

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 24 SEPTEMBER 2013

2012/13 EXTERNAL AUDIT PROCESS (ISA 260) – REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2012/13 AUDIT (REPORT BY EXTERNAL AUDIT)

REPORT BY THE HEAD OF CORPORATE IMPROVEMENT AND FINANCE

Abstract: The Council's 2012/13 Draft Accounting Statements were submitted to the Scrutiny and Audit Committee on 13 August 2013. The final accounts were subject to external audit review undertaken by Audit Scotland and this report advises of the outcome of that review as documented in the auditor's ISA 260 report.

1. RECOMMENDATIONS

It is recommended that the Scrutiny & Audit Committee:

- (i) scrutinise the content of the ISA 260 report from the Council's external auditor and provide any commentary considered appropriate at this time.
- (ii) note that the final audited statements will be provided to the Committee in the next cycle, along with the Auditor's formal Report to Members and the Controller of Audit.

2. INTRODUCTION

The Council is required by law to prepare a set of Accounting Statements (the Accounts) which set out its financial position at the end of each financial year. The Accounts have been prepared by the Head of Corporate Improvement & Finance and his team on a draft basis and were submitted to the Controller of Audit for audit purposes in accordance with the statutory deadline of 30 June 2013.

3. AUDIT PROCESS (ISA 260)

The Accounts are prepared on a draft basis and are submitted to an External Auditor appointed by the Controller of Audit for independent review. Audit Scotland was appointed as Angus Council's external auditor for the five year period beginning 2011/12.

The audit process determines that the auditor should communicate clearly with those charged with the financial governance of Angus Council and make timely observations arising from the audit that are significant and relevant. This information is formally documented and communicated by the International Standard on Auditing 260 (ISA 260).

The ISA 260 Report is included as [Appendix 1](#) to this report. Members are requested to consider the contents of the ISA 260 Report and ask questions of officers and the external auditor as appropriate.

The audit process for 2012/13 is now virtually complete and arrangements are being made for the audited accounts and audit certificate to be signed on 27 September 2013. The audited Accounts along with the Auditor's Report to Members and the Controller of Audit will come to the Scrutiny & Audit Committee on the 12 November 2013 and Angus Council on 12 December 2013 for further review.

4. COMMENTARY ON THE ISA 260 REPORT

The ISA 260 Report highlights to members some errors and corrections which have been identified through the audit of the draft accounts. These will be adjusted for in the audited accounts except for 2 items (see Appendix B to the ISA 260 Report) which have been agreed with the External Auditors to leave unadjusted due to their non-material nature.

The items to be adjusted in the audited accounts mainly affect the Balance Sheet and its presentation but there are 3 items which have impacted upon the General Fund balance:-

- Change Fund grant (see ISA 260 Report paragraph 20) – £200,000 of funding had been received from the Scottish Government in 2012/13 which will be used in 2013/14 to provide funding for a project at Kirkriggs Court. This had been treated as a creditor in the draft accounts but should alternatively be allowed to flow into General Fund balances and be noted therein as earmarked funding. There will, therefore, be a £200k increase in the General Fund balance but no increase in the uncommitted balance;
- Carbon Reduction Commitment (not covered in ISA 260 Report) – a creditor of £299,000 had been recognised in the draft accounts in respect of CRC allowances for 2012/13 which would not be paid until 2013/14. Following submission of the draft accounts new guidance emerged outlining that street lighting was no longer to be included in the allowances calculation. The revised CRC allowances creditor has been calculated as £200,000, a reduction of £99,000. This will increase the General Fund balance by £99,000 as well as the uncommitted balance;
- Pension charges (not covered in ISA 260 Report) – a pension charge of £22,000 was incorrectly posted as a creditor and should have alternatively been met by the service department through the Income & Expenditure Account. This will increase the General Fund balance by £22,000 but the uncommitted balance will only increase by £11,000 due to the impact of departmental budget carry forward arrangements.

In summary, these 3 adjustments will result in a £321,000 increase in General Fund balances but, with £211,000 of this being earmarked, only a £110,000 increase in uncommitted balances.

The other main issues raised by the auditor are commented upon briefly below:-

- Tayside Contracts Minute of Agreement – work on this is well advanced. The three constituent Council legal teams have met on a number of occasions to work this process through to a full conclusion. The issue here is simply to make sure the Minute of Agreement reflects accurately the way Tayside Contracts operates.
- Council Dwellings – the auditor has flagged that our write off periods for depreciation purposes are longer than average and don't take account of differing lives for different components within dwellings. We have therefore agreed to consider our accounting policy in this area for 2013/14 Accounts.
- Equal Pay – although the Council no longer holds an accounting provision for the risk of potential further claims, resources to cover pay pressures and risks have been earmarked within General Fund balances and thus provide some protection against unforeseen issues arising.

5. RISKS

This report does not require any specific risk issues to be addressed.

6. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

7. HUMAN RIGHTS

There are no Human Rights implications arising from this report.

8. EQUALITIES IMPLICATIONS

The issues dealt with in this report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.

9. CONSULTATION

The Chief Executive, Strategic Director - Resources and the Head of Legal and Democratic Services have been consulted on this report.

10. CONCLUSION

The 2012/13 external audit process has now concluded and the International Standard on Auditing 260 (ISA 260) has now been made available for inspection and commentary by members.

**IAN LORIMER
HEAD OF CORPORATE IMPROVEMENT
AND FINANCE**

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 the above Report.

FIN/IL/GW