

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Council – 25 November 2020

Subject: Audited Annual Accounts 2019/2020 – Annual Audit Report to Members and Controller of Audit

1. Purpose

1.1 The purpose of this report is to:

- (a) advise Council of Audit Scotland's findings in relation to the audit of the Council and the audit of Council administered charities;
- (b) submit to Council the audited Financial Statements of the Council for 2019/2020 and to highlight matters of interest; and
- (c) submit to Council the audited 2019/20 Financial Statements of the Charities administered by the Council and highlight matters of interest.

2. Recommendations

2.1 Council is invited to:

- (a) note the contents of this report;
- (b) note the clean audit opinions and the findings of the audits as detailed in Audit Scotland's report dated 25 November 2020; and
- (c) approve the audited Annual Accounts 2019/20 of both the Council and the Council administered Charities and note that these will be reported to the Audit Committee on 10 March 2021 for further scrutiny.

3. Background

3.1 The Council's draft unaudited Annual Accounts (including the Group Accounts) for 2019/20 were reported to Council on 26 August 2020 and passed to the Accounts Commission before the statutory deadline on 30 June 2020.

3.2 The report submitted to the August 2020 Council identified a draft position of an unearmarked General Service reserve of £2.447m and provided Members with information as to variances for the year. The draft unearmarked position for the Housing Revenue Account reserve was £0.883m.

3.3 The Charitable Trusts' draft, unaudited accounts for 2019/20 were also reported to August 2020 Council.

3.4 As the external auditor of the Council, it is Audit Scotland's responsibility to undertake their audit work in accordance with 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 audits 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).

West Dunbartonshire Council and Charities Audit Report

4.2 Audit Scotland, as the Council's external auditors, has issued a report dated 25 November 2020 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 7 recommendations for improvement for the Council. It also identifies a further 3 recommendations in relation to the Trust Funds. The report also provides management responses for these actions and an update on the 6 actions identified from the 2018/19 Audit Report (2 of which are noted as partially completed/ 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 £0.305m and a net decrease of £4.463m on the reserves position in the Housing Revenue Account (HRA). Further detail on the updated General Fund position is noted below:

	General Services			HRA		
	Free Reserve	Earmarked Reserve	Total Reserve	Free Reserve	Earmarked Reserve	Total Reserve
	£000	£000	£000	£000	£000	£000
Draft Financial Statements	2,447	6,643	9,090	883	7,504	8,387
Change in use of capital receipts	305	0	305	0	0	0
Adjustment to loans fund review value used in year	0	0	0	0	(4,463)	(4,463)
Audited Financial Statements	2,752	6,643	9,395	883	3,041	3,924

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 17 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 2020. In particular:

(a) In relation to the General Fund:

- The accounts show a General Fund balance of £9.395m as at 31 March 2020. Of this balance, £6.643m is earmarked for ring-fenced purposes, leaving an unearmarked balance of £2.752m;
- The unearmarked balance of £2.752m compares to the targeted prudential level of reserve of £4.305m which is considered necessary to safeguard assets and to protect services against financial risk; and
- In addition to the above reserves, a sum of £0.232m has been set aside as a provision for future equal pay claims.

(b) In relation to the Housing Revenue Account, the accounts show an HRA balance of £3.924m as at 31 March 2020. Of this balance £3.041m is earmarked, leaving a free balance of £0.883m which is in line with the recommended prudential level of HRA reserve of £0.883m.

(c) 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 £2.387m and both operations have achieved a break even performance over the last three years in line with their statutory requirements.

4.9 On pages 19 to 27 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 8 of the Accounts details the Statement of Balances and highlights a decrease in the balances held from £0.283m to £0.277m as at 31 March 2020.

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.

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Date: 20 November 2020

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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 2019/20 – West Dunbartonshire Council; and
4. Audited Annual Accounts 2019/20 – Charitable Trust Funds.

Background Papers:

1. Report to Council of 26 August 2020: Draft Annual Accounts 2019/2020

Wards Affected:

All

