

AGENDA ITEM NO 4

REPORT NO 580/13

ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE - 12 NOVEMBER 2013
ANGUS COUNCIL – 12 DECEMBER 2013

ANGUS COUNCIL ANNUAL ACCOUNTS 2012/13 AND THE REPORT TO MEMBERS ON THE 2012/13 AUDIT OF ANGUS COUNCIL

REPORT BY CHIEF EXECUTIVE, STRATEGIC DIRECTOR – RESOURCES AND THE HEAD OF CORPORATE IMPROVEMENT AND FINANCE

ABSTRACT:

This report covers Audit Scotland's Report to Members on the 2012/13 Audit of Angus Council and asks Members to formally note the 2012/13 Annual Accounts including the Audited Accounting Statements for Angus Council. The report also advises members of the intention to publish a summarised version of the accounts.

1 RECOMMENDATION

It is recommended that the Scrutiny & Audit Committee:-

- (i) scrutinise the content of Audit Scotland's Report to Members on the 2012/13 Audit of Angus Council ([Appendix 1](#)) and provide any commentary considered appropriate at this time; and
- (ii) review the attached 2012/13 audited [Annual Accounts](#) for Angus Council

It is recommended that the Council:-

- (i) note the content of Audit Scotland's Report to Members on the 2012/13 Audit of Angus Council (Appendix 1)
- (ii) note the attached 2012/13 audited Annual Accounts for Angus Council which will be published shortly after the Council meeting;
- (iii) note that a summarised version of the 2012/13 Annual Accounts will be published electronically.

2 BACKGROUND

General

The 2012/13 accounts have been prepared to be compliant with the Local Authority Accounting Code of Practice. The code is now based on International Financial Reporting Standards (IFRS) which has added significant additional complexity and workload requirements to the final accounts process and in turn has increased the pressures placed on Council officers to deliver accounting statements within the prescribed timescales. The 2012/13 accounts required minimal changes in the compliance requirements.

3 AUDIT PROCESS

- 3.1 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. These Accounts are prepared by the Head of Corporate Improvement and 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.

3.2 The Council's draft Accounting Statements for financial year 2012/13 were submitted to the Controller of Audit for audit by the council's appointed external auditors in accordance with the statutory deadline of 30 June 2013. Audit Scotland were appointed for the five year period beginning 2011/12 as the external auditors of Angus Council. The 2012/13 final accounts represented Audit Scotland's second audit as part of this appointment.

3.3 Through their external audit role Audit Scotland:-

- provide an opinion on the financial statements in accordance with relevant legal and regulatory requirements and international standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission;
- review and report on the Council and its group corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and the Council's financial position;
- review and report on the Council's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value; and
- review and report on whether the Council has made adequate arrangements for collecting, recording and publishing prescribed performance information.

4 REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT

4.1 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 for the 2012/13 financial year is attached as Appendix 1 to this report and covers each of the areas identified in paragraph 3.3 which are relevant to the auditor's role. The Auditor's report is a key document which informs members of significant matters affecting the Council's financial arrangements, governance and performance.

4.2 The Auditor's report is self explanatory and has been the subject of review and discussion with relevant senior officers prior to being finalised. On the whole the report is a positive one and it recognises the progress made by the Council on a number of fronts and the Council's compliance with relevant accounting and governance standards. Although there are no major areas of concern the report does highlight that the Council is facing up to the prospect of having to make significant budget savings whilst also implementing major reforms due to new legislation.

4.3 The Auditor's report identifies a number of actions and these will be addressed as shown in the action plan.

4.4 The External Auditors will be in attendance at the Scrutiny & Audit Committee should members wish to ask any specific questions on the content of their report.

5 2012/13 ANNUAL ACCOUNTS (INCLUDING AUDIT CERTIFICATE)

5.1 The Council achieved the statutory deadline for the submission of its draft accounts for audit (30 June 2013). The statements were prepared in accordance with the Local Authority Accounting Code of Practice. **The audit was completed with the issue of an unqualified audit opinion on 27 September 2013.** A copy of the 2012/13 audited Annual Accounts is attached to this report.

5.2 Members are asked to review and note the 2012/13 Annual Accounts and to formally acknowledge the content of the 2012/13 Audited Accounting Statements and the issue of the

Audit Certificate with no qualifications, which means that the auditor is satisfied that the Council has operated a satisfactory standard of financial stewardship during 2012/13.

- 5.3 Although they are compliant with law and applicable standards, the Council's Accounts are complex and detailed and do not therefore lend themselves to review by most local citizens. In order, therefore, to present information on the financial performance of the council in a more straight forward format a summarised version of the accounts will be published. Once finalised the summarised accounts will be placed on the Council's website.
- 5.4 Through the audit process a number of adjustments were made to the draft accounts submitted in June 2013. These were agreed between the External Auditor and the Head of Corporate Improvement and Finance. The impact of these adjustments was to revise a deficit of £6.064 million on the Income and Expenditure Account per the draft accounts to a deficit of £5.520 million. The adjustment of £0.544 million is outlined as follows: -

Audit Adjustments

- a) Adjustment to council dwellings depreciation - £0.223 million
 - b) Adjustment to Carbon Reduction Commitment (CRC) provision - £0.099 million
 - c) Adjustment to Pension Charges - £0.022 million
 - d) Treatment of Change Fund grant - £0.200 million
- 5.5 It should be noted however that only items b, c and d totalling £0.321 million impact onto the Council's total General Fund balance (including HRA and other earmarked funds). The total General Fund balance at 31 March 2013 for the Council is £21.237 million. £17.490 million of this sum is in relation to General Fund balances, £3.148 million Housing Revenue Account and £0.599 million other earmarked funds.
- 5.6 The General Fund balance of £17.490 million includes total commitments of £17.210 million e.g. DSM, contingency balance, budget carry forwards, earmarked resources, etc. This leaves an uncommitted General Fund balance at 31 March 2013 of £0.280 million which is £0.052 million higher than identified in the unaudited annual accounts.

6 ACKNOWLEDGEMENT

- 6.1 The Council is asked to formally record its appreciation of the expeditious manner in which the 2012/13 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 and thankfully acknowledged.

7 RISKS

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

8 FINANCIAL IMPLICATIONS

- 8.1 The cost of producing the Annual Accounts and summarised Annual Accounts is estimated to be £790. This cost can be contained in the 2013/14 Other Services revenue budget held for this purpose.

9 HUMAN RIGHTS IMPLICATIONS

- 9.1 There are no Human Rights Act implications pertaining to this report.

10 EQUALITIES IMPLICATIONS

- 10.1 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.

11 CONSULTATION

- 11.1 The Head of Legal and Democratic Services has been consulted on the contents of this report.

12 CONCLUSION

- 12.1 The Council met the deadline of submitting its Accounts by the due date of 30 June 2013 and has been provided with an unqualified audit certificate by the external auditors (Audit Scotland). The Annual Accounts and Summarised Accounts will now be published.

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.

Richard Stiff
Chief Executive

Mark Armstrong
Strategic Director - Resources

Ian Lorimer
**Head of Corporate Improvement
and Finance**

IL/GW, 11/10/13