

# **WEST DUNBARTONSHIRE COUNCIL**

## **Report by Strategic Lead - Resources**

**Audit Committee – 25 September 2019**

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**Subject: Audited Annual Accounts 2018/2019 – Annual Audit Report to Members and Controller of Audit**

### **1. Purpose**

**1.1** The purpose of this report is to:

- (a) advise Committee of Audit Scotland's findings in relation to the audit of the Council;
- (b) advise Committee of Audit Scotland's findings in relation to the audit of those charities;
- (c) submit to Committee the audited Financial Statements of the Council for 2018/2019 and to highlight matters of interest; and
- (d) submit to Committee the audited 2018/19 Financial Statements of the Charities administered by the Council and to highlight matters of interest.

### **2. Recommendations**

**2.1** Committee is invited to:

- (a) note the contents of this report;
- (b) note the findings of the audits as detailed in Audit Scotland's reports dated 25 September 2019; and
- (c) approve the audited Annual Accounts 2018/19 of both the Council and the Council-administered Charities and note that these will be presented to Council on 30 October 2019 for information.

### **3. Background**

- 3.1** The Council's draft unaudited Annual Accounts (including the Group Accounts) for 2018/19 were reported to Council on 26 June 2019 and passed to the Accounts Commission before the statutory deadline on 30 June 2019.
- 3.2** The report submitted to Council identified a draft position of an unearmarked General Service reserve of £4.384m and provided Members with information as to variances for the year. The draft unearmarked position for the Housing Revenue Account reserve was £0.850m.
- 3.3** The Charitable Trusts' draft, unaudited accounts for 2018/19 were also reported to Council on 26 June 2019.

- 3.4** As the external auditor of the Council, it is Audit Scotland's responsibility to undertake their audit work in accordance International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.

#### **4. Main Issues**

- 4.1** The audit of the Annual Accounts for both the Council and the Council-administered Charities have now been completed. The Council has received Annual Audit Report to Members and Controller of Audit which is appended to this report for consideration (Appendices 1 and 2). The audited Annual Accounts for the Council and the Council-administered Charitable Trusts are appended to this report for consideration and approval (Appendices 3 and 4). Thereafter, the Annual Accounts and the Annual Audit Report to Members and Controller of Audit will be reported to Council on 30 October 2019.

#### **West Dunbartonshire Council and Charities Audit Report**

- 4.2** Audit Scotland, as the Council's external auditors, has issued a report dated 25 September 2019 which details the main issues arising from the audit of the Council and its Annual Accounts. The full report is appended to this report (Appendix 1).
- 4.3** The report identifies 6 recommendations for improvement for the Council and a further 2 in relation to the Trust Funds, together with management responses and an update on the 11 actions identified from the 2017/18 Audit Report (1 of which is noted as ongoing).
- 4.4** The Audit Opinion is detailed on page 8 of the report which advises that Audit Scotland expect to issue an unqualified opinion on the Council's Annual Accounts. Page 15 reports that Audit Scotland expect to issue an unqualified opinion on the Charities Annual Accounts.
- 4.5** The report also appends (see Appendix 2) the proposed independent auditor's report and the draft letters of representation (ISA 580) which the Strategic Lead - Resources is required to sign and submit to Audit Scotland.

#### **The Council's Accounts**

- 4.6** A number of presentational and monetary adjustments were identified within the draft Annual Accounts during the course of the audit, the effect of which results in a net increase in the Council's General Fund reserve balance of £0.439 and no change on the reserves position in the Housing Revenue Account (HRA). Further detail on the updated General Fund position is noted below:

	Free £000	Earmarked £000	Total £000
<b>Total General Services Reserve - draft accounts</b>	<b>4,384</b>	<b>6,175</b>	<b>10,559</b>
Revision to accrued expenditure	444	0	444
Revision to VER/VS accrued spend	0	(5)	(5)
Increase in reserve	<b>444</b>	<b>(5)</b>	<b>439</b>
<b>Total General Services Reserve - audited accounts</b>	<b>4,828</b>	<b>6,170</b>	<b>10,998</b>

**4.7** I am pleased to report that a clean audit opinion has been given in relation to these Accounts.

**4.8** The management commentary on pages 2 to 16 of the Annual Accounts summarises the major matters contained within the document and provides an explanation of the Council's financial position as at 31 March 2019. In particular:

**4.8.1** In relation to the General Fund:

- The accounts show a General Fund balance of £10.998m as at 31 March 2019. Of this balance, £6.170m is earmarked for ring-fenced purposes, leaving an unearmarked balance of £4.828m;
- The level of unearmarked balance of £4.828m compares with that of £4.304m at 31 March 2018 and confirms that the unearmarked reserve position has increased by £0.524m during the year;
- The unearmarked balance of £4.828m compares to the targeted prudential level of reserve of £4.192m which is considered necessary to safeguard assets and to protect services against financial risk; and
- In addition to the above reserves a sum of £0.233m has been set aside as a provision for future equal pay claims and £0.118m set aside for the provision of Voluntary Severance/ Voluntary Early Retirals.

**4.8.2** In relation to the Housing Revenue Account, the accounts show an HRA balance of £1.606m as at 31 March 2019. Of this balance £0.756m is earmarked, leaving a free balance of £0.850m which is in line with the recommended prudential level of HRA reserve of £0.850m.

**4.8.3** The Council maintains statutory accounts for two trading operations under the provisions of the Local Government Scotland Act 2003: Housing Maintenance and Grounds Maintenance/Street Cleaning. These operations returned a collective

surplus in the year of £3.234m and both operations have achieved a break even performance over the last three years in line with their statutory requirements.

- 4.9** On pages 18 to 26 of the accounts is the Annual Governance Statement. This Statement provides assurance that the Council has in place a sound system of governance control. The Governance Statement identifies a number of areas where officers have identified improvements can be made.

#### **Charitable Trusts' Accounts**

- 4.10** I am pleased to report that a clean audit opinion has been given in relation to these Accounts.

- 4.11** Page 7 of the Accounts details the Statement of Balances and highlights a decrease in the balances held from £0.315m to £0.283m as at 31 March 2019.

### **5. Option Appraisal**

- 5.1** No option appraisal was required for this report.

### **6. People Implications**

- 6.1** There are no people implications.

### **7. Financial and Procurement Implications**

- 7.1** Other than as described above there are no financial or procurement implications.

### **8. Risk Analysis**

- 8.1** No risk analysis was required.

### **9. Equalities Impact Assessment (EIA)**

- 9.1** No equalities impact was required in relation to the preparation of this report.

### **10. Consultation**

- 10.1** The views of relevant officers were requested on this report and the appendices and view were taken on board.

### **11. Strategic Assessment**

- 11.1** The report is in relation to a statutory function. As such, it does not directly affect any of the strategic priorities.

**Stephen West**  
**Strategic Lead - Resources**  
**Date: 18 September 2019**

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**Appendices:**

1. Audit Scotland's Annual Audit Report to West Dunbartonshire Council and Controller of Audit (incorporating Charitable Trusts);
2. West Dunbartonshire Council – Annual Audit Report – covering letter (including ISA 580) (incorporating Charitable Trusts);
3. Audited Annual Accounts 2018/19 – West Dunbartonshire Council; and
4. Audited Annual Accounts 2018/19 – Charitable Trust Funds.

**Background Papers:**

1. Report to Council of 26 June 2019: Draft Annual Accounts 2018/2019

**Wards Affected:** All

