

ANGUS COUNCIL

**SCRUTINY & AUDIT COMMITTEE - 30 NOVEMBER 2021
ANGUS COUNCIL – 16 DECEMBER 2021**

ANGUS COUNCIL ANNUAL ACCOUNTS 2020/21 AND ANNUAL AUDIT REPORT TO MEMBERS

REPORT BY CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

ABSTRACT:

This report covers Audit Scotland's Annual Audit Report to Members on the 2020/21 Audit of Angus Council, Robert & William Strang Mortification and Angus Council Charitable Trust and asks Members of the Scrutiny & Audit Committee to approve the 2020/21 Audited Annual Accounts of Angus Council, Robert & William Strang Mortification and Angus Council Charitable Trust for signature.

1. RECOMMENDATION

It is recommended that the Scrutiny & Audit Committee:-

- (i) review the content of Audit Scotland's Annual Audit Report Covering Letter attached at Appendix A and provide any commentary considered appropriate at this time;
- (ii) review the content of Audit Scotland's Annual Audit Report attached at Appendix B and provide any commentary considered appropriate at this time;
- (iii) scrutinise and approve for signature in accordance with the Local Authority Accounts (Scotland) Regulations 2014 the 2020/21 Audited Annual Accounts of :
 - Angus Council;
 - Robert & William Strang Mortification; and
 - Angus Council Charitable Trust.
- (iv) note the summary of the main movements within the Angus Council Audited Annual Accounts attached at Appendix C; and
- (v) note the Key Messages and the 2020/21 Action Plan within the Annual Audit Report to Members

It is recommended that the Council:-

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

2. ALIGNMENT TO ANGUS COUNCIL PLAN

2.1 This report contributes as a whole to the Council Plan.

3. BACKGROUND

3.1 Angus Council is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

3.2 The 2020/21 accounts have been prepared to be compliant with the Local Authority Accounting Code of Practice. The code is based on International Financial Reporting Standards (IFRS). The statutory date for signing off the annual accounts is the 30 September with publication on the Council's website no later than the 31 October. However, Regulation 5 of the Local Authority

(Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 substitutes this statutory deadline with the aim to approve accounts for signature no later than 31 October 2021 for financial year 2020/21, with publication no later than 15 November 2021. This will revert back to the 30 September in each subsequent year. However, the publication deadline was extended to 30 November 2021 as external audit confirmed that they could not guarantee completing their audit by the 31 October due to resourcing issues in the team and the impact that remote working was still having on audit tasks. Agreement was reached that the sign off date would be moved to 30 November 2021. This delay has had a significant impact on the routine workload requirements and various deadlines of the Finance Service and in turn has increased the pressures placed on Council officers to deliver the audited annual accounts within the prescribed timescales. The unaudited Annual Accounts of Angus Council were scrutinised by the Scrutiny and Audit Committee on 24 August 2021, Report 253/21 refers.

4. AUDIT PROCESS

- 4.1 The Council is required by law to prepare a set of Annual Accounts (the Accounts) which set out its financial position at the end of each financial year. These Accounts are prepared by the Director of Finance and his team on a draft basis and are subsequently submitted to an External Auditor appointed by the Controller of Audit for independent review.
- 4.2 The Council is legally obliged to complete the draft Accounts and submit them by 30 June to Audit Scotland. However the publication of Local Government Finance Circular 10/2020 (Local Authority Accounts 2019/20 – COVID-19) also provided the flexibility to Local Authorities to extend this deadline, and others, this year. However the draft Annual Accounts were completed and submitted to the Controller of Audit for audit by the council's appointed external auditors by the 30 June deadline.
- 4.3 Audit Scotland were re-appointed for the five year period 2016/17 to 2020/21 as the external auditors of Angus Council. The 2020/21 annual accounts represented the fifth year of this five year appointment. Due to the significant disruption for public bodies and to auditors of the public sector from COVID-19 the Auditor General for Scotland and the Accounts Commission for Scotland confirmed that the current audit appointments will be extended by one year in the first instance. This means that the current appointment will be extended to cover the audit of the 2021/22 Accounts.
- 4.4 As appointed independent auditor by the Accounts Commission their responsibilities are established by the Local Government in Scotland Act 1973, the Code of Audit Practice 2016 and supplementary guidance and the International Standards on Auditing in the UK. As public sector auditors they give independent opinions on the annual accounts. Additionally they 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

5. REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT

- 5.1 Each year the external auditor is required to provide a formal report to the elected members of the Council and the Controller of Audit on the audit of the Council for the latest financial year. The Auditor's Report (which has 3 appendices) and a covering letter for the 2020/21 financial year is attached as **Appendices A (Covering Letter) and B (Main Report)** to this report. The report summarises the findings arising from the 2020/21 audit of Angus Council and its group. The report is a key document which informs members of significant matters and covers the Audit of the 2020/21 Annual Accounts, Financial Management, Financial Sustainability, Governance and Transparency and Best Value.
- 5.2 The Auditor's report is self-explanatory and has been the subject of review and discussion with relevant senior officers prior to being finalised. Members will note the mainly positive comments made in the Key Messages section of the Auditor's Report. The Key Messages highlight the

additional £13.9 million expenditure incurred by the Council in 2020/21 due to the Covid-19 pandemic. The majority of this was funded by additional Scottish Government grant which contributed to an underspend of £14.9 million against budget on the General Fund services.

- 5.3 The Auditor's report identifies 5 new actions for the Council to consider for 2020/21 and highlights the strong progress made in addressing the actions from the 2019/20 Audit Report to Members. This independent and external perspective is helpful and work is in hand to address these actions as shown in the action plan in Appendix 1 of the Auditor's report.
- 5.4 Following a decision by the Inner House of the Court of Session regarding Lochside Leisure Centre, Council approved revised Common Good Fund policy guidelines,(Report 138/21 refers). In light of those policy guidelines assets with a net book value of £13.103 million transferred from Angus Council's General Fund to the Common Good. This report also covered the review of Capital Accounting on Common Good assets and introduced an alternative accounting treatment for the use of statutory adjustments on the Common Good Fund. The policy changes approved in the report and accounting adjustments arising have been reviewed as part of the audit process with no issues arising in respect of these.
- 5.5 The External Auditors will be in attendance at the Scrutiny & Audit Committee to present their report and allow members to ask any specific questions on the content of their report.

6. 2020/21 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

- 6.1 The Council achieved the statutory deadline for the submission of its draft annual accounts for audit (30 June 2021), albeit an extension would have been available if required. The statements were prepared in accordance with the Local Authority Accounting Code of Practice. **The audit will be completed with the issue of an unqualified audit opinion on 30 November 2021 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** A copy of the 2020/21 Audited Annual Accounts are available at the link below:-

https://www.angus.gov.uk/media/angus_council_annual_accounts_2020_21_pdf

- 6.2 The unaudited accounts presented to Scrutiny & Audit on 24 August 2021 have been amended for a number of audit adjustments. It should be noted that one of the audit adjustments reduced the Usable Reserve position by £0.038 million as reported in the Unaudited Annual Accounts in June 2021, from £66.490 million to £66.452 million. The £0.038 million reduction relates to the accounting of the disposal of the Traill Pavilion in Montrose which was omitted from prior year Annual Accounts. Details of this and the main movements are set out in Appendix C to this report.
- 6.3 Members of the Scrutiny & Audit Committee are asked to review the 2020/21 Audited Annual Accounts and the proposed Audit Certificate, noting that this has no qualifications and authorise that the Accounts be signed off in accordance with the Local Authority Accounts (Scotland) Regulations 2014. The unqualified audit certificate means that the auditor is satisfied that the Council's Accounts provide a true and fair view of the Council's financial position and has operated a satisfactory standard of financial stewardship and corporate governance during 2020/21.
- 6.4 One point of note which arises is that there has been an "emphasis of matter" paragraph included in the wording of the Audit Certificate which highlights the uncertainty caused by COVID-19 on property valuations. The audit opinion is however unmodified for this point.
- 6.5 In scrutinising the Accounts members may wish to review the Management Commentary in the accounts which provides a summary of the Council's financial position and outlook. This shows that the total General Fund Reserve at 31 March 2021 for the Council is £49.332 million. This also shows that the total Housing Revenue Account at 31 March 2021 for the Council is £5.374 million.
- 6.6 The General Fund Reserve of £49.332 million includes total commitments of £43.279 million as set out in Fig 10 in the Management Commentary. This total includes commitments for the Car Parking Reserve of £0.357 million, the Arbroath Harbour Reserve of £0.180 million, Specific Reserves of £0.231 million and the Covid-19 Contingency Reserve of £2.057 million. Further commitments relate to DSM, contingency balance, budget carry forwards, earmarked resources, etc. This leaves an uncommitted General Fund Reserve at 31 March 2021 of £6.053 million.

6.7 Report 285/21 to Angus Council on the 9 September 2021, Budget Strategy Update and use of Covid-19 Funding sought approval for the use of the £6.091 million uncommitted General Fund Reserve balance and an adjustment to the Covid-19 Contingency Reserve. The £6.091 million uncommitted General Fund Reserve has been reduced to £6.053 million as part of the audit process, the shortfall of £0.038 million will therefore be addressed as part of future reviews of the General Fund Reserve. The approval of these proposals means that the Council now has an uncommitted General Fund Reserve balance of £nil and a Covid-19 Contingency Reserve of £1.923 million.

7. ROBERT & WILLIAM STRANG MORTIFICATION AND ANGUS COUNCIL CHARITABLE TRUST 2020/21 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

7.1 The statutory deadline for the submission of the draft accounts for audit (30 June 2021) was achieved. The statements were prepared in accordance with the Charity Statement of Recommended Practice. The accounts are included in this report for approval for signature. It is necessary for the accounts to be approved for signature prior to 30 November 2021 and the charity Trustees have previously approved the delegation of this role to the Council's Scrutiny & Audit committee. **The audits will be completed with the issue of unqualified audit opinions on 30 November 2021 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** The audited accounts will be presented to a meeting of Trustees in December 2021. The 2020/21 Audited Annual Accounts for both Charities are available at the links below:-

https://www.angus.gov.uk/media/angus_council_charitable_trust_accounts_2020_21_pdf

https://www.angus.gov.uk/media/strangs_mortification_annual_accounts_for_year_ended_31_march_2021_pdf

8. ACKNOWLEDGEMENT

8.1 The Council is asked to formally record its appreciation of the expeditious manner in which the 2020/21 audit was conducted by the External Auditors. The support and assistance provided by staff throughout the council in the successful delivery of an unqualified Audit Certificate is also gratefully acknowledged.

9. FINANCIAL IMPLICATIONS

9.1 There are no financial implications arising from this report.

10. EQUALITY IMPACT ASSESSMENT

10.1 An equality impact assessment is not required as this report reflects on financial performance and governance over a financial year.

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing this report.

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List of Appendices:

Appendix A – Annual Audit Report Covering Letter

Appendix B - Audit Scotland's Annual Report on the 2020/21 Audit

Appendix C – Annual Accounts 2020/21 - Summary of Main Movements