

## Appendix C

### Annual Accounts 2022/23 – Summary of Main Movements

The Unaudited Accounting Statements presented to Scrutiny & Audit Committee on the 22 August 2023 have been amended for a number of audit adjustments that were raised during the course of Audit Scotland's audit. It should be noted that the adjustments have not changed the General Fund Reserve as reported in the Unaudited Annual Accounts of £71.214 million.

The main movements on the accounting statements are as follows:-

#### **Comprehensive Income & Expenditure Statement (CI&ES)**

- **Gross Expenditure & Gross Income – Net Cost of Services**

External audit raised queries with the workings in the calculation of the Gross Income and Gross Expenditure reported in the statement. After review officers discovered that both Gross Income and Gross Expenditure were overstated by £12.7 million. This adjustment is presentational and does not impact on the reported Actual Net Expenditure and the General Fund Reserve position.

- **Infrastructure Gross Expenditure and Net Budget – Net Cost of Services**

During the audit it was discovered that £0.2 million of depreciation had been charged in error to Assets Under Construction. This has been adjusted for and has resulted in a decrease in the Gross Expenditure Actual and Net Budget of Infrastructure. This adjustment is notional and does not impact on the General Fund Reserve position and the £0.2 million has been adjusted for in the Movement in Reserves Statement (MIRS).

- **Surplus or (Deficit) on Revaluation of Non Current Assets**

During the audit it was discovered that depreciation of £0.6 million that was to be written back on a primary school, which had been transferred from the category of Assets Under Construction to Other Land and Buildings property, had not been actioned. This has been adjusted for and has resulted in an increase in the surplus or (Deficit) on Revaluation of Non Current Assets line in the statement. This adjustment is notional and does not impact on the General Fund Reserve position and the £0.6 million has been adjusted for in the Movement in Reserves Statement (MIRS).

- **.Re-Measurements of Net Pensions Liability**

External Audit raised queries with the calculation of the impact of the asset ceiling presented in the actuarial report and reported in the Unaudited Annual Accounts. Officers then undertook discussions with Dundee City Council as the administering authority of the Tayside Pension Fund (the fund) and their retained actuary (Barnett Waddingham) to resolve this query. As a result of these discussions, it became evident that there are a number of possible approaches to this calculation that are compatible with the accounting standard and this does not invalidate the approach used. However, External Audit clearly articulated their preference for a particular approach and after considering this, and the review work undertaken with the fund, a revised approach was formed. The main difference with the preferred approach is the calculation of the liability at the balance sheet which changed from using 1 year to an annuity method based on 12 years. This increased the impact of the asset ceiling from £9.9 million to £206.4 million. Working this change through the accounts has reduced the re-measurements of net pensions liability from surplus of £230.7 million to a surplus of £34.2 million. This adjustment is notional and does not impact on the General Fund Reserve position and the £196.5 million has been adjusted for in the Movement in Reserves Statement. (MIRS).

## **Balance Sheet**

- **Property, Plant & Equipment**

As per above Property, Plant & Equipment has been increased due to writing back depreciation that should have been actioned at the balance sheet date and correcting a depreciation charge on an Asset Under Construction. The Unusable reserves have been adjusted for these amounts also as the other side of the accounting entry.

- **Pension Asset / Pension Liability**

As explained above, due to the decision to re-calculate the ceiling impact a revised pension report was received from the Actuary. The revised report now presents a Pension Liability of £8.9 million at 31 March, changing from a Pension Asset of £187.7 million as reported in the Unaudited Annual Accounts.

The adjusting entries from all the above have resulted in the Balance Sheet Net Assets / Total Reserves decreasing from £1,020.600 million to £824.813 million. It is noted that these adjustments all relate to Unusable Reserves.

## **Uncommitted General Fund**

The uncommitted General Fund Balance of £2.522 million at 31 March 2023 reported in the Unaudited Accounts has not been impacted by the audit adjustments.

## **Housing Revenue Account**

The Housing Revenue Account reserve of £4.186 million at 31 March 2023 reported in the Unaudited Annual Accounts has not changed.