

ANGUS COUNCIL

**SCRUTINY & AUDIT COMMITTEE - 29 NOVEMBER 2022
ANGUS COUNCIL – 15 DECEMBER 2022**

ANGUS COUNCIL ANNUAL ACCOUNTS 2021/22 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 2021/22 Audit of Angus Council, Robert & William Strang Mortification and Angus Council Charitable Trust and asks Members of the Scrutiny & Audit Committee to approve the 2021/22 Audited Annual Accounts of Angus Council, Robert & William Strang Mortification and Angus Council Charitable Trust 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 2021/22 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 2021/22 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 2021/22 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, due to the pandemic the timeline dates were amended for 2019/20 and 2020/21 and were revised by amended regulations to approval by the 31 October and publication on the website by the 30 November. The 2020/21 delays, along with the effects of the ongoing pandemic, have had continuing implications for the completion of the statutory audits of the 2021/22 local authority authority Annual Accounts. In response to this, in September 2021 Audit Scotland requested that the statutory timescales be extended for one further financial year. The change to the statutory date was enacted by regulation 2 of the Local Authority (Capital Finance And Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022. This change only applies to the 2021/22 Annual Accounts. It is anticipated that the default dates of 30 September and 31 October will once again apply in 2022/23. 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 23 August 2022, Report 205/22 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 Audit Scotland were re-appointed for the five year period 2016/17 to 2020/21 as the external auditors of Angus Council. However, 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 would be extended by one year in the first instance. This meant that the current appointment was extended to cover the audit of the 2021/22 Accounts so the 2021/22 annual accounts audit represents the sixth and final 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 2016, including supplementary guidance and International Standards on Auditing in the UK. As public sector auditors they give independent opinions on the annual accounts. Additionally they conclude on:
- Financial management
 - the arrangements for securing financial sustainability
 - the suitability of the corporate governance arrangements;
and
 - the effectiveness of the council's performance management

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 2021/22 financial year is attached as **Appendices A (Covering Letter) and B (Main Report)** to this report. The report summarises the findings arising from the 2021/22 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 2021/22 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 among other things:
- The audit opinions on the 2021/22 Annual Accounts of Angus Council, its group and the two section 106 charities administered by the council are unmodified
 - The council needs to improve its accounting for non-current assets, including a more robust approach to the valuation programme.
 - There is effective financial management and medium-term financial planning in place, but the council has not yet fully developed its long-term financial planning framework
 - Angus Council has appropriate governance arrangements in place to provide effective scrutiny, challenge and informed decision making
 - There are improvements required to performance reporting to ensure that it is effective in monitoring and driving improvement
 - The Best Value Assurance Report published in July 2022 concluded that Angus Council has demonstrated a good pace of improvement since the last Best Value report in 2016
- 5.3 The Auditor's report identifies 4 new actions for the Council to consider for 2021/22 and highlights that limited progress has been made in addressing the actions from the 2020/21 Audit Report to Members due to workload pressures on staff and difficulties in filling vacancies. 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 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 2021/22 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 2022). 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 29 November 2022 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** A copy of the 2021/22 Audited Annual Accounts are available at the link below:-

[Angus Council Annual Accounts 2021/22](#)

- 6.2 The unaudited accounts presented to Scrutiny & Audit on 23 August 2022 have been amended for a number of audit adjustments. It should be noted that 3 of the audit adjustments have increased the Usable Reserve position by £0.158 million from that reported in the Unaudited Annual Accounts in June 2022, from £56.049 million to £56.207 million. The net increase of £0.158 million comprises:
- Accounting entries incorrectly included in the Balance Sheet now transferred to the Comprehensive Income & Expenditure Account - £0.206 million
 - Prepayments for IT contracts accounted for incorrectly in 2021/22 – (£0.282) million
 - Non Domestic Rate Income (NDRI) - Business Rates Incentivisation Scheme (BRIS) amounts to be retained by the council – (£0.014) million
 - Administration grant for low income pandemic payments incorrectly treated as a creditor in Balance Sheet now transferred to the Comprehensive Income & Expenditure Account – (£0.068) million

There has also been a significant movement of £38.3 million in Non-Current Assets valued at Depreciated Replacement costs (DRC). External audit requested that assets valued at DRC were re-visited due to a statement in the valuer's report that DRC assets valued between

2018 and 2021 would be understated. Following discussion it was agreed that 37 additional valuations at a cost of £0.06 million would be undertaken to avoid the risk of material valuation uncertainty and thus a modified audit opinion being provided on the audit certificate.

Details of these adjustments and the main movements from the Unaudited Annual Accounts are set out in Appendix C to this report.

- 6.3 Members of the Scrutiny & Audit Committee are asked to review the 2021/22 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 2021/22.
- 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 2022 for the Council is £56.207 million. This also shows that the total Housing Revenue Account Reserve at 31 March 2022 for the Council is £4.370 million.
- 6.5 The General Fund Reserve of £56.207 million includes total commitments of £49.563 million as set out in Fig 8 in the Management Commentary. This total includes commitments for the Car Parking Reserve of £0.267 million, the Arbroath Harbour Reserve of £0.194 million, Specific Reserves of £0.232 million and the Covid-19 Contingency Reserve of £1.723 million. Further commitments relate to DSM, contingency balance, budget carry forwards, earmarked resources, etc. This leaves an uncommitted General Fund Reserve at 31 March 2022 of £6.644 million.

7 ROBERT & WILLIAM STRANG MORTIFICATION AND ANGUS COUNCIL CHARITABLE TRUST 2021/22 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

- 7.1 The statutory deadline for the submission of the draft accounts for audit (30 June 2022) 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 2022 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 29 November 2022 subject to the Scrutiny & Audit Committee approving the Accounts for signature.** The audited accounts will be presented to a meeting of Trustees in December 2022. The 2021/22 Audited Annual Accounts for both Charities are available at the links below:-

[Angus Council Charitable Trust 2021/22](#)

[Robert & William Strang Mortification 2021/22](#)

8 ACKNOWLEDGEMENT

- 8.1 The Council is asked to formally record its appreciation of the expeditious manner in which the 2021/22 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 2021/22 Audit

Appendix C – Annual Accounts 2021/22 - Summary of Main Movements