

2022-23 AUDITED ANNUAL ACCOUNTS

1. INTRODUCTION

- 1.1 This report provides Members with an update on the external audit of the Annual Accounts of the Council for the year ended 31 March 2023.
- 1.2 There has been a significant delay in the completion of the audit. The audit of the accounts for 2022-23 is substantially complete, however, the External Audit Report identifies that, at the time of preparing the report, some matters remain outstanding. Mazars has committed to providing an update in relation to the outstanding matters through issuance of a follow up letter. In addition, Mazars have noted that they expect to issue an **unqualified opinion** and the draft opinion has been inserted into the Annual Accounts document.

2. RECOMMENDATION

- 2.1 It is recommended that the Audit and Scrutiny Committee:
- Note that the audit is substantially complete and Mazars are have advised the Council that they are expecting to issue an unqualified opinion on the Council's Accounts for the year ended 31 March 2023.
 - Accept and endorse the set of Accounts as attached to this report and refer to the Council for approval.
 - Note that if the Council receives a follow-up letter from Mazars confirming there are no material changes to the Accounts, there would be no impediment to the Council signing off the Annual Accounts.
 - Note that if the Council receives a follow-up letter from Mazars confirming there is a material change, it will be a matter for the Council to take forward the approval of the Accounts having regard to that. In this event, a further report will be submitted to the Audit and Scrutiny Committee for information.
 - Note that the Audit of the Charitable Trusts is expected to be completed in March and the Charitable Trust Accounts will be submitted to Council in April with a copy to the Audit and Scrutiny Committee in June for information.

3. DETAIL

- 3.1 Mazars have been appointed as our external auditors from financial year 2022-23 for a period of 5 years.
- 3.2 There has been a significant delay in the completion of the audit. Mazars initially cited difficulties in recruitment as the primary cause of the delay, with resourcing being

identified as a sector wide issue, particularly within the public sector. Audit work would normally commence in July each year but this was delayed until late September/early October. The key audit partner from Mazars was also absent during January and much of February 2024. Mazars have outlined their reasons for the delay on page 19 of their Audit Report.

- 3.3 The audit of the accounts for 2022-23 is substantially complete, however, the External Audit Report outlines that, at the time of preparing the report, some matters remain outstanding. Mazars has committed to providing an update in relation to the outstanding matters through issuance of a follow up letter. In addition, Mazars have noted that they expect to issue an **unqualified opinion** and the draft opinion has been inserted into the Annual Accounts document.
- 3.4 Assuming that there are no further changes to the Accounts, the main adjustments, in addition to some presentational changes, are summarised below and further detail is provided in Appendix 1:
- The reversal of a journal processed in error relating to Live Argyll Debtors Balances and Cash. This has no bottom line impact on the Balance Sheet.
 - A Pensions Adjustment to reflect the Asset Ceiling calculations required by our external auditors and Audit Scotland.
 - A late accrual for the consultancy fee payable to KPMG in relation to a claim submitted to HMRC for VAT on leisure fees dating back many years. This was slightly offset by additional income from this claim.
 - Strathclyde Passenger Transport and the Strathclyde Concessionary Travel Scheme have been included as Related Parties for 2022-23 and removed as Associates from the Group Accounts as they were in previous years.
- 3.5 The balance of the General Fund reduced by £53k as a result of the adjustments noted in the paragraph above.
- 3.6 The financial position of the Council based on the Audited Accounts can be summarised as follows:
- Accounting Deficit on the provision of services for 2022-23 is £6.047m
 - Revenue Budget underspend for 2022-23 is £3.273m
 - Total assets less liabilities as at 31st March 2023 is £667.070m
 - General Fund Balance as at 31st March 2023 is £86.356m.
- 3.7 The committed funds within the General Fund are £79.466m per the draft Audited Accounts. This leaves an unallocated General Fund balance of £6.890m. This equates to 2.6% of the Council's budgeted net expenditure for 2022-23 and exceeds the agreed contingency of 2% of approved budget as agreed as part of the 2022-23 budget.
- 3.8 It is disappointing that the Audit of the Trust Funds has not been completed yet. It is hoped that this will be complete and could go to the Council meeting in April for sign-off with a copy brought to the Audit and Scrutiny Committee's next meeting in June 2024. However, it should be noted that the delay has meant we haven't been able to meet our obligations to submit the Audited Trust Fund accounts to OSCR by 31 December 2023.

- 3.9 The audit of the Housing Benefit Subsidy claim has still to be completed. This was due to be submitted to DWP by 31 January 2024, it is expected that this audit will be completed in March.
- 3.10 The audit process has been particularly disappointing and frustrating this year with a lack of sufficient engagement, in addition to the audit work being carried out much later than normal, which has resulted in staff who normally are focused on the Council budget work from October onwards having to manage both budget and annual accounts work. We are also about to commence our 2023-24 year-end process and to not have the 2022-23 Accounts signed off is less than ideal.
- 3.11 I have advised both Mazars and Audit Scotland of our dissatisfaction with the audit process this year. On conclusion of the audit there will be a lessons learned debrief with Mazars to mitigate similar issues arising again in the future and it is hoped that the process, communications and timescales will be improved for the 2023-24 audit.

4. CONCLUSION

- 4.1 This report provides Members with an update on the external audit of the Annual Accounts of the Council for the year to 31 March 2023.

5. IMPLICATIONS

- 5.1 Policy – None
- 5.2 Financial – Failure to comply with CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23. Failure to adhere to deadlines from OSCR, DWP and Scottish Government.
- 5.3 Legal – Not expected to be any legal issues.
- 5.4 HR – Staff working on the audit usually move from audit work to budget work, however, since the audit had been delayed further pressure has been placed upon staff.
- 5.5 Fairer Duty Scotland:
- 5.5.1 Equalities – protected characteristics – None
- 5.5.2 Socio-economic Duty – None
- 5.5.3 Islands – None
- 5.6 Climate Change – None
- 5.7 Risk – None known at this time.
- 5.8 Customer Service - None
- 5.9 The Rights of the Child (UNCRC) - None

Kirsty Flanagan
Executive Director/ Section 95 Officer
7 March 2024

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APPENDICES

Appendix 1 - Summary of main changes to Financial Statements arising from audit

Appendix 2 – Argyll and Bute Council Draft Audited Accounts 2022-23 (Version correct as at
7 March 2024)

Summary of main changes to Financial Statements arising from audit

Section of Financial Statements	Audited Accounts £'000	Unaudited Accounts £'000	Change £'000	Comments / Explanation
Comprehensive Income & Expenditure Account				
Other Comprehensive Income and Expenditure	154,350	247,409	(93,059)	Other Post Employment Benefits (Pensions)
Other Non-Departmental Costs	7,594	7,541	53	Flemming Income & Consultants Fees
Balance Sheet				
Impact on Assets and Liabilities				
Other Long term Debtors (Pensions)	139,014	232,073	(93,059)	Revised remeasurements plus asset ceiling adjustment (Pensions)
Cash & Cash Equivalents	823	-6,083	6,906	Reversal of a journal processed in error relating to Live Argyll balances
Debtors	27,186	34,080	(6,894)	Reversal of a journal processed in error relating to Live Argyll balances plus additional income re Fleming case
Creditors	(50,044)	(49,979)	(65)	Flemming Case Consultants Fees
Impact on Council Reserves				
General Fund Balance	86,356	86,409	(53)	Flemming Income & Consultants Fees
Pensions Reserve	139,014	232,073	(93,059)	Revised remeasurements plus asset ceiling adjustment

Section of Financial Statements	Audited Accounts £'000	Unaudited Accounts £'000	Change £'000	Comments / Explanation
Statement of Movement in Reserves				
Surplus or Deficit on Provision of Services	6,047	5,994	53	Net effect of Additional income in respect of Fleming Case plus consultants fees
Other Comprehensive Income and expenditure	154,350	247,409	(93,059)	Revised remeasurements plus asset ceiling adjustment (Pensions)

Section of Financial Statements	Audited Accounts £'000	Unaudited Accounts £'000	Change £'000	Comments / Explanation
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Group Comprehensive Income and Expenditure Account

Net Cost of Service	(178,364)	(271,365)	93,001	Revised remeasurements plus asset ceiling adjustment (Pensions) plus removal of SPT & Concessionary Fares Scheme from Group
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Group Balance Sheet

Long term Assets	904,488	1,001,478	(96,990)	Net of the adjustments above plus removal of SPT & Concessionary Fares Scheme from Group
Cash and Cash Equivalents	3,279	(3,627)	6,906	Reversal of a journal processed in error relating to Live Argyll balances
Debtors	27,256	34,150	(6,894)	Reversal of a journal processed in error relating to Live Argyll balances plus additional income re Flemming case
Creditors	(50,725)	(50,660)	(65)	Flemming Case Consultants Fees
Investment in Associates & Joint Ventures	8,927	10,950	(2,023)	Removal of SPT & Concessionary Fares Scheme from Group
Liabilities in Associates and Joint Ventures	(46)	(357)	311	Removal of SPT & Concessionary Fares Scheme from Group

Impact on Group Reserves

Total reserves	(695,840)	(794,596)	98,756	Net of the adjustments above
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Group Statement of Movement in Reserves

Group Comprehensive Income & Expenditure	(178,364)	(271,365)	93,001	Net of the adjustments below.
General Fund Balance	86,356	86,409	(53)	Net effect of Additional income in respect of Flemming Case plus consultants fees
Common Good	(9,431)	(9,431)	0	
Council Unusable Reserves	(573,295)	(666,354)	93,059	Revised remeasurements plus asset ceiling adjustment (Pensions)
Share of Reserves of Associates	(12,739)	(18,383)	5,644	Removal of SPT & Concessionary Fares Scheme from Group

