

Angus Council

2020/21 Annual Audit Report – DRAFT



 AUDIT SCOTLAND

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

30 November 2021

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Key messages

2020/21 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.

Financial management and sustainability

- 3 The council's budget processes were appropriate and planned efficiency savings were largely achieved.
- 4 The council incurred an additional £13.9 million in expenditure relating to the Covid-19 pandemic. The majority of this was funded by additional Scottish Government grant. The additional funding and the effects of the pandemic on project delivery contributed to an underspend of £14.9 million against budget on General Fund services.
- 5 Medium term financial plans have been updated to reflect the impact of the pandemic. The long-term financial impact has not yet been fully assessed.

Governance and transparency

- 6 The governance arrangements introduced in response to the pandemic were appropriate and operated effectively. Governance changes due to Covid-19 restrictions were appropriately disclosed in the Annual Governance Statement.
- 7 Governance arrangements in place during 2020/21 supported scrutiny, challenge and informed decision making.

Best Value

- 8 Performance management developments were delayed by the Covid-19 pandemic but have now restarted. Work is progressing at differing paces throughout the council.
- 9 The council's public performance reporting should be clearer about the outcomes of self-assessment, external scrutiny reviews and any associated improvement actions.

Introduction

1. This report summarises the findings arising from our 2020/21 audit of Angus Council and its group. The scope of the audit was set out in our 2020/21 Annual Audit Plan presented to the 27 April 2021 meeting of the Scrutiny and Audit Committee. This report comprises the findings from our audit of the annual accounts and consideration of the wider dimensions that frame the scope of public audit set out in the [Code of Audit Practice 2016](#).

2. The main elements of our audit work in 2020/21 have been:

- an audit of the annual accounts of Angus 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,
- focused audit work covering the performance reporting arrangements, and
- consideration of the four audit dimensions of financial management, financial sustainability, governance and transparency and value for money.

3. The global coronavirus pandemic has had a considerable impact on Angus Council during 2020/21. This has had significant implications for the services it delivers and the suspension of non-essential projects and activities, such as capital construction. Risks related to the pandemic were included in our Annual Audit Plan, and we report on how we have addressed them in [Appendix 2](#).

Adding value through the audit

4. We add value to Angus Council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

5. Angus 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. 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.

6. 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.

7. 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.

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

9. 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.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the progress that has been made in implementing them.

Auditor Independence

11. 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.

12. 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 2020/21 audit fee of £260,930, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

13. 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.

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts of Angus 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 annual accounts have been adjusted to reflect the findings from the audit resulting in total comprehensive income in the Comprehensive Income and Expenditure Statement increasing by £5.4 million and net assets and total reserves in the Balance Sheet decreasing by £5.4 million.

Our audit opinions on the annual accounts are unmodified

14. The accounts for Angus Council and its group for the year ended 31 March 2021 were approved by the Scrutiny and Audit Committee on 30 November 2021. 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

15. 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. 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. The material valuation uncertainty in the valuer's report as at 31 March 2021 stems from RICS guidance which is the foundation of the work carried out by the valuer. Note 4 in the annual accounts highlights the uncertainty. The audit opinion is not modified in respect of this matter. Further information is contained in [Exhibit 2](#).

The Covid-19 pandemic impacted on the audit process and the annual accounts were signed off later than planned

16. The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2021. We received good support from finance staff throughout the audit. However, 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 pandemic. It was difficult for us to obtain supporting information for staff costs and the remuneration report due to workload pressures within the payroll team. This was compounded by the team's dependence on one member of staff to produce the information needed for the audit. This delayed our audit work, but we were eventually provided with the necessary supporting documentation to enable our audit work to be concluded. Further information is included in [Exhibit 2](#).

17. The pandemic also had an impact on the audit team. Our experience of remote working is that it takes longer to obtain, review and document audit evidence than when working onsite. Audits in other sectors took longer to complete which limited the availability of some staff at the start of the council audit. We signed off the annual accounts at the end of November, later than originally planned in our Annual Audit Plan.

Our audit opinions on the Section 106 charities were unmodified

18. 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 the sole trustees, irrespective of the size of the charity.

19. Angus Council's two Section 106 charities are the Angus Council Charitable Trust (ACCT) which covers the Angus area, and the Robert and William Strang Mortification, which is specific to Forfar. No charitable awards were made by ACCT in 2020/21, or in 2019/20. We reviewed applications to the charity to ensure it was fulfilling its charitable objectives. As the applicants to ACCT were Forfar-based, their applications were passed to the Strang Mortification, which has more expendable funds available than ACCT and the awards were made by the Strang Mortification. We concluded that ACCT continues to meet its charitable objectives. Wider advertising of the charity's existence and purpose may increase public awareness and applications for charitable awards.

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

No adjustments were required to the annual accounts following our review of the issues contained within the statutory objection

21. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies 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 was one objection received, covering three areas of the 2020/21 accounts, for which we undertook additional work:

- Montrose Playhouse: We concluded that the accounting treatment of the capital grant was correct and that no contingent liability disclosure was required in the annual accounts as the Montrose Playhouse work has now been concluded and the venue is open for business;
- Analysis of debt: We concluded that the current disclosures are accurate and consistent with the guidance;
- Accounting for Tayside Contracts: We concluded that the results were correctly accounted for and disclosed.

22. Overall our audit work confirmed that no adjustments were required to the annual accounts as a result of the objections raised.

Overall materiality was revised on receipt of the unaudited annual accounts to £4.4 million

23. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatement on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

24. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our prior year findings, any changes in business processes and the entity's control environment including fraud risks.

25. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. On receipt of the unaudited annual accounts we reviewed our planning materiality calculations. The revised materiality levels summarised in [Exhibit 1](#) were not significantly different from planning materiality levels and did not require a change in our audit approach.

Exhibit 1

Materiality values

Materiality level	Planning	Revised
Overall materiality	£4.0 million	£4.4 million
Performance materiality	£2.7 million	£2.8 million
Reporting threshold	£100,000	£100,000

Source: *Audit Scotland*

26. We also set separate materiality levels for the Robert & William Strang Mortification and the Angus Council Charitable Trust. On receipt of the unaudited statements of accounts we reviewed and updated our planning materiality calculations, to £23,600 for the Robert & William Strang Mortification and £9,200 for the Angus Council Charitable Trust (1.5 per cent of the gross assets for each charity). We also set a specific area materiality for the Statement of Financial Activities as the level of income and expenditure is significantly lower than the asset-based materiality. The specific area materiality was £920 for the Robert & William Strang Mortification and £230 for the Angus Council Charitable Trust (1.5 per cent of gross expenditure for each charity).

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

27. [Appendix 2](#) provides our assessment of the 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 significant findings to report on the annual accounts

28. 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. We have reported a number of issues from the work done on the identified risks of material misstatement.

29. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Material Valuation Uncertainty – property valuation</p> <p>Coastal schools and a number of office buildings were subject to valuation by J&E Shepherd as at 31 March 2021. The valuation report added a caveat citing a ‘material valuation uncertainty’ regarding the impact of Covid-19. The value of the properties revalued in 2020/21 was £140.5 million of the council’s £870 million property, plant and equipment as at 31 March 2021.</p> <p>This is a continuation of the material valuation uncertainty disclosed last year when £345 million of the council’s property assets were revalued as at 31 March 2020.</p>	<p>Property assets are material, and the impact of Covid-19 has increased the uncertainty over associated valuations. Discussions with the valuer highlighted that this was due to the impact of Covid-19 on the property market in Angus, meaning there are fewer comparable transactions with which to obtain valuations. The annual accounts disclose this increased uncertainty at Note 4 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.</p> <p>The audit opinion is not modified in respect of this matter.</p>
<p>2. Calculation of asset revaluation adjustments</p> <p>The initial revaluation figures provided in Note 11 of the annual accounts were incorrect as the final in-year capital spend was not taken into consideration in the calculations. The net gain on revaluation was originally calculated as £7.9 million; however, after taking the capital spend into consideration, this reduced the net gain on revaluation to £3.9 million, a reduction of £4 million.</p> <p>The finance team noticed this error and brought it to our attention before we started the audit of the annual accounts area.</p>	<p>A revised set of calculations were carried out and these were adjusted in the annual accounts.</p> <p>In future years Angus Council should ensure that the final in-year capital spend is factored into revaluations calculations before the revaluation adjustments are made for the year-end financial statements.</p> <p>Recommendation 1</p>
<p>3. Covid-19 agency grant disclosures</p> <p>LASAAC guidance was issued to support councils with the assessment, accounting and disclosure requirements for the different Covid-19 grant schemes. Angus Council correctly accounted for the grants where it was acting as principal, however the disclosure for those paid out on an agency basis did not contain sufficient detail to meet the requirements.</p>	<p>Expanded disclosures have now been made in the annual accounts.</p>

Issue	Resolution
<p>4. Housing Revenue Account (HRA) appropriation of General Fund assets</p> <p>General Fund assets with a value of £2.1 million were appropriated by the Housing Revenue Account for use as Council Dwellings at a value of £1.4 million, which was determined to be the market value of the assets. The £0.7 million difference in value had remained in the General Fund assets balance. This treatment was incorrect.</p> <p>The assets should have been impaired down to the market value before the transfer occurred, reducing General Fund assets by £0.7 million. Following the transfer to HRA the assets should have then been revalued under Existing Use Value – Social Housing (EUV-SH), in line with the Code of Practice on Local Authority Accounting. This would have applied a discount factor to the market value transfer. This revaluation adjustment did not take place and would have reduced the value of the assets by £0.6 million to £0.8 million.</p>	<p>The correct accounting treatment was discussed with the finance team and the relevant adjustments were made in the audited version of the financial statements.</p>
<p>5. Assets under construction capitalised incorrectly</p> <p>One of the assets selected as part of our additions testing was incorrectly capitalised as an addition as a review of supporting documentation highlighted that this asset was still under construction. The value of this asset was £1.7 million. Depreciation had been charged on this asset of £0.034 million which will need to be written back.</p> <p>The asset had been capitalised and depreciated as a completed asset.</p>	<p>This was discussed with the finance team and they agreed to amend this in the audited version of the financial statements.</p> <p>Assets capitalised in year should be subject to a thorough review to ensure that these are completed assets prior to depreciation being charged.</p>

Issue	Resolution
<p>6. Overpayment of salary to senior councillor</p> <p>As detailed in the remuneration report, the former Depute Provost left the role on 14 December 2020. This should have resulted in a lower salary being paid for the remainder of the year, however on review of the payroll system it was noted that the senior councillor rate continued to be paid until June 2021. This resulted in an overpayment of £3,460.</p> <p>In addition the disclosure within the remuneration report in the unaudited annual accounts was incorrect as it included the final 3 months of the year at the reduced rate.</p>	<p>The disclosures within the remuneration report have been amended to comply with the requirements.</p> <p>Arrangements have been made to reclaim the overpayment.</p>
<p>7. Payroll Information</p> <p>There have been issues obtaining information from the payroll team to support the disclosures in the annual accounts, including the remuneration report and our staff costs testing. We requested information on numerous occasions and received no response. We recognise the workload pressures on this small team, and we note the reliance on one officer to extract system reports.</p> <p>We obtained read only access to the payroll system to verify the remuneration report figures, however this supporting evidence should have been provided as part of the package of working papers for the audit.</p>	<p>The council should ensure that a full package of working papers and supporting documentation is provided with the unaudited accounts to support the disclosures, transactions and balances in the annual accounts.</p> <p>Recommendation 2</p>
<p>8. Coding error in short term debtors</p> <p>During our testing of short term debtors, we discovered a coding error between the net pay code and the PAYE balance. This resulted in short term debtors being overstated by £1 million with an equal understatement in short term creditors.</p>	<p>The annual accounts have been amended to correct this coding error.</p>

Source: Audit Scotland

Identified misstatements of £8.6 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

30. The cumulative total of misstatements identified was £8.6 million. These mainly consisted of errors in the accounting for non-current assets. 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. The net impact of adjusting for the errors identified was to decrease total comprehensive income in the Comprehensive Income and Expenditure Statement by £5.4 million and to decrease net assets and total reserves in the Balance Sheet by £5.4 million.

31. 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. There was one unadjusted error above our reporting threshold. In the Cash Flow Statement there is a £0.115 million balancing figure in “Other receipts from financing activities”. Management have not adjusted for this item as it is well below materiality.

Performance reporting in the Management Commentary was incomplete

32. The Management Commentary that accompanies the annual accounts should clearly explain how the council has performed against its budget and how this is reconciled to the financial statements.

33. The reduced reporting requirements for 2019/20 annual accounts did not apply to the 2020/21 annual accounts and full performance reporting in the Management Commentary was required this year. Almost all the non-financial performance indicators in the Management Commentary in the unaudited accounts were missing 2020/21 data. These indicators were updated in the audited annual accounts but some performance data was still unavailable. See [paragraph 84](#) for our recommendation on public performance reporting.

Some progress has been made on prior year recommendations

34. The council has made some progress in implementing our prior year audit recommendations. Workload pressures have delayed progress of several agreed improvement actions as detailed in [Appendix 1](#).

2. Financial management

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

Main judgements

The Covid-19 pandemic had a significant impact on the 2020/21 budget, resulting in revisions during the year.

Budget processes were appropriate and planned efficiency savings were largely achieved.

Financial systems of internal control operated effectively including those associated with the Covid-19 grant schemes.

Sound procurement arrangements are in place and could be strengthened by keeping records of staff training.

The Covid-19 pandemic had a significant impact on the 2020/21 budget, resulting in revisions during the year

35. The impact on public finances of the Covid-19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

36. The council approved its 2020/21 budget in February 2020. The budget was set at £283.4 million with Change Programme savings of £10.2 million and use of General Fund reserves of £4.7 million required to achieve a balanced budget. In September 2020 a revised budget was agreed by Angus Council in light of the impact of the Covid-19 pandemic. The revised budget was £291 million. This was kept under review by the Policy and Resources Committee throughout the year. The final reported budget in the annual accounts was £305.7 million; this includes accounting entries which are not included in the budget monitoring reported to elected members for decision making. These statutory adjustments are set out in Note 5 in the annual accounts.

37. The council incurred £13.9 million of Covid-19 related expenditure in 2020/21, which was offset by £25.4 million of additional funding, a significant proportion of which was announced at the end of the 2020/21 financial year.

The remaining £11.6 million of Covid funding has been earmarked for use in future years with over £5 million already fully committed.

38. This unspent funding contributed to expenditure being £14.9 million less than budgeted on services in 2020/21. While the council remained within its overall budget for 2020/21, there are significant variations in how different services have performed. The more significant underspends are summarised in [Exhibit 3](#). The receipt of additional Covid funding meant that some of the planned use of reserves was not needed and was returned to reserves.

Exhibit 3

Summary of significant under/overspends against budget

Area	£ million	Reason for variance
Underspends		
Education and Lifelong Learning	£8.0 million	This underspend relates largely to underspends for Early Year expansion and Pupil Equity Fund. These will be ring-fenced and carried forward to 21/22.
Other Services	£2.2 million	The main areas of underspend here relate to employee slippage of £0.7 million and delays in change fund projects of £0.5 million
Children, Families and Justice	£1.3 million	This related partly to additional Scottish Government grant of £0.5 million and reduced transport costs as a result of service disruption caused by the Covid-19 pandemic.

Source: Angus Council 2020/21 Annual Accounts

39. Angus Council also paid out £34 million of Covid-19 support grants on an agency basis on behalf of the Scottish Government. This does not impact on the financial statements of the council and has been disclosed in the management commentary. We reported on the council's governance arrangements and control framework for these Covid support grants in our management letter of August 2021. Our conclusion was that appropriate governance arrangements had been put in place by the council and that the controls were operating effectively during 2020/21.

Budget processes were appropriate and planned efficiency savings were largely achieved

40. We observed that senior management and members receive regular and accurate financial information on the council's performance against budgets. We concluded that the council had appropriate budget setting and monitoring arrangements, which kept members informed of Covid related budget revisions during the year.

41. The 2020/21 budget included planned savings and contributions from reserves to address the identified funding gap. Additional government Covid funding meant that the full extent of this planned use of reserves was not required. The final Change Programme saving target for 2020/21 was £9 million. The council achieved actual savings of £8.5 million (95 per cent of this total).

There has been a significant increase in the level of usable reserves held by Angus Council

42. One of the key measures of the financial health and sustainability of a body is the level of usable reserves held. For Angus Council usable reserves have increased by £18.7 million during 2020/21 to a balance of £66.5 million at the year end.

43. The general fund makes up the majority of this balance with £49.3 million held as at 31 March 2021. This includes £2.1 million Covid-19 contingency approved as part of the revisions to the council's 2020/21 general fund revenue budget. The housing revenue account reserve has also increased by £2.3 million with a closing balance of £5.4 million.

44. It is worth noting that within this increase in usable reserves there is an increase in the amount that is already earmarked for future purposes. Angus Council is reporting an increase in the level of earmarked usable reserves from £36 million in 2019/20 to £43.3 million in 2020/21.

The housing revenue account operated within budget

45. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set a level which will at least cover the costs of its social housing provision.

46. The Housing Revenue Account reported a surplus of £3.9 million in 2020/21. This was in large part due to lower-than-expected repairs and maintenance costs, which were £2.5 million less than budgeted. This was caused by limited access to properties due to the Covid-19 pandemic.

Capital expenditure reduced in 2020/21 as the council paused its capital investment projects

47. Total capital expenditure in 2020/21 was £22.2 million of which £11.3 million related to general services and £10.9 million to the housing revenue account. This compares to a budget capital spend of £34 million, showing an overall underspend of £11.8 million.

48. The underspend was in part due to slippage in capital projects as a result of the impact of the Covid-19 pandemic. This is representative of a delay in incurring the expenditure and not a reduction in the future expenditure required. The unspent capital budget for 2020/21 has been carried forward for use in 2021/22.

The development of Common Good asset registers has progressed but is not yet complete

49. Angus Council approved the revised Common Good Funds – Policy Guidelines and Administrative Procedures in May 2021 to capture the updated position including the judicial ruling that assets which sit on Common Good land belong to the Common Good Fund. We have reviewed this policy and are satisfied that the new policy is appropriate.

50. Angus Council transferred assets with a net book value of £13.1 million to the Common Good Fund in 2020/21. We have reviewed the accounting treatment for these asset transfers and found that it is consistent with the accounting policy.

51. The council is still working to develop Common Good asset registers so there is the possibility that further asset transfers will be required as a result of this work.

Financial systems of internal control operated effectively including those associated with the Covid-19 grant schemes

52. Our management report, presented to the Scrutiny and Audit Committee on 24 August 2021, concluded that the controls tested were operating effectively. No significant control weaknesses were identified during the audit 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 a number of minor recommendations to improve the overall control environment.

53. In addition to our assessment of the key controls for the financial statements we considered the governance arrangements and control framework for the £34 million Covid-19 grants administered by the council. We reviewed the guidance issued by the Scottish Government and the guidance prepared by the council which sets out the checks undertaken to ensure the validity of applications. We also considered the counter fraud team's work on Covid-19 grants. We concluded that appropriate governance arrangements and controls had been put in place by the council and that these controls were operating effectively during 2020/21.

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

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

55. The risk profile of public bodies during 2020/21 has been affected by the Covid-19 pandemic. The risk of fraud and error may have increased as control environments have had to change to allow for services to operate effectively and respond to issues in a timely manner. We have reviewed the arrangements put in place by the council to address any heightened risks and concluded that there are appropriate arrangements for the prevention and detection of fraud, error and irregularities.

56. In addition, we have reviewed the arrangements in place to maintain standards of conduct including the staff code of conduct. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

57. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud through data matching. Investigation of data matches is undertaken using a risk-based approach. Angus Council's Counter Fraud Team is making good progress in reviewing NFI matches: 561 cases have been cleared and 322 errors identified. At the date of this report, outcomes of £2,319 had been identified and action to recover was underway. Progress is reported to the Scrutiny and Audit Committee in the six-monthly Counter Fraud Update reports.

Sound procurement arrangements are in place and could be strengthened by keeping records of staff training

58. As part of our audit work this year, in accordance with the planning guidance, we carried out a high-level review of the procurement function including policies and procedures, training arrangements and controls.

59. We concluded that the council has comprehensive policies and procedures in place relating to procurement including the Corporate Procurement Manual and Financial Regulations. There are appropriate procurement authorisation limits in place to ensure contracts are approved by officers of an appropriate level. Any procurement exemptions must be scrutinised and receive written approval. In addition the council adheres to the Scottish Government's 'Procurement Journey' when vetting new suppliers to ensure that they are suitable and fit for purpose.

60. The council produces an Annual Procurement Report which summarises the procurement activity for the year such as analysis of contracts awarded, spend analysis by service and exemptions awarded. There was no Annual Procurement Report produced for 2019/20 due to the impact of Covid19. Data for 2019/20 is due to be included in the report for 2020/21 when this is produced. However the council does not hold detailed records of procurement training that has taken place at a corporate or service level. This should be introduced to ensure that training is kept up to date for all relevant staff.

Recommendation 3

Detailed records of procurement training should be held to ensure that staff involved in procurement activity are appropriately qualified.

3. Financial sustainability

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.

Main judgements

The Covid-19 pandemic has had a significant impact on the short-term finances of Angus Council. Medium term financial plans have been updated to reflect the impact of the pandemic, but the longer-term impact has not been fully assessed.

Change programme plans were able to progress despite the Covid-19 pandemic and savings programmes for 2021/22 are making good progress.

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

61. The Finance & Change Plan 2021-2024 identified a budget gap of £11.3 million for 2021/22. The main causes of the funding gap are budget pressures relating to pay inflation and increased demand on services. The funding gap is to be mainly addressed by a combination of Change Programme savings and the use of reserves as shown in [Exhibit 4](#). The council tax freeze incentive grant and an anticipated increase in the council tax base ('other' in [Exhibit 4](#)) should close the remaining gap.

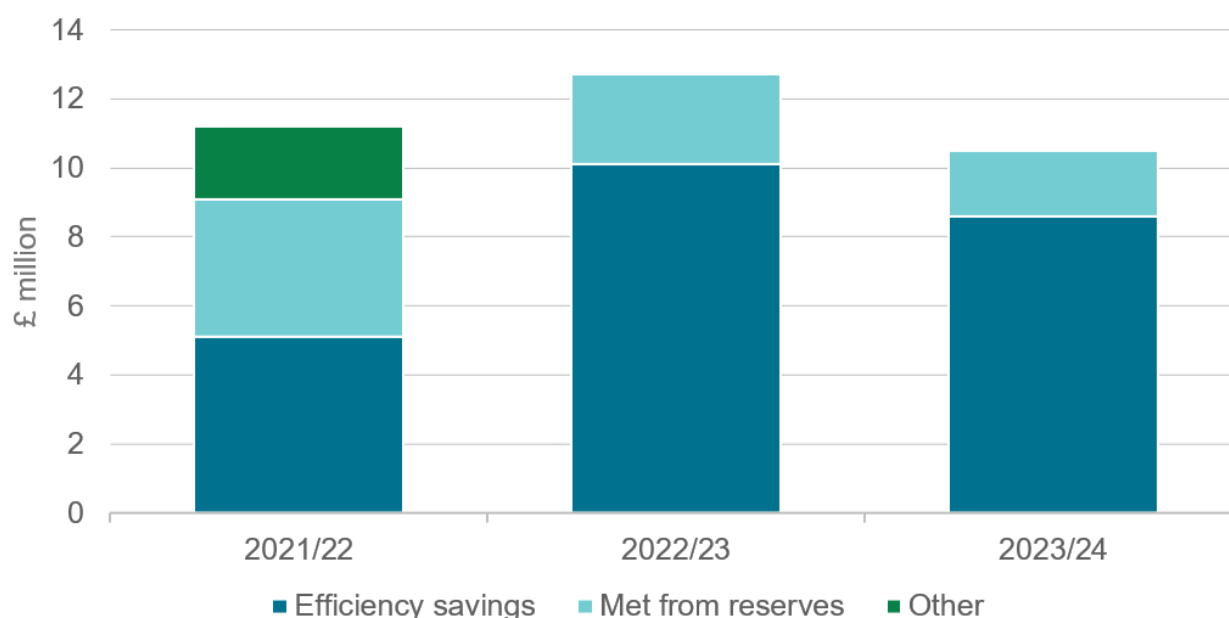
62. The 2021/22 budget was agreed by the council at its 4 March 2021 meeting. It was set excluding Covid-19 costs as there was insufficient information and clarity at that time on potential costs and funding and it was agreed that budget revisions would be undertaken during 2021/22. Budget revisions of £2.6 million were agreed by the council in June 2021. These revisions included additional Covid related costs of £6.9 million, Covid related savings of £0.1 million and £4.2 million additional government funding for specific purposes; a net impact of £2.6 million. These additional costs can be covered by the £5.7 million of Covid-19 Government funding received in 2021/22.

Medium term financial plans are in place and have been updated to reflect the impact of the pandemic

63. The financial impact of the Covid-19 pandemic on Angus Council is likely to extend across several years. It may include a reduction in income from business rates and council tax non-payments as well as a reduction in fees and charges in areas such as leisure, public transport and parking. Bodies may also face increased costs such as higher staff costs to cover the delivery of services.

64. Angus Council has a medium-term financial plan in place until 2023/24 which was refreshed in March 2021 to take account of the ongoing impact of the Covid-19 pandemic. A further update was recently agreed in November. The budget gaps identified by the Finance & Change Plan 2021-2024 are £12.7 million and £10.5 million respectively. The council plans to bridge these gaps mostly by delivering efficiency savings, possible increase in Council Tax levels and the use of reserves from the general fund as illustrated in [Exhibit 4](#).

Exhibit 4 Identified funding gaps 2021/22 – 2023/24



Source: *Finance & Change Plan 2021-24 and Budget Report 285/21*

65. The Finance & Change Plan identified funding gaps of £1.6 million and £1.9 million for 2022/23 and 2023/24 respectively that were still to be addressed after Change Programme savings and use of reserves. The council agreed at its 9 September 2021 meeting to set aside a further £5.0 million to the Reserve Drawdown Strategy increasing it to £6.0 million and extending it to 2024/25 to address any remaining funding gaps.

66. The most recent medium term budget strategy is also predicting further funding gaps into 2024/25 however there are currently no detailed plans in place to address this. Angus Council will continue to develop longer term financial planning arrangements alongside other key areas such as transformational change and workforce planning. Progress on development of a long-term financial plan has again been delayed by other workload pressures.

Recommendation 4

Long-term planning arrangements, including different financial scenarios, should be developed to support the Covid-19 recovery.

The Change Programme has continued to deliver some savings, but the impact of Covid-19 increases the challenge of achieving planned savings

67. Angus Council has continued to work toward achieving Change Programme savings despite the restrictions introduced in response to the Covid-19 pandemic. A number of savings projects have already been completed, delivering £0.4 million toward achieving the £5.2 million in required savings to bridge the funding gap for 2021/22. These include the Tayside Contracts' development of the Tayside Meal Centre (£0.1 million) and business efficiencies made to reduce property and other costs (£0.15 million).

68. However, it may be more difficult to achieve the remaining savings where the council is reliant on its partners. £3.7 million of these relates to IJB services which are demand led and subject to increasing pressure from demographic changes. A further £0.35 million savings are expected from Tayside Contracts.

69. The IJB's focus has been on responding to the health and social care challenges of the Covid-19 pandemic and this has delayed some planned savings initiatives. Delays in achieving savings will have to be addressed to ensure the savings targets set out in the medium-term financial plan are met. The IJB is managing its savings on a non-recurring basis but this requires savings to be identified and made each year rather than making systemic changes that mean savings recur in future years.

70. The challenge of making recurring savings applies to all services; our previously reported point remains valid, that *"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."*

71. The council identified four main areas of focus 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.

72. We will consider the council's progress in developing these areas as part of work for the 2021/22 Best Value Assurance Report.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

The governance arrangements introduced in response to the pandemic were appropriate and operated effectively. Governance changes due to Covid-19 restrictions were appropriately disclosed in the Annual Governance Statement.

Governance arrangements in place during 2020/21 supported scrutiny, challenge and informed decision making.

Governance and transparency arrangements were appropriate

73. Our previously reported conclusions on governance arrangements remain valid, that the council has appropriate and effective governance arrangements in place.

74. 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.

Governance arrangements operating throughout the Covid-19 pandemic have been appropriate and operated effectively

75. Angus Council made significant changes to its governance arrangements in response to the pandemic. These were appropriately disclosed in the Annual Governance Statement in the annual accounts. They included the introduction of a Special Arrangements Committee to ensure council decision making continued during lockdown restrictions, and a Special Education Committee for education related matters. The Special Arrangements

Committee met three times between April and June 2020 before the normal committee cycle was re-established in August 2020.

76. All committee meetings during 2020/21 were held virtually, originally via Zoom and then through Microsoft Teams, a more secure application. Committee meetings were livestreamed to the public on YouTube to ensure timely transparency in decision making. Recordings of the meetings were also published on YouTube.

77. The council is considering a hybrid model for committee meetings going forward; however, this is in the early stages of discussion. Public access and transparency is an important factor in these discussions. All meetings will continue to take place virtually until at least 31 December 2021.

78. We have concluded that overall, Angus Council has appropriate governance arrangements in place which support effective scrutiny, challenge and decision making.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

Performance management developments were delayed by the Covid-19 pandemic but have now restarted. Work is progressing at differing paces throughout the council.

The council's public performance reporting should be clearer about the outcomes of self-assessment, external scrutiny reviews and any associated improvement actions.

Best value

79. 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 for Angus Council is now planned for publication in June 2022, before the end of the current audit appointment. Planning for the BVAR is currently underway, with scoping discussions for this arranged with elected members, council officers and partners in November 2021.

80. The best value audit work carried out this year focussed on the council's arrangements for demonstrating best value in performance reporting. 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.

Performance management developments were delayed by the Covid-19 pandemic but have now restarted

81. Angus Council is currently working toward its ambition of being a performance-led council through its 'Performance-Led Council' programme (PLED), which includes reviewing service performance indicators to ensure these are fit for purpose. This programme started in October 2019 but was paused due to the Covid-19 pandemic; it restarted in February 2021. From discussions with the council, this work is progressing at differing paces throughout the council, with some services making more progress than others due to the demands of Covid-19.

82. The council has developed a PLED SharePoint site which includes a suite of video guides and training documents for each stage of the PLED programme to act as a training aide and guide for individual service departments.

83. The main medium for reporting council performance is the Annual Performance Report. Generally, the performance indicators (PIs) for the council have been trending upwards, with 16 of the 26 indicators reported in the 2020/21 annual performance report showing improvement from the previous year. The council also included performance targets against each of the performance indicators, however these were only agreed during the year and so progress against these will be measured from 2021/22.

84. 10 of the 26 indicators (38%) do not have any data for 20/21 available, which makes it difficult to assess progress against prior year figures. Discussions with management have highlighted that this issue is caused by some indicators relying on externally produced data and delays in receiving this information.

Recommendation 5

Angus Council should review the sources of data used for its performance indicators to ensure that this data can be produced in a timely manner to aid in reliable performance monitoring.

The council's public performance reporting should be clearer about the outcomes of self-assessment, external scrutiny reviews and any associated improvement actions.

85. The Accounts Commission has a statutory power to define the performance information councils must publish for performance comparisons and benchmarking. It does this through making Directions, which run for three years and were most recently published in 2018. Its 2018 Direction covered:

- **Statutory Performance Indicator (SPI) 1: Improving local services and local outcomes** The Commission requires councils to report performance information to allow comparison over time, and with similar public bodies. This information should be drawn from the Local Government Benchmark Framework (LGBF) and other benchmarking activities.
- **Statutory Performance Indicator (SPI) 2: Demonstrating Best Value** Councils must publish their own assessment of how they are performing against their Best Value duty and their plans for improvement; audit assessments of councils' performance against the Best Value duty and how they have responded to these; and how they have (in conjunction with partners) engaged with and responded to diverse communities.

86. The council does not specifically report on its compliance against the 2018 SPI Direction. There is an easily accessible section on its website that reports the council's performance across services. However, like most councils the Angus Council website does not make clear what impact the Covid-19 pandemic has had on its performance reporting.

87. In relation to SPI 1, the council reports annual service performance through the Annual Performance Report and individual service scorecards, but not more frequently during the year. The scorecards make some use of trend information against targets and Scottish average performance trends for all councils, but their use is inconsistent between services. The council's reporting does not identify where performance improvements are required, or detail what improvement actions it has taken or plans to take. The reports do include links to LGBF indicators, but do not clearly use benchmarking to inform improvement plans.

88. In relation to SPI 2, the council publishes easily accessible information on its Change Programme but does not provide clear links to or signposting of the outcomes of its self-assessment reviews or external scrutiny, and the actions it is taking in response. It could better explain how self-assessment and external scrutiny feed into service improvement activity. The council is also one of only three councils that does not include explicit references to its partnership working in its annual performance report. The Community Planning Partnership's performance report is reported to full council and performance reports from partners are reported to committee as noted at paragraph 91 below. The council makes its mainstreaming equalities and outcomes report easily accessible online.

Appropriate arrangements are in place for following the public pound

89. 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.

90. 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.

91. The Communities Committee has the substantive responsibility for monitoring the contract with ANGUSalve, 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 ANGUSalve. 2019/20 annual reports from partner bodies including Tayside Contracts and ANGUSalve were considered by the Scrutiny and Audit Committee during 2020/21. More recently the 2020/21 Angus IJB Annual Performance Report was presented to the committee's August 2021 meeting.

92. Audited 2020/21 annual accounts of all group components were available prior to the sign-off of the Angus Council group accounts.

National performance audit reports

93. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21, Audit Scotland published a number of reports which may be of interest to the body. These are outlined in [Appendix 3](#).

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

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Asset revaluation arrangements</p> <p>The initial revaluation figures provided in Note 11 of the accounts were incorrect due to the in-year capital spend not being included in the calculations.</p> <p>In addition the prior year audit identified issues with the 2019/20 asset revaluation programme, including:</p> <ul style="list-style-type: none"> • lack of detailed instructions • completeness of property asset listings • reconciliations. <p><i>Risk – Asset revaluations are not complete and accurately accounted for in the financial statements.</i></p>	<p>A formal review of asset revaluation arrangements should be completed.</p> <p>Exhibit 2 & PY 1, 2 & 3</p>	<p>This was an error caused in part by the volume of additional work on the finance team.</p> <p>We will review year end process for the calculation of the revaluation gain/loss on assets, which will include updating process to add in checks to ensure final year end capital spend is used.</p> <p>Responsible officer: Service Lead, (Finance)</p> <p>Agreed date: 30 June 2022</p> <p>The Prior Year audit actions relate to the Council Dwellings valuation which is undertaken every 5 years. Work in relation to this will not be required until the 2024/25 accounts with the next revaluation of Council Dwellings. In light of this and other work pressures this action was deferred by management.</p>
<p>2. Payroll information</p> <p>There were delays in obtaining information from the payroll team to support the audit of the remuneration report staff costs. We have had to request information on multiple occasions</p>	<p>A full package of working papers and supporting documentation should be available alongside the unaudited accounts to support the audit process.</p>	<p>The information being requested was extensive and required dedicated officer time in addition to the substantial workload of the payroll team; however this has now been progressed and made available and a</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>over several weeks, often with no response from the client.</p> <p><i>Risk – Lack of appropriate audit evidence could impact on the audit opinion.</i></p>	<p>Exhibit 2</p>	<p>package of working papers and supporting documentation will be made available for the next audit.</p> <p>Responsible officer: Acting Senior Payroll Officer</p> <p>Agreed date: 30 June 2022</p>
<p>3. Procurement training records</p> <p>The council does not hold detailed records of the procurement training that has taken place at a corporate or service level.</p> <p><i>Risk – Staff involved in procurement may not have up to date training to support appropriate procurement practices.</i></p>	<p>The council should ensure that detailed training records are held for staff involved in procurement activity.</p> <p>Paragraph 6019</p>	<p>Angus Council has a devolved procurement model so training records would be held at a devolved level; however AC is reviewing procurement delivery and as part of that reinstating the Corporate Procurement Group and a combined procurement training register shall be populated by the members of that group to create a central document.</p> <p>In addition a more structured training program for procurement is being developed centrally and this will be based on the procurement competency framework https://www.gov.scot/publications/scottish-procurement-competency-framework/ to identify training needs.</p> <p>Responsible officer: (Service Lead), Legal & Democratic Services</p> <p>Agreed date: 31 August 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>4. 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><i>Risk – The council does not have a full picture of its long-term financial position to inform decision making.</i></p>	<p>Long-term planning arrangements, including different financial scenarios, should be developed to support the Covid-19 recovery.</p> <p>Paragraph 66 & PY 4</p>	<p>Work has been progressing. However, challenges in engaging with services during Covid and workload pressures mean this has not progressed as planned. This will be progressed and reported to Angus Council in February 2022.</p> <p>Responsible officer: Service Lead, (Finance)</p> <p>Agreed date: 30 June 2022</p>
<p>5. Availability of performance information</p> <p>10 of the 26 performance indicators in the 2020/21 annual performance report have no available data for 2020/21.</p> <p><i>Risk – Performance cannot be reliably measured if information is not available or out of date.</i></p>	<p>Angus Council should review the sources of data used for its performance indicators to ensure that this data can be produced in a timely manner to aid in reliable performance monitoring.</p> <p>Paragraph 84 & PY8</p>	<p>Action has been initiated to review the performance indicators being utilised so they reflect meaningful performance information that is also more readily available, as far as practicable, in the timeframe aligned with the audit of the annual accounts.</p> <p>Responsible officer: Manager - Quality, Improvement</p> <p>Agreed date: 31 March 2022</p>

Follow up of 2019/20 recommendations

Issue	Recommendation	Conclusion
<p>PY1. Non-current assets – housing stock revaluation</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>See Recommendation 1</p> <p>Work on this recommendation has not been progressed as no revaluation of Council dwellings was due or required in 2020/21.</p>
<p>PY2. Non-current assets – revaluation programme</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>See Recommendation 1</p> <p>Work on this recommendation has not been progressed. This related to the Council Garages valued as part of the Council dwelling valuation.</p>

Issue	Recommendation	Conclusion
		No revaluation was required in 2020/21 so this will be picked up as part of the future valuation.
PY3. Non-current assets – reconciliation of properties	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).	See Recommendation 1 Work on this recommendation has not been progressed as no revaluation of Council dwelling was due or required in 2020/21.
PY4. Statutory Adjustments are not permitted for Common Good Funds	The council should not apply statutory adjustments when accounting for the Common Good Funds.	Complete The Capital Adjustment Account has been removed from the Common Good Funds in line with agreed treatment.
PY5. Judicial review decision on Common Good assets	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.	Complete The council has reviewed assets which sit on Common Good land and transferred these to the Common Good Fund in line with the judicial review decision. We have reviewed the accounting for this transfer and found no issues.
PY6. Asset register reconciliation to the financial statements	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.	Complete The council provided a fixed asset reconciliation at an asset category level as part of the audit this year. This was reviewed and no issues were identified.
PY7. Use of generic asset codes	The council should review its use of generic asset codes to	In Progress – no further audit follow up proposed

Issue	Recommendation	Conclusion
	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.	The council has carried out a piece of work to review the asset register for generic asset codes and remove these. From our review of the asset register as at 31 March 2021, a number of generic codes still remain; however these are fully depreciated.
PY8. Management commentary	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.	See Recommendation 5 The Management Commentary only contained some of the required non-financial performance information as some data was not yet available.
PY9. External review of internal audit's PSIAS compliance	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.	Complete This review has now taken place. It was reported to the Scrutiny and Audit Committee in January 2021. The review concluded that the Internal Audit Service generally conforms with the PSIAS.
PY10. Review of Common Good property assets	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.	In Progress – no further audit follow up proposed A Common Good asset register for Arbroath has been developed and presented to Committee before it is published. Work is ongoing for the other Common Good Funds and this could take up to two years to complete.
PY11. Equality impact assessments	The council should ensure that Equality Impact Assessments contain	In Progress – no further audit follow up proposed

Issue	Recommendation	Conclusion
	sufficient detail of the anticipated impacts on protected characteristics, to clearly support the conclusion reached.	EIA forms have been renewed and an e-learning course has been developed. EIA champions have been created in each service and training for these posts is ongoing. Training for elected members has not yet taken place.
PY12. Equalities data on protected characteristics	The council should engage with its employees on the purpose and use of equalities data to ensure that staff feel comfortable disclosing any protected characteristics.	In Progress – no further audit follow up proposed A staff survey has been developed to engage with staff. Places on an ‘Employee’s equality engagement group’ have been advertised to staff.
PY13. Remuneration Report: Exit Packages	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.	Complete No issues were identified with testing of 2020/21 exit packages.
PY14. Voluntary Severance	The council should review its voluntary severance payback 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.	Complete The council reviewed its voluntary severance policy and reduced the payback period from a maximum of 5 years to 2.5 years. This was approved by the Policy and Resources committee in June 2021. Our testing of 2020/21 exit packages identified no issues with demonstrating value for money.
PY15. Long term financial planning	The council should develop long term financial planning arrangements, including	Recommendation 4 The long-term financial plan is still under development.

Issue	Recommendation	Conclusion
	scenario planning, to be prepared for a range of future levels of funding and income.	Progress has been delayed by other work pressures.
PY16. Performance reporting	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.	See Recommendation 5 The council has developed performance targets which were included in the 2020/21 Annual Performance Report. These targets are to be met by 2021/22 and progress against these will be measured and reported for next year.
PY17. Non-Current Assets	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.	Complete No issues were identified with communication of asset status changes in our testing in 2020/21.

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
<p>1. Risk of material misstatement due to management override of controls</p> <p>International Auditing Standards (ISAs) require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes consideration of management override of controls to change the financial statements disclosures.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Assessment of the appropriateness of accounting estimates. • Focused testing of accruals and prepayments. • Identification and evaluation of significant transactions that are outside the normal course of business. 	<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 error in areas of estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement 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>A material uncertainty was disclosed in the 2019/20 accounts over non-current</p>	<ul style="list-style-type: none"> • Assess the scope, independence and competence of the professionals engaged in providing estimates for non-current assets and pensions. • Focused substantive testing of classification and valuation of non-current assets. • Establish and assess the arrangements for getting assurances over the impact of Covid19 on the 	<p>Results: No issues were identified with the competence and independence of experts providing valuations for non-current assets and pensions.</p> <p>Issues were noted with the valuation calculations for non-current assets and have now been corrected.</p> <p>Material valuation uncertainty has been disclosed in the accounts for non-current assets due to the impact of Covid-19.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>asset valuations as a result of the Covid-19 pandemic. The council has a rolling programme of valuations with specific categories revalued each year. For 2020/21 coastal schools and office buildings are being revalued.</p> <p>Given some categories of assets have not been subject to valuation since the impact of Covid-19, there is a risk of material uncertainty over non-current asset valuations in the 2020/21 accounts.</p>	<p>accuracy of non-current assets not subject to valuation in year.</p> <ul style="list-style-type: none"> Assess the appropriateness of the actuarial assumptions. Review the actual experience of significant estimates made in the prior year. 	<p>No issues were identified in our review of actuarial assumptions or with the experience of prior year estimates.</p> <p>Conclusion: An ‘emphasis of matter’ paragraph has been included in the independent auditor’s report to draw attention to the increased uncertainty in property valuations.</p> <p>Audit adjustments processed as detailed in Exhibit 2.</p> <p>A recommendation is made in Appendix 1 to strengthen the asset revaluations arrangements.</p>
<p>3. Risk of incorrect accounting for non-current assets</p> <p>Our 2019/20 audit identified material misstatements in the accounting for non-current assets including the valuation of council dwellings and issues when reconciling the fixed asset register to the financial statements.</p> <p>There is a risk that non-current asset accounting is incorrect resulting in a material misstatement in the 2020/21 accounts.</p>	<ul style="list-style-type: none"> Focused substantive testing of non-current asset transactions to ensure these are correctly accounted for. Review of appropriateness of year-end fixed asset register reconciliations including any adjustments. 	<p>Results: As noted above, issues were identified with the calculation of revaluation adjustments in the accounts. We also noted one asset which had been classified incorrectly as a completed asset which was still under construction.</p> <p>No issues were identified with the year-end asset reconciliations.</p> <p>Conclusion: Audit adjustments processed as detailed in Exhibit 2.</p> <p>A recommendation is made in Appendix 1 to strengthen the asset revaluations arrangements.</p>
<p>4. Risk of misstatement due to Covid-19 disclosure requirements</p> <p>During 2020/21 the council has administered significant Covid-19 support grants on behalf of the Scottish Government in excess of £35</p>	<ul style="list-style-type: none"> Review further technical guidance when available and discuss with the council’s finance team. Review Covid-19 disclosures in the 2020/21 annual accounts for 	<p>Results: The original disclosures made in relation to the Covid-19 support grants paid out on an agency basis were not detailed enough to meet the requirements of LASAAC guidance. We discussed the</p>

Audit risk	Assurance procedure	Results and conclusions
<p>million to date. Under IFRS 15, these payments are made on an 'agency' basis and will therefore not be recognised in the council's Comprehensive Income and Expenditure Statement in the annual accounts. Instead, additional disclosures will be required to report these grant payments accurately, and to promote transparency for users of the accounts.</p> <p>There is a risk of disclosure misstatement for this new area of agency expenditure. This will need to be separated from the Covid-19 funding the council has received to support its own budget.</p>	<p>accuracy and completeness.</p>	<p>requirements with the council, and expanded disclosures have been made in the annual accounts.</p> <p>Conclusion: The revised disclosures are now in line with the LASAAC guidance.</p>

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

Audit risk	Assurance procedure	Results and conclusions
<p>5. Financial sustainability</p> <p>Angus Council's medium-term budget strategy has identified a cumulative funding gap of £34.6 million from 2021/22 to 2023/24. The council's change programme has been successful in delivering savings, however there remains a £3.5 million funding gap that requires to be addressed. The council will have to review and prioritise service delivery arrangements. This will require a transformational level of change, driven by strong leadership, to maintain the financial sustainability of the council. Failure to deliver</p>	<ul style="list-style-type: none"> • Review of progress in developing long-term financial strategy. • Ongoing review of implementation of the Change Programme. • Regular review of financial position and budgetary information presented to those charged with governance. • Monitoring of council budget for progress in reducing the funding gap. 	<p>Results: The council's long-term financial plan is still in development. Progress has been delayed due to other work pressures. The focus has been on updating medium term financial planning for the impact of Covid-19.</p> <p>Progress continues to be made in achieving savings, but further significant savings need to be made to meet future budget pressures.</p> <p>Conclusion: A recommendation is made in Appendix 1 for the council to progress the development of</p>

Audit risk	Assurance procedure	Results and conclusions
<p>this transformation will put the financial sustainability of the council at risk.</p>		<p>its long-term financial planning.</p>
<p>6. Governance and controls over Covid-19 grant schemes</p> <p>COSLA analysis indicates that over £1.3 bn additional support to business has been routed through councils as part of the response to the Covid-19 pandemic.</p> <p>Due to the pace of establishing some of these schemes there is a risk that insufficient governance and control frameworks were in place.</p>	<ul style="list-style-type: none"> • For the most significant grants (by value) we will establish the governance and controls arrangements in place. • Confirm existence and operation of key controls by walkthrough. 	<p>Results: We reviewed the two highest Covid-19 support grants by value (small business support grants and business closure grants) and completed walkthroughs of the application and approval process to ensure key controls were in place and operating effectively.</p> <p>No issues were identified from the walkthroughs carried out.</p> <p>Conclusion: Appropriate governance arrangements had been put in place by the council and the controls operated effectively during 2020/21.</p>

Appendix 3

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Angus Council

Draft 2020/21 Annual Audit Report

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk