

AGENDA ITEM NO 3

REPORT NO 284/24

ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE - 24 SEPTEMBER 2024 ANGUS COUNCIL – 7 NOVEMBER 2024

ANGUS COUNCIL ANNUAL ACCOUNTS 2023/24 AND ANNUAL AUDIT REPORT TO MEMBERS

REPORT BY CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

1. ABSTRACT

- 1.1 This report covers Audit Scotland's Annual Audit Report to Members on the 2023/24 Audit of Angus Council and Angus Council Charitable Funds and asks Members of the Scrutiny & Audit Committee to approve the 2023/24 Audited Annual Accounts of Angus Council and Angus Council Charitable Funds for signature.

2. ALIGNMENT TO THE COUNCIL PLAN

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

3. RECOMMENDATIONS

It is recommended that the Scrutiny & Audit Committee:

- (i) reviews 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) reviews 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) scrutinises and approve for signature, in accordance with the Local Authority Accounts (Scotland) Regulations 2014, the 2023/24 Audited Annual Accounts of:
 - Angus Council; and
 - Angus Council Charitable Funds.
- (iv) notes the summary of the main movements within the Angus Council Audited Annual Accounts attached at Appendix C; and
- (v) notes the Key Messages and the 2023/24 Action Plan within the Annual Audit Report to Members (Appendix B).

It is recommended that the Council:

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

4. BACKGROUND

- 4.1 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.
- 4.2 The 2023/24 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 27 August 2024, Report 237/24 refers.

- 4.3 The sign off of the Annual Accounts in 2019/20, 2020/21 and 2021/22 were impacted by the Covid pandemic and then latterly in 2022/23 due to resourcing issues within Audit Scotland to complete the audit. For 2023/24, the statutory date for signing off the annual accounts has returned to 30 September, with publication on the Council's website no later than 31 October.

5. CURRENT POSITION

- 5.1 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.

- 5.2 Audit Scotland have been re-appointed for the five year period 2022/23 to 2026/27 as the external auditors of Angus Council. The 2023/24 annual accounts audit represents the second year of this appointment.

- 5.3 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 Auditor's Annual Report summarises the findings from the 2023/24 annual audit of Angus Council and comprises:

- Significant matters arising from an audit of the council's annual Accounts
- Conclusions on the council's performance in meeting its Best Value duties
- Conclusions on the following wider scope areas that frame public 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.

- 5.4 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 2023/24 financial year is attached as **Appendices A (Covering Letter) and B (Main Report)** to this report. The report summarises the findings arising from the 2023/24 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 2023/24 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.

- 5.5 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:

2023/24 annual accounts

- Audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified.
- Material and non-material adjustments have been made to the annual accounts as a result of the audit process with the most significant adjustment of £15 million relating to the group accounts.

Best Value

- The council has an appropriate and effective best value framework in place.
- Our thematic review of Workforce Innovation identified several areas for improvement with actions agreed with management.
- The council have regularly reported on progress against previous Best Value recommendations. Progress with implementation has been slower than originally envisaged in some areas with proposals outlining improvements in the council's performance management framework to be considered by members in the coming months.

Financial management

- The council has effective and appropriate arrangements to secure sound financial management.
- The council operated within its revised fiscal resources, reporting an underspend of £7.5 million, with 93 per cent of planned savings achieved.
- The main financial systems of internal control operated effectively while standards for the prevention and detection of fraud remain appropriate.

Financial sustainability

- The council has a three-year Finance and Change Plan covering the period to 2027. The Medium-term Budget Strategy also covers a three-year period, while the Capital Plan covers a five-year period. These are updated annually.
- The council continues to face significant financial challenges in the medium term with a projected funding gap of £37.5 million over three years to 2026/27.
- The Change Programme details savings plans and has achieved £12.4 million of savings in 2023/24.
- The council has a long-term strategic financial planning framework in place to consider key issues that may affect its future financial sustainability.

Vision, leadership and governance

- The Council Plan outlines the clear strategic priorities.
- Governance arrangements are effective and appropriate.
- There were significant organisational changes during 2023/24.
- There is effective collaborative working among members and officers towards the achievement of the council's priorities.

Use of resources to improve outcomes

- The council has clear strategic priorities, but performance management arrangements could be improved.
- The council has reported an overall decline, but generally mixed performance against its recognised indicators.
- Satisfactory arrangements are in place for the preparation and publication of Statutory Performance Indicators (SPIs).

- 5.6 The Auditor's report identifies 4 new actions for the Council to consider from the 2023/24 audit and 7 from the Best Value thematic report. 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 fully implemented revised responses and timescales have been agreed by management as set out in Appendix 1.

- 5.7 The External Auditors will be in attendance at the Scrutiny & Audit Committee and full Council to present their report and allow members to ask any specific questions on the content of their report.

6. PROPOSALS

2023/24 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 2024). 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 24 September 2024 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** A copy of the 2023/24 Audited Annual Accounts are available at the link below:-

[Angus Council Annual Accounts 2023/24](#)

- 6.2 The unaudited accounts presented to Scrutiny & Audit on 27 August 2024 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 £68.770 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 2023/24 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 2023/24.
- 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 2024 for the Council is £60.703 million. This also shows that the total Housing Revenue Account Reserve at 31 March 2024 for the Council is £4.445 million.
- 6.5 The General Fund Reserve of £60.703 million includes total commitments of £59.706 million as set out in Figure 10 in the Management Commentary. This figure has increased by £1.150 million from the £58.556 million reported in the Unaudited Annual Accounts due to two further approvals by the Policy & Resources Committee on the 3 September when considering report 240/24, (2023/24 Financial Outturn and Draft Accounts Update). The committee agreed that £0.150 million of the agreed savings from the Economic Development review would be removed from the Council's Change Programme and the gap would be covered from the uncommitted General Fund Reserve in 2024/25. It also approved the use of £1 million of the uncommitted General Fund Reserve for winter resilience works by the Roads Assets service. The General Fund Reserve total includes commitments for the Car Parking Reserve of £0.188 million, the Arbroath Harbour Reserve of £0.208 million and Specific Reserves of £0.249 million. Further commitments relate to devolved school management (DSM), contingency balance, budget setting, budget carry forwards, earmarked resources, etc. This leaves an uncommitted General Fund Reserve balance at 31 March 2024 of £0.997 million.

Angus Council Charitable Funds 2023/24 Annual Accounts (Including Audit Certificate)

- 6.6 The statutory deadline for the submission of the draft accounts for audit (30 June 2024) 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 2024 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 then be presented to a meeting of Trustees. The 2023/24 Audited Annual Accounts for Charitable Funds available at the link below:-

[Angus Council Charitable Trust 2023/24](#)

Acknowledgement

- 6.7 The Council is asked to formally record its appreciation of the expeditious manner in which the 2023/24 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.

7. FINANCIAL IMPLICATIONS

- 7.1 There are no financial implications arising from this report.

8. RISK MANAGEMENT

- 8.1 The following risks from the Corporate Risk Register are relevant to this report:

- Financial Sustainability
- Transforming for the Future

9. ENVIRONMENTAL IMPLICATIONS

- 9.1 There are no direct environmental implications arising from the recommendations of this report.

10. EQUALITY IMPACT ASSESSMENT

- 10.1 An Equality Impact Assessment is not required as the report concerns factual financial information and governance over a financial year.

11. CHILDRENS RIGHTS AND WELLBEING IMPACT ASSESSMENT

- 11.1 A Childrens Rights and Wellbeing Impact Assessment has been undertaken and a full assessment is not required as the "General Principles" do not apply to this proposal.

12. CONSULTATION

- 12.1 The Chief Executive and Director of Legal, Governance & Change have been consulted on this report.

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 2023/24 Audit

Appendix C – Annual Accounts 2023/24 - Summary of Main Movements