

ANGUS COUNCIL

**SCRUTINY & AUDIT COMMITTEE - 26 OCTOBER 2023
ANGUS COUNCIL – 2 NOVEMBER 2023**

ANGUS COUNCIL ANNUAL ACCOUNTS 2022/23 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 2022/23 Audit of Angus Council and Angus Council Charitable Funds and asks Members of the Scrutiny & Audit Committee to approve the 2022/23 Audited Annual Accounts of Angus Council and Angus Council Charitable Funds for signature.

1. RECOMMENDATIONS

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 to Members 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 2022/23 Audited Annual Accounts of:
 - Angus Council; and
 - Angus Council Charitable Funds.
- (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 2022/23 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 2022/23 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 unaudited Annual Accounts of Angus Council were scrutinised by the Scrutiny and Audit Committee on 22 August 2023, Report 216/23 refers.

- 3.3. Members will recall that, due to the pandemic, the statutory dates for sign off and publishing the audited annual accounts were deferred for 2019/20, 2020/21 and 2021/22 due to the impact onto completion of the statutory audits. For 2022/23, the statutory date for signing of the annual accounts has returned to 30 September, with publication on the Council's website no later than the 31 October. However, following discussion with our external auditors regarding issues they were experiencing with resourcing the audit, it was agreed that approval for signature would be deferred to today's meeting with signing taking place immediately thereafter. Council officers will publish the audited accounts by the 31 October deadline. Audit resourcing issues are affecting the completion of a number of Council audits this year so the position in Angus is not uncommon. It is anticipated that the default dates of 30 September and 31 October will once again apply, next year, for the 2023/24 accounts.
- 3.4. It is noted that this delay in concluding that audit has again had an 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.

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. Audit Scotland have been re-appointed for the five year period 2022/23 to 2026/27 as the external auditors of Angus Council. The 2022/23 annual accounts audit represents the first year of this appointment.
- 4.3. 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 2021, and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors they give independent opinions on the annual accounts. The Annual report summarises the findings from the 2022/23 annual audit of Angus Council and comprises:
- Significant matters arising from the audit of the council's annual accounts.
 - Conclusions on the council's performance in meeting its Best Value duties.
 - Conclusion on wider scope areas that frame public sector audit as set out in the Code of Audit Practice 2021:
 - Financial management;
 - Financial sustainability;
 - Vision, Leadership and Governance;
 - Use of Resources to Improve Outcomes.

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 2 appendices) and a covering letter for the 2022/23 financial year is attached as **Appendices A (Covering Letter) and B (Main Report)** to this report. The report summarises the findings arising from the 2022/23 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 2022/23 Annual Accounts, conclusion on the council's performance in meeting the Best Value duties, Financial Management, Financial Sustainability, Vision, Leadership and Governance and Use of Resources to Improve outcomes.
- 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 among other things:

- The audit opinions on the 2022/23 Annual Accounts of Angus Council, its group and the section 106 charities administered by the council are unmodified. They give a true and fair view and were properly prepared in accordance with the financial reporting framework;
 - The council has made satisfactory progress on recommendations reported in the 2022 Best Value Audit Report;
 - The council has identified performance measures to monitor progress with its priorities;
 - The council has effect arrangements to secure sound financial management and appropriate budget setting;
 - The council continues to face significant financial challenges in the medium term with a projected funding gap of £51.9 million over three years to 2025/26;
 - The Finance and Change Plan 2023-2026 details plans to achieve savings in the medium term but further development is required;
 - The council has a clear vision, strategy and priorities;
 - Governance arrangements are appropriate and operated effectively;
 - The council has set out a clear vision and priorities which are well-aligned with the Community Planning Partnership's Community Plan.
- 5.3. The Auditor's report identifies 5 new actions for the Council to consider for 2022/23. 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. Good progress has been made on prior year recommendations but for those actions not yet implemented revised responses and timescales have been agreed by management as set out in Appendix 1.
- 5.4. The External Auditors will be in attendance at the Scrutiny & Audit Committee to present their report and allow members to ask any specific questions on the content of their report.

6. 2022/23 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 2023). 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 26 October 2023 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** A copy of the 2022/23 Audited Annual Accounts are available at the link below:-
- [Angus Council Annual Accounts 2022/23](#)
- 6.2. The unaudited accounts presented to Scrutiny & Audit on 22 August 2023 have been amended for a number of audit adjustments. It should be noted that none of the audit adjustments change the Usable Reserve position of £81.170 million as reported in the unaudited annual accounts. Details of the audit adjustments and the main movements from the unaudited annual accounts are set out in Appendix C.
- 6.3. Members of the Scrutiny & Audit Committee are asked to review the 2022/23 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 2022/23.
- 6.4. 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 2023 for the Council is £71.214 million. This

also shows that the total Housing Revenue Account Reserve at 31 March 2023 for the Council is £4.186 million.

- 6.5. The General Fund Reserve of £71.214 million includes total commitments of £68.692 million as set out in Fig 8 in the Management Commentary. This total includes commitments for the Car Parking Reserve of £0.179 million, the Arbroath Harbour Reserve of £0.211 million, Specific Reserves of £0.237 million and the Exceptional Cost Pressures Reserve (previously Covid-19 Contingency Reserve) of £2.841 million. Further commitments relate to DSM, contingency balance, budget carry forwards, earmarked resources, etc. This leaves an uncommitted General Fund Reserve at 31 March 2023 of £2.522 million.

7. ANGUS COUNCIL CHARITABLE FUNDS 2022/23 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

- 7.1. The statutory deadline for the submission of the draft accounts for audit (30 June 2023) 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 2023 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 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** The audited accounts will be presented to a meeting of Trustees in December 2023. The 2022/23 Audited Annual Accounts for Charitable Funds available at the link below:-

[Angus Council Charitable Trust 2022/23](#)

8. ACKNOWLEDGEMENT

- 8.1 The Council is asked to formally record its appreciation of the expeditious manner in which the 2022/23 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 – Audit Scotland's Annual Audit Report Covering Letter

Appendix B - Audit Scotland's Annual Report to Members on the 2022/23 Audit

Appendix C – Annual Accounts 2022/23 - Summary of Main Movements