

**AUDITED ACCOUNTS 2016-17 AND
AUDIT SCOTLAND ANNUAL AUDIT REPORT 2016-17**

1. EXECUTIVE SUMMARY

1.1 Audit Scotland have now completed their audit of the Council's Accounts for the year to 31 March and also the Charitable Trusts administered by the Council and have issued audit certificates containing no qualifications. The Council's Accounts and the Charitable Trust Accounts incorporating the audit certificates are on the Council's website on the following link:

<https://www.argyll-bute.gov.uk/council-and-government/financial-statements>

1.2 The external audit of the Council's Accounts was completed within the timescale of 30 September. The Audit and Scrutiny Committee, at its meeting on 19 September 2017, approved the Accounts for issue.

1.3 There were only three adjustments to the accounts, as summarised below:

- A reduction in capital creditors of £0.325m as a result of an error in the original calculation.
- A transfer of £5.536m to Assets Under Construction from Other Land and Buildings with £0.279m of depreciation written off to revenue.
- An increase in NDR Income of £0.082m in respect of the Lorn Arc Tax Incremental Funding Scheme which was used to pay down the TIF Debt.

1.4 These adjustments had no impact on the General Fund Balance. The detail of the changes within the annual accounts is noted in Appendix 1.

1.5 The External Auditors Annual Report is positive. The report contains a number of key messages in respect of:

- The Audit of the 2016/17 Annual Accounts
- Financial Management
- Financial Sustainability
- Governance and Transparency
- Value For Money

1.6 The Council is recommended to:

- Note that unqualified certificates have been issued for both the Council Accounts and the Charitable Trusts and these are now included within the Accounts on the Council's website.
- Consider Audit Scotland's Annual Audit Report for 2016-17.

**AUDITED ACCOUNTS 2016-17 AND
AUDIT SCOTLAND ANNUAL AUDIT REPORT 2016-17**

2. INTRODUCTION

- 2.1 Audit Scotland have now completed their audit of the Council's Accounts for the year to 31 March and also the Charitable Trusts administered by the Council and have issued audit certificates containing no qualifications. The Council's Accounts and the Charitable Trust Accounts incorporating the audit certificates are on the Council's website on the following link:

<https://www.argyll-bute.gov.uk/council-and-government/financial-statements>

- 2.2 Audit Scotland have issued the 2016-17 Annual Audit Report to Members and the Controller of Audit and this is attached as Appendix 2.

3. RECOMMENDATIONS

- 3.1 Note that unqualified certificates have been issued for both the Council Accounts and the Charitable Trusts and these are now included within the Accounts on the Council's website.
- 3.2 Consider Audit Scotland's Annual Audit Report for 2016-17.

4. DETAIL

- 4.1 The Council Accounts were completed and submitted by the statutory date of 30 June along with the Accounts for the Charitable Trusts administered by the Council.
- 4.2 Audit Scotland carried out their external audit of the Accounts and the audit was completed within the timescale of 30 September. The Audit and Scrutiny Committee, at its meeting on 19 September 2017, approved the Accounts for issue.
- 4.3 The audit certificate on the Council's accounts for the year ended 31 March 2017 contains no qualifications. External audit were able to conclude that the Council's Accounts present a true and fair view of its financial position as at 31 March 2017.
- 4.4 There were only three adjustments to the accounts, as summarised below:
- A reduction in capital creditors of £0.325m as a result of an error in the original calculation.
 - A transfer of £5.536m to Asset Under Construction from Other Land and Buildings with £0.279m of depreciation written off to revenue.
 - An increase in NDR Income of £0.082m in respect of the Lorn Arc Tax

Incremental Funding Scheme which was used to pay down the TIF Debt.

- 4.5 These adjustments had no impact on the General Fund Balance. The detail of the changes within the annual accounts is noted in Appendix 1.
- 4.6 The audit identified an error in respect of the holiday pay accrual where it was agreed not to amend the accounts. If this entry had been processed it would have reduced the General Fund Balance by £0.111m.
- 4.7 The committed funds within the General Fund Balance are £41.519m per the audited accounts. The Council also agreed that £4m would be set aside and used towards budget smoothing within the year 2019-20 in addition to the 2% contingency which amounts to £4.671m. This leaves an unallocated balance, after contingency of £3.299m.
- 4.8 The External Auditors Annual Report is positive. The report contains a number of key messages in respect of:
- The Audit of the 2016/17 Annual Accounts
 - Unqualified audit opinion on the Council's and charitable trusts financial statements.
 - Financial Management
 - Financial management has been effective and internal financial controls are operating effectively.
 - Financial Sustainability
 - The Council has adequate reserves, consistently contains expenditure within budget and its financial plans are aligned to Council priorities.
 - The financial position is sustainable in the medium term, although rising demand, increasing costs of services and pressures on central funding will continue to place strain on the Council's capacity to deliver services at the current levels.
 - With the principles of the medium to long-term financial strategy agreed by members the long-term strategy should be finalised along with the strategic workforce plan.
 - Governance and Transparency
 - The Council has appropriate governance arrangements in place that support the scrutiny of decisions made by the Council. The Council has improved the level of openness and transparency with which it concludes its business.
 - Value For Money
 - A number of improvement activities have been introduced, with good evidence of progress having been made in addressing previous recommendations, however, measures taken will require time to fully develop and demonstrate significant and lasting improvement.
- 4.9 Appendix 1 of the Annual Report outlines the action plan agreed with officers to address issues identified during the audit. The actions are in relation to:
- Impairment Reviews
 - Holiday Pay Accrual
 - National Fraud Initiative
 - Workforce Planning

5. CONCLUSION

- 5.1 This report advises members on the conclusion of the audit of the Accounts. The External Auditor's certificate is unqualified. The audit was completed within the required timescales. Minimal adjustments were made to the accounts during the audit process.

6. IMPLICATIONS

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| 6.1 | Policy – | None. |
| 6.2 | Financial - | None |
| 6.3 | Legal - | None. |
| 6.4 | HR - | None. |
| 6.5 | Equalities - | None. |
| 6.6 | Risk - | None. |
| 6.7 | Customer Service - | None. |

Kirsty Flanagan
Head of Strategic Finance
30 October 2017

**Gary Mulvaney, Policy Lead for Strategic Finance and Capital
Regeneration Projects**

For further information please contact Peter Cupples, Finance Manager –
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Appendices:

Appendix 1 – Summary of Main Changes to Financial Statements Arising from
Audit

Appendix 2 – Annual Audit Report

APPENDIX 1 – SUMMARY OF MAIN CHANGES TO FINANCIAL STATEMENTS ARISING FROM AUDIT

Section of Financial Statements Changes	Audited Accounts £000s	Unaudited Accounts £000s	Change £000s	Comments / Explanation
Comprehensive Income & Expenditure Account (Pages 52-53 of audited accounts)				
Net cost of services	239,643	239,365	278 (Cr)	Write off of Depreciation
Total Taxation and Non-Specific Grant Income	(252,123)	(252,205)	82 (Cr)	Additional NDR Income
Deficit on Provision of Services	4,998	4,638	360 (Cr)	Net effect of above
Total Comprehensive Income and Expenditure	52,115	51,755	360 (Cr)	Net effect of above
Statement of Movement in Reserves (Pages 56-57 of audited accounts)				
Deficit on Provision of Services	4,998	4,638	360 (Cr)	See Comprehensive Income and Expenditure Account above.
Statutory Adjustments	(6,341)	(5,981)	360 (Dr)	Net effect of above
Balance Sheet (Pages 54-55 of audited accounts)				
Other Land and Buildings	255,848	250,590	5,258 (Cr)	Transfer off Assets to Assets Under Construction
Vehicles, Plant, Furniture and Equipment	9,552	9,207	345 (Cr)	Correction of Capital Creditors
Assets Under Construction	18,830	24,366	5,536 (Dr)	Transfer off Assets to Assets Under Construction
Total Long Term Assets	509,190	509,123	67 (Cr)	Net effect of above
Short Term Debtors	15,981	16,063	82 (Dr)	Correction of Debtors Balances
Short-term Creditors	(30,115)	(29,770)	345 (Dr)	Correction of Creditors Balances

Total Assets less Liabilities	151,204	151,564	360 (Dr)	Net effect of above
Capital Adjustment Account	194,647	195,007	360 (Dr)	Net effect of above
Total Reserves	151,204	151,564	360 (Dr)	Net effect of above