protected characteristics.

Appropriate arrangements are in place for following the public pound

102. Local authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.

103. The council's financial regulations have a specific section on following the public pound, which contains a link to the Code of Guidance and signposts other council guidance for allocating funds to external organisations.

104. The Communities Committee has the substantive responsibility for monitoring the contract with ANGUSalive, the arm’s-length culture and leisure trust. The Scrutiny and Audit Committee extended its remit in 2017 to include scrutiny of the Angus IJB and ANGUSalive.

105. ANGUSalive, a wholly owned subsidiary of the council, is a material component of the council group. We recommended last year that the council obtained audit assurances for ANGUSalive, before the audit of the group accounts was concluded. The council and ANGUSalive worked together to bring forward the timetable to ensure that the audited ANGUSalive accounts would be available before the Angus Council group accounts were signed. The timetable was slightly delayed by the impact of Covid-19, but the audited ANGUSalive accounts were approved in October 2020 and we received the requested assurances from the ANGUSalive auditor. Audited 2019/20 accounts of all group components were available prior to the sign-off of the Angus Council group accounts.

Performance management arrangements are improving

106. The council continues to develop its performance management arrangements in line with its ambition to be a “performance led council”. The council has rolled out the How good is our council? self- assessment methodology across all services to establish a consistent council-wide baseline against which improvement can be measured. Different services are at different stages in developing and reporting on meaningful performance measures. The Organisational Development/ Zero Based Budgeting service reviews of all services which took place across 2018/19 to 2019/20 highlighted that some recorded performance data was not particularly useful to services and that new or streamlined performance measures could be used to assist services in targeting improvement areas.

107. Angus Council produces an annual performance report which summarises performance against key performance indicators for each of the council’s four priorities. The 2019/20 report, presented to full council in November 2020, includes a one-page graphic summary for each priority with 5 year trends for key performance indicators (where the data is available). It also has a brief description of annual performance for these indicators and case studies showing the personal impact on Angus citizens. The report did not give specific targets or comment on whether performance was in line with targets. There is scope to develop this report further and to signpost clearly to where additional information can be found. Our prior year recommendation remains valid, that the council needs to be clearer in demonstrating where and what actions it is taking to address areas for improvement. Services also need to understand their performance data better and how it can be used to support improvement. The council needs to be more transparent in reporting the outcomes against targets or context when reporting performance. Refer [Appendix 1b](#) action plan.

108. The Accounts Commission places great emphasis on councils’ responsibility for public performance reporting. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

109. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities

110. We have not reviewed statutory performance reporting in detail as our planned audit work was delayed due to Covid-19 restrictions. We will review and conclude next year on the effectiveness and appropriateness of the council's arrangements for complying with the direction.

111. The council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

112. The most recent [National Benchmarking Overview Report 2018/19](#) by the Improvement Service is on the agenda for the December 2020 Scrutiny and Audit Committee meeting. As reported last year, there is scope to improve reporting of how the council performs in comparison to other councils.

113. The Scrutiny and Audit Committee considered the recent [Local government in Scotland Overview 2020](#) report at its August 2020 meeting. The council uses the overview report to inform its approach to quality, improvement and performance in order to support delivering the outcomes described in the Local Outcomes Improvement Plan, Locality Plans and the 2019-24 Council Plan. Members attended a development session in November 2020 to discuss the overview report and how Angus Council is responding to the issues highlighted in the report.

National performance audit reports

114. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20, Audit Scotland published a number of reports were issued which may be of interest to the body. These are outlined in [Appendix 3](#).

115. Relevant national reports continue to be routinely presented to the Scrutiny and Audit Committee throughout the year. This often includes an assessment from management of the council's position against the recommendations contained in the reports.

Good practice points

116. The Organisational Development/ Zero Based Budgeting (OD/ZBB) service reviews carried out in 2018/19 to 2019/20 have been an effective way to identify options for reshaping services. The OD/ZBB data packs and service review discussions have also identified that some service performance measures are not used by services and that officers' time spent recording this data can be saved and instead more useful service performance measures can be developed.

Appendix 1a

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Non current assets – housing stock revaluation</p> <p>The instructions to the valuer for the 5 yearly revaluation of the council's housing stock were not sufficiently detailed to obtain the required assurances to support the council's valuation of these assets in the Balance Sheet at 31 March 2020.</p> <p>Risk - The valuation of assets in the annual accounts is not supported by appropriate assurances and is materially misstated.</p>	<p>The council should prepare detailed instructions to the valuer for future housing stock valuations, ensuring that all required assurances for the Beacon approach are covered.</p> <p>Exhibit 3</p>	<p>Review overall process of approach to Council Dwelling Valuation process which will include instruction to valuer, inclusion of all HRA assets including garages, the number and type of beacons valued and prepare procedural note for future years.</p> <p>Responsible officer: Steven Mill, Service Lead (Finance)</p> <p>Agreed date: 30 June 2021</p>
2	<p>Non current assets – revaluation programme</p> <p>The council's 2589 garages were not listed in the valuation report for 2019/20. The garages are Housing Revenue Account assets and were expected to be included along with the HRA housing stock. It has been more than 5 years since the garages were formally revalued: the value of these assets is unchanged from 2010 and it is unclear whether the £1.8 million net book value remains appropriate.</p> <p>Risk – assets are missed out of the 5 year revaluation programme and the asset values in the annual accounts are out of date and materially misstated.</p>	<p>The council should ensure that all property assets are specified in the revaluation programme so that they are revalued at least every 5 years.</p> <p>Exhibit 3</p>	<p>See action in No 1 above.</p> <p>Responsible officer: Steven Mill, Service Lead (Finance)</p> <p>Agreed date: 30 June 2021</p>
3	<p>Non current assets – reconciliation of properties</p> <p>The housing stock working papers which were used as the basis for the valuer's 2019/20 revaluation of the housing stock, included 107 fewer properties than the Housing Revenue</p>	<p>The council should ensure that the asset list provided to the valuer each year reconciles fully to the asset register (or to Housing Service asset records for HRA assets).</p>	<p>See action in No 1 above.</p> <p>Responsible officer: Steven Mill, Service Lead (Finance)</p> <p>Agreed date: 30 June 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Account stock figure. Finance and Housing service staff had to investigate and reconcile this difference and seek further assurance from the valuer to support the asset values in the annual accounts.</p> <p>Risk – assets are missed out of the 5 year revaluation programme and the asset values in the annual accounts are out of date and materially misstated.</p>	<p>Exhibit 3</p>	
4	<p>Statutory Adjustments are not permitted for Common Good Funds</p> <p>It came to our attention this year that statutory adjustments (made in local government accounts to ensure that the required accounting treatment for non current assets does not impact the General Fund) are not permitted for Common Good funds. Statutory adjustments have been made in the Angus Common Good Account for a number of years. The £2.6 million balance on the Capital Adjustment Account should be eliminated.</p> <p>Risk – the Common Good account is materially misstated.</p>	<p>The council should not apply statutory adjustments when accounting for the Common Good Funds.</p> <p>Exhibit 3</p>	<p>Consideration will be given to the appropriate accounting treatment for Common Good funds in this area as part of the wider review being undertaken in light of the Lochside Leisure Centre judicial review.</p> <p>Responsible officer: Steven Mill, Service Lead (Finance)</p> <p>Agreed date: 26 March 2021</p>
5	<p>Judicial review decision on Common Good assets</p> <p>A judicial review decision in February 2020 concluded that all assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. Angus Council has a number of operational assets which stand on Common Good land; the full list of affected assets is still to be determined. The council is in the process of reviewing the legal and accounting implications of the judicial ruling.</p> <p>Risk – the council's accounting policies and legal agreements regarding affected assets do not</p>	<p>The council should: identify the full list of assets on Common Good land, which are now legally considered Common Good assets rather than council owned assets; review its accounting policies for use of these assets, including responsibility for maintenance costs, rental payments; and determine exit strategies for when assets are no longer used by the council for service delivery, or reach the end of their useful lives.</p> <p>Exhibit 3</p>	<p>The Council will progress a review in order to develop a draft Common Good policy for future application to these matters. This will require public consultation / member approval.</p> <p>Responsible officer: Steven Mill, Service Lead (Finance)</p> <p>Agreed date: 26 March 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	comply with the new legal ruling within a reasonable timeframe.		
6	<p>Asset register reconciliation to the financial statements</p> <p>The fixed asset register reconciled in total to the Property, Plant and Equipment note in the financial statements but was not fully reconciled at the asset category level reported in the note. In addition, opening balances on the fixed asset register were not updated for year-end adjustments agreed last year.</p> <p>Risks – the annual accounts disclosure is materially misstated; and additional time and expense is incurred to demonstrate the asset register is complete and accurate.</p>	<p>The council should reconcile the fixed asset register to the financial statements at asset category level and should ensure that all year-end adjustments are included in the asset register presented as evidence to support the financial statements.</p> <p>Paragraph 32</p>	<p>Ensure that this full reconciliation is carried out prior to disclosure note being finalised in the accounts.</p> <p>Responsible officer: Steven Mill, Service Lead (Finance)</p> <p>Agreed date: 30 June 2021</p>
7	<p>Use of generic asset codes</p> <p>Our review of the asset register identified items of generic capital expenditure (i.e. specific capital grants which had been used to finance capital expenditure, but which had not been allocated to specific assets). This can result in the double counting and overstatement of asset values. We estimate that there was a potential £0.8 million overstatement of asset values resulting from generic capital expenditure in the asset register at 31 March 2020.</p> <p>Risk – the accounts are materially misstated.</p>	<p>The council should review its use of generic asset codes to ensure that capital expenditure is allocated to a specific asset. Where expenditure cannot be not allocated to a specific asset, the council must be able to demonstrate that the expenditure meets the requirement for capitalisation.</p> <p>Paragraph 33</p>	<p>Review all assets and any generic assets to be allocated to specific asset accordingly and any future generic capital spend to be allocated in year.</p> <p>Responsible officer: Steven Mill, Service Lead (Finance)</p> <p>Agreed date: 30 June 2021</p>
8	<p>Management commentary</p> <p>The Management Commentary lacked balanced narrative on non-financial performance across the whole year. It was based on highlights from the prior year's annual performance report. It did not indicate if the reported achievements were in line with targets or plans for the year.</p>	<p>The Management Commentary should report a balanced and comprehensive analysis of the development and performance of the council's business during the financial year and of its position at the year end, in accordance with the Local Authority Accounts (Scotland) Regulations 2014. This requires performance</p>	<p>We will include relevant performance information aligned with the financial year in the Annual Accounts management commentary.</p> <p>Responsible officers: Gordon Cargill, Service Leader (Governance & Change) and Alison Smith, Service Lead (Strategic Policy & Economy)</p> <p>Agreed date: 30 June 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Risk – the council’s Management Commentary does not comply with statutory guidance.</p>	<p>information to be available on a timely basis.</p> <p>Paragraph 45</p>	
9	<p>External review of internal audit’s PSIAS compliance</p> <p>The internal audit function is required to have an external review of its compliance with Public Sector Internal Audit Standards at least every 5 years. This review has been delayed by the impact of Covid-19, which takes the council beyond the permitted 5 years.</p> <p>Risk – internal audit is not compliant with PSIAS.</p>	<p>The council should progress arrangements for the 5-yearly external review of internal audit’s compliance with Public Sector Internal Audit Standards as this is review now overdue.</p> <p>Paragraph 66</p>	<p>The external review re-commenced in October 2020 and is expected to be concluded before the end of the calendar year.</p> <p>Responsible officer: Cathie Wylie, Service Leader (Internal Audit)</p> <p>Agreed date: 31 December 2020</p>
10	<p>Review of Common Good property assets</p> <p>The council is required by Part 8 of the Community Empowerment (Scotland) Act 2015 to prepare and consult on a publicly accessible register of Common Good property assets. This register is not yet compiled and a timescale for its completion is yet to be agreed.</p> <p>Risk – the council does not meet its legal obligations.</p>	<p>The council should set a timescale for compilation of and consultation on a publicly accessible register of Common Good property assets. This publicly accessible register and associated consultation are required under Part 8 of the Community Empowerment (Scotland) Act 2015.</p> <p>Paragraph 70</p>	<p>We will bring a report to an appropriate council committee with a plan (setting out the steps and timescales) for completing this work.</p> <p>Responsible officer: Alison Watson, Service Lead (Legal)</p> <p>Agreed date: 31 March 2021</p>
11	<p>Equality impact assessments</p> <p>A review of the council’s equality impact assessments highlighted that their length and level of detail can differ greatly. There is scope for the council to expand its equality impact assessments to give more detail of the consideration of anticipated impacts on protected characteristics, to clearly support the conclusion reached.</p> <p>Risk – equality impact assessments are viewed as a ‘tick-box’ exercise rather than a useful tool for evaluating policy and service changes.</p>	<p>The council should ensure that Equality Impact Assessments contain sufficient detail of the anticipated impacts on protected characteristics, to clearly support the conclusion reached.</p> <p>Paragraph 99</p>	<p>Training on EIAs and Fairer Scotland Duty has been arranged for 2 dates in early December 2020. Examples of good/comprehensive and less comprehensive EIAs will be highlighted and the impact of Covid will be included. Training will be delivered for elected members in January 2021 to tie in with budget proposals. The EIA template is also currently under review.</p> <p>Responsible officer: Doreen Phillips, Senior Practitioner (Equalities)</p> <p>Agreed date: January 2021</p>
12	<p>Equalities data on protected characteristics</p>	<p>The council should engage with its employees on the</p>	<p>We intend to use employee engagement sessions to</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>The council's most recent Equalities Mainstreaming Report noted that over 88% of council staff chose not to disclose whether they had a disability or not. If the council does not have equalities data recorded it becomes more challenging to identify where improvement action may need to be taken.</p> <p>Risk – the council cannot readily identify improvement areas in mainstreaming equalities.</p>	<p>purpose and use of equalities data to ensure that staff feel comfortable disclosing any protected characteristics.</p> <p>Paragraph 101</p>	<p>provide information on the purpose of collecting data and to ask employees what actions we can take to reassure them about disclosing protected characteristics information. Simultaneously we will publish information and a questionnaire on intranet (SharePoint) for those unable to attend an engagement session.</p> <p>Responsible officer: Sharon Faulkner, Director (HR, Digital Enablement, IT & Business Support)</p> <p>Agreed date: Dec 2020</p>

Appendix 1b

Follow up of prior year recommendations



No.	Issue/risk	Recommendation	Agreed management action/timing
PY 1	<p>Restatement of Comprehensive Income & Expenditure Statements for 2019/20 accounts</p> <p>The council's service restructure in 2019/20, as part of the Management Review, will lead to different reporting segments being reported in the 2019/20 CIES. This will also require restatement of the 2018/19 figures, which will be disclosed as prior year comparatives. The restatement this year took considerable Finance officer time to ensure that the figures disclosed were accurate.</p> <p>Risk - if this process is not carried out before the draft accounts are completed, it may consume officer time that is needed elsewhere for accounts preparation.</p>	<p>The restatement of the 2018/19 figures should be completed at an early stage to allow for supporting documentation to be obtained from the financial systems</p>	<p>The revised CIES figures were received for audit review in advance of the full 2019/20 unaudited annual accounts. We were content with the restatement of 2018/19 CIES figures.</p> <p>Closed: No further action required.</p>
PY 2	<p>Remuneration Report: Exit Packages</p> <p>It is noted that curtailment costs were not obtained for one employee who left the council on 31 March 2019.</p> <p>Risk - disclosure of curtailment costs within the Remuneration Report is not complete or accurate.</p>	<p>The information flows between Angus Council, Tayside Pension Fund, and the Pension Fund Actuaries should be reviewed to ensure that all information is provided to the actuary to enable them to provide all the required information on a timely basis for inclusion in the Remuneration Report.</p>	<p>Communication between the council, the pension fund and the actuary has provided timely information on exit packages to inform the 2019/20 Remuneration Report.</p> <p>One exit package which had been agreed with the employee by 31 March, but not completed and paid, was identified by audit. It has not been included in the Remuneration Report. The costs involved are estimated at £21,000. Management propose to add discussion with HR as an additional step in the year end accounts preparation</p>



No. **Issue/risk**

Recommendation

Agreed management action/timing

			<p>timetable, to identify any such cases.</p> <p>In progress:</p> <p>Revised action:</p> <p>As part of the work on the remuneration report, send a request to HR/Staffing at year end asking for information on any exit packages agreed by 31st March but not completed and paid until next financial year.</p> <p>Responsible officer: Steven Mill, Service Lead (Finance)</p> <p>Revised date: 30 June 2021</p>
<p>PY 3</p> <p>Compliance with Code of Practice</p> <p>We noted areas where Angus Council has not provided detail as required by the revised accounting Code: analysis of Trade Payables and Trade Receivables; analysis of grants and contributions; removal of internal transactions from the CIES.</p> <p>Risk – the accounts are materially mis-stated or misleading.</p>	<p>The council should ensure that all the revised requirements of the Code are reviewed, and systems put in place to collect this information before the accounts are drafted.</p>	<p>The 2019/20 accounts incorporated the changes as required by the accounting Code.</p> <p>Closed: No further action required.</p>	
<p>PY 4</p> <p>Compliance with Accounts Regulations</p> <p>The council published a website notice of the availability of the unaudited accounts, as required by the Local Authority Accounts (Scotland) Regulations 2014 but did not include full details of the hours and locations that the accounts and related records could be inspected.</p> <p>Risk – the council does not comply with the Regulations and the public's right to inspect, and object to, the accounts is impeded.</p>	<p>The council should publish a notice of the availability for public inspection of the unaudited accounts, including all details required by the Regulations. The council should also ensure that staff in council offices are aware of the procedure to follow if someone asks to inspect the accounts or underlying records.</p>	<p>The council published the required notice of the electronic availability of the 2019/20 unaudited accounts (reflecting Covid-19 restrictions on access to council offices).</p> <p>The council also published a subsequent notice that the audited accounts would be published by 30 November.</p> <p>Closed: No further action required.</p>	
<p>PY 5</p> <p>Voluntary Severance</p>	<p>The council should review its voluntary severance payback</p>	<p>Our audit testing of exit packages confirmed that</p>	



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>The council's five-year payback period is longer than that of most other councils and out of step with the Scottish Government's view that payback periods should be a maximum of two years. Our testing of exit packages identified one case where, although it was reviewed and approved in accordance with the scheme, it was not fully evident how officers had assured themselves that it demonstrated value for money. Business cases should be clear in demonstrating the value for money of any exit package.</p> <p>Risk – the council does not demonstrate value for money in its decisions</p>	<p>period to ensure that the scheme demonstrates value for money. The council should also ensure that the business cases are clear in demonstrating the value for money of any exit package.</p>	<p>payback periods were in line with policy and clearly documented in the business case for each exit.</p> <p>In progress:</p> <p>Revised action:</p> <p>The council has drafted a revised severance policy to specify a maximum payback period of 2.5 years. The revised voluntary severance policy is now with trade unions for consultation and will thereafter be submitted to the Policy & Resources Committee for approval.</p> <p>Responsible officer: Sharon Faulkner, Director (HR, Digital Enablement, IT & Business Support)</p> <p>Revised date: 31 January 2021</p>
PY 6	<p>Long term financial planning</p> <p>The council has well established medium-term financial planning arrangements. It does not currently have a longer-term financial plan, although it does plan for the affordability of its long-term financial commitments.</p> <p>Risk - The council does not have a full picture of its long-term financial position, to inform decision making.</p>	<p>The council should develop long term financial planning arrangements, including scenario planning, to be prepared for a range of future levels of funding and income.</p>	<p>Officers have made a start on developing a long term financial plan. Further progress against this action has been delayed due to other work pressures. Officers' time has been prioritised on more urgent areas.</p> <p>Outstanding:</p> <p>Revised action:</p> <p>To be included in the suite of reports for February 2021 Special Council meeting and included as part of the medium term budget strategy report on an ongoing basis from then.</p> <p>Responsible officer: Steven Mill, Service Lead (Finance)</p> <p>Revised date: 28 February 2021</p>
PY 7	<p>Public scrutiny</p> <p>For our best value audit work, we attended and observed additional committee meetings. We observed that scrutiny at public meetings is often light. It is important that all members feel well</p>	<p>The council should ensure that all members are supported in their scrutiny role through focussed training and development activity.</p> <p>Members should take advantage of the training opportunities available,</p>	<p>Members have attended a development session on the Local Government in Scotland overview report, as well as briefings on key financial areas such as the annual accounts and treasury</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>equipped to participate effectively in scrutiny. Attending training and development sessions offered by the council may help members to engage in more robust public scrutiny.</p> <p>Risk – There is not robust public scrutiny of the council's use of public funds</p>	<p>requesting any further development activity or support as needed.</p>	<p>management, to support their scrutiny role.</p> <p>We have observed increased public scrutiny at a number of meetings. We also note that the move to virtual meetings which are livestreamed (or recorded and published afterwards) may have increased awareness of the role of public scrutiny.</p> <p>Closed: but we will continue to monitor the extent of public scrutiny as part of our wider dimension audit.</p>
PY 8	<p>Group accounts assurance</p> <p>ANGUSalve is a material component of the Angus Council group accounts. Officers worked to secure earlier preparation of the 2018/19 ANGUSalve accounts and the audit process was brought forward.</p> <p>The finalised figures were confirmed in September, but the ANGUSalve accounts will not be approved until its board meeting in November.</p> <p>Risk - if a post-balance sheet event occurs in the period before the group component accounts are signed, this may impact on the audit opinion.</p>	<p>The section 95 officer needs to take action to secure receipt of audited accounts to be assured that they are a true and fair record of the body's financial results in order to give that assurance to the group auditor in good time before the group audit opinion is concluded.</p>	<p>During 2019/20 a lot of work was undertaken to agree a timetable for the ANGUSalve accounts to be considered by the ANGUSalve Finance Committee in August and the Board meeting in September, so that the audited accounts would be signed prior to the Angus Council group accounts being signed. The timetable slipped from September to October due to the impact of Covid-19.</p> <p>The audited ANGUSalve accounts were approved on 23 October 2020 and made available to us prior to the council accounts being signed.</p> <p>Closed: No further action required.</p>
PY 9	<p>Performance reporting</p> <p>We noted that it is not always clear in performance reporting how the reported performance compares to the council's goals or objectives (i.e. is the reported performance good/bad/on target etc.).</p> <p>We also noted when presenting national reports to committee, it was not always clear where and what actions are being taken to address areas for improvement locally.</p>	<p>The council should be clearer in demonstrating where and what actions it is taking to address areas for improvement. Services also need to understand their performance data better and how it can be used to support improvement. The council should be more transparent in reporting the outcomes against objectives/goals when reporting performance.</p>	<p>When presenting national reports to committee, the council has improved its reporting of the local position and local actions being taken to address nationally reported issues.</p> <p>The 2019/20 annual performance report provided a summary of performance against the councils' priorities including key performance indicators, 5 year trends (where data was available) and case studies. It did not give specific targets or comment on whether</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Risk – performance is not clearly reported to the public or to elected members.</p>		<p>performance was in line with targets. There is scope to develop this report further or signpost clearly to additional information sources.</p> <p>In progress:</p> <p>Revised action:</p> <p>Improve quality of performance reporting to include targets and related performance.</p> <p>Responsible officer: Gordon Cargill, Service Leader (Governance & Change)</p> <p>Revised date: 30 June 2021</p>
<p>PY 10</p>	<p>Whole of Government Accounts</p> <p>The Council is required to submit a consolidation pack for Whole of Government accounts by 31 August (30 September for 2019/20 due to Covid-19). The pack had not been submitted by the date of the Annual Audit Report in 2017/18 or 2018/19. The pack is no longer subject to audit, but we are required to confirm key figures to the Scottish Government WGA team.</p> <p>Risk - The whole of government accounts are misstated.</p>	<p>The council should include WGA in its timetable for financial statements preparation and upload the consolidation pack and submit it for audit within the timescale set by HM Treasury and the Scottish Government.</p>	<p>The 2019/20 WGA consolidation pack was submitted by the end of September. The copy for audit was provided to us on 27 October. We provided the required assurance statement to the Scottish Government WGA team in November, prior to the deadline of 4 December.</p> <p>Closed: No further action required.</p>
<p>PY 11</p>	<p>Non-Current Assets</p> <p>The asset register and ledger were not updated for several asset changes which should have been communicated to finance last year: 2 new build schools which became operational last year; 3 former schools which were closed and demolished and a former leisure centre which has been approved for demolition; a surplus asset being actively marketed for sale and 2 community asset transfers which were declared surplus in 2015/16. Material adjustments</p>	<p>The council should ensure that services keep finance staff informed when the status of assets changes e.g. when new assets become operational; old assets cease to be operational; assets are declared surplus and put on the market; or approved for demolition; or transferred to community ownership.</p>	<p>The 2018/19 disposal of one asset was missed and the £33,750 proceeds were miscoded as legal fees income. This minor misstatement will be corrected in the 2020/21 accounts, but better communication between services and the corporate finance team should ensure that disposals or other changes in asset status are not overlooked.</p> <p>In progress:</p> <p>Revised action:</p> <p>Ensure common good assets are included in any</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>were made to the accounts as a result.</p> <p>Risk - The asset register is not up to date and the financial statements are materially misstated.</p>		<p>communication around disposals and are taken account of at year end.</p> <p>Responsible officer: Steven Mill, Service Lead (Finance)</p> <p>Revised date: 30 June 2021 & ongoing</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Results: We did not identify any significant issues within our work on journals. Our testing of accruals and prepayments did not identify any errors and there were no significant transactions outside the normal course of business.</p> <p>Conclusion: No issues were identified that indicate management override of controls</p>
<p>2 Risk of material misstatement caused by fraud in income recognition</p> <p>Angus Council receives a significant amount of income from several sources including income from fees and charges. The extent and complexity of income means that, in accordance with International Standard on Auditing 240, there is an inherent risk of fraud</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p>	<p>Results: We did not identify any significant issues from our testing of income transactions.</p> <p>Conclusion: No fraud issues were identified.</p>
<p>3 Risk of material misstatement caused by fraud in expenditure</p> <p>The Financial Reporting Council's Practice Note 10 (revised) and the Code of Audit Practice require consideration of the risk of fraud over expenditure. The extent and nature of expenditure, for example welfare benefits, social care payments and grants means that there is an inherent risk of fraud</p>	<p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p>	<p>Results: We did not identify any significant issues from our testing of expenditure transactions.</p> <p>Conclusion: No fraud issues were identified.</p>
<p>4 Estimation and judgment</p> <p>There is a significant degree of subjectivity in the measurement</p>	<p>Completion of 'review of the work of an expert' file for the professional valuer (non-</p>	<p>Results: Estimations and judgements within the annual</p>

Audit risk	Assurance procedure	Results and conclusions
<p>and valuation of the material account areas of non-current assets and pension figures. This subjectivity represents an increased risk of misstatement in the financial statements</p>	<p>current assets) and actuary (pensions liability).</p> <p>Focused substantive testing of key areas.</p>	<p>accounts were based on the most recent information.</p> <p>The additional uncertainty caused by the Covid-19 pandemic has been adequately disclosed within the accounts.</p> <p>Conclusion: An 'emphasis of matter' paragraph has been included in the independent auditor's report to draw attention to the additional uncertainty in property valuations.</p>
<p>5 Completeness and accuracy of Remuneration Report</p> <p>Angus Council liaises with Tayside Pension Fund when determining the costs of exit packages to be disclosed in the Remuneration Report. All exit packages for staff who leave in the year should be included in the report. There is a risk that the disclosure of curtailment costs within the Remuneration Report is not complete or accurate.</p>	<p>Review of the number of departures that have been agreed by 31 March 2020.</p> <p>Focussed substantive testing on curtailment costs.</p>	<p>Results: There was evidence of improved communication between council services and the pension fund administering authority this year.</p> <p>Conclusion: The Remuneration Report disclosed the relevant costs of exit packages.</p>
<p>6 Assurances over component balances within group accounts</p> <p>ANGUSalve is a wholly owned subsidiary of Angus Council. It is consolidated into the group accounts each year, but its audit timetable is not fully aligned to the audit timetable for the group accounts.</p> <p>Angus Council should ensure that it has audited accounts for all group components prior to the signing of the group accounts.</p> <p>Progress has been made in advancing the timetable for preparation and audit of ANGUSalve annual accounts, including scrutiny by the Finance and Audit Sub Committee, but the accounts will not be signed until after the group accounts are signed off</p>	<p>Review of a component auditor questionnaire from ANGUSalve auditors, Scott-Moncrieff (now Azets).</p> <p>Review of audited accounts, including Independent Auditor's Report, for all group components.</p>	<p>Results: A component auditor questionnaire was received from the ANGUSalve auditor, with the requested assurances. Audited accounts for all group components were received before the council accounts were signed.</p> <p>Conclusion: The required assurances for the Angus Council group accounts were received prior to the accounts being signed.</p>
<p>7 Non current assets</p> <p>We found misstatements in asset classification and depreciation in the 2018/19 financial statements. 2019/20 is the first year of the new 5 year rolling programme of asset valuations: council</p>	<p>Review of instructions given to valuers defining the Beacon to be used.</p> <p>Review of Beacon calculations.</p> <p>Review of Council Dwellings values in the financial</p>	<p>Results: The instructions given to the valuer were not sufficiently detailed and did not include a request to provide the social housing discount factor which is applied to council house values.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>dwelling will be revalued this year.</p> <p>This uses a Beacon approach to valuation: if the Beacon values are not correctly calculated this can result in a material misstatement in the financial statements</p>	<p>statements to ensure the result of the valuation have been correctly accounted for.</p> <p>Sample testing of asset classification and depreciation charges.</p>	<p>We requested more assurances to support the beacon values which were estimated by finance staff rather than the valuer, and the social housing discount factor which was also estimated by finance staff.</p> <p>The valuer subsequently provided further assurance including confirmation of additional beacon values and the social housing discount factor.</p> <p>Conclusion: The Council Dwellings values in the financial statements were revised for the social housing discount factor provided by the valuer, increasing the gross book value by £5.5 million.</p> <p>Instructions to the valuer should be more detailed for the next valuation of the council housing stock.</p> <p>Refer Appendix 1a, Action Plan.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>8 Financial sustainability</p> <p>Angus Council's medium-term budget strategy has identified a cumulative funding gap of £35.2 million from 2020/21 to 2022/23.</p> <p>The council's change programme has been successful in delivering savings and a further £20.5 million change programme savings are estimated over this 3 year period, but there remains a substantial £14.7 million funding gap that requires to be addressed.</p> <p>The council will have to review and prioritise service delivery arrangements to remain within its means. This will require a transformational level of change, driven by strong leadership, to maintain the financial sustainability of the council. Failure to deliver this transformation puts the financial sustainability of the council at risk.</p>	<p>Review of progress in developing long-term financial strategy.</p> <p>Ongoing review of implementation of the Change Programme.</p> <p>Regular review of financial position and budgetary information presented to those charged with governance.</p> <p>Monitoring of council budget for progress in reducing the funding gap.</p>	<p>Results: Work on developing the long term financial strategy has started but has been delayed by the impact of Covid-19, as officers' time has been required elsewhere.</p> <p>The council reported Change Programme savings of £10 million delivered in 2019/20, but a funding gap continues to be identified in the Medium Term Budget Strategy.</p> <p>Conclusion: the council's financial plans will need to be revisited to reflect the impact of Covid-19.</p> <p>The identified funding gap in the Medium Term Budget Strategy will need to be addressed.</p> <p>The long term financial strategy is likely to be delayed as the council focuses on medium term financial planning revisions.</p>
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Appendix 3

Summary of national performance reports 2019/20



**2019/20
Reports**

		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	Early learning and childcare: follow-up

Angus Council

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