

# The Highland Council

29<sup>th</sup> October 2015

Agenda Item	12
Report No	HC/46/15

## Annual Audit Report and Accounts

### Report by Director of Finance

#### Summary

The purpose of this report is to present to Council, the External Audit report on the 2014/15 Audit.

## 1. Background

- 1.1 The new Local Authority Accounts (Scotland) Regulations 2014 introduced a range of new requirements for local authorities and auditors. One of these requirements was the formal reporting and signing of the audited accounts.
- 1.2 Previously this annual report to members was produced after the completion of the audit and presented to members for consideration, usually at the next Council meeting in December.
- 1.3 The new Regulations required the completion of the audit by the 30<sup>th</sup> September, and as part of this completion process, for the auditor's report and findings to be considered by the appropriate Council Committee. This consideration had to take place, and the Committee to agree the report and its findings, before the accounts could be signed off.
- 1.4 The Auditor's report was considered by Audit & Scrutiny Committee at its meeting on the 30<sup>th</sup> September, and the Committee agreed to accept the report and approved the formal signing of the accounts. However since the report is addressed to all members of the Council it is now brought to Council for consideration, and is attached as an appendix to this report. A link to the audited accounts is: [Here](#)

## 2. Discussion

- 2.1 The Key Messages are on pages 4 and 5 of the Auditor's report. The main factor for the Council is that the auditor's report is unqualified.
- 2.2 The new Regulations required an acceleration of the accounts and audit process, and this could only be achieved through close working and co-operation between Finance and Audit Scotland staff. In general performance was better this year than previously, although the report does highlight further areas for improvement.
- 2.3 The unaudited accounts, presented to Council in June, reported a surplus for the year of £5.902m. After completion of the audit this figure has changed marginally by £0.019m, to an actual surplus of £5.921m. The closeness of the figures provides the Council with assurances about the robustness of its financial management controls and processes.

- 2.4 Whilst scope for improvement is always key to providing a best value service, the challenge of reducing budgets, and reductions in staff across all Council services, will provide a challenge to continuous improvement.

### **3. Action Plan**

- 3.1 The Action Plan is included in Appendix IV to the auditor's report, including officers' comments and agreed actions (or otherwise).
- 3.2 Action 1 acknowledges the need to do better when considering the implications of new regulations. However Council is asked to note the challenges of this, linking to paragraph 2.4 above.
- 3.3 Action 2 notes that I have disagreed with the auditor's opinion in relation to the outstanding loan with Inverness Airport Business Park Ltd. Members should note that a revised business plan, and proposals to review a repayment profile for this loan, are expected to be received in the next few months. This will be reported to Planning, Development & Infrastructure Committee as soon as possible thereafter. The Council should however be aware, that if this revised plan does not provide the assurances required, then the status of this loan will require to be reviewed.

The Director of Development & Infrastructure and myself are however currently of the opinion that the Council will eventually recover the monies due.

- 3.4 Action 3 relates to the next significant change in accounting for infrastructure assets. I have received assurances that the Council has the necessary work in place to allow the Council to meet this new accounting requirement.
- 3.5 Action 4 relates to the Capital Plan, and the report on today's agenda seeks to address some of these issues.
- 3.6 Action 5 and 6 relate to the need for a longer term financial strategy. This point is agreed, but the officer response clearly highlights the challenge of doing so at a time when there is significant uncertainty over the amount and period of future grant settlements, which are obviously key to the financial strategy. Nevertheless, this stresses the importance of proper planning and assessment of cost and service pressures and priorities.
- 3.7 Action 7 is addressed through a separate report on today's agenda.
- 3.8 Action 8 is accepted, and further guidance will be provided for next year. Members should however note the importance of responding to the request for information as an important element of corporate governance and accountability.
- 3.9 Action 9 is accepted, and work is ongoing to improve reporting at a local level.

### **4. Implications**

- 4.1 Resource, Legal, Risk, Equalities, Climate Change/Carbon Clever, Gaelic, Rural implications.

There are no specific issues to highlight other than those referred to within the report. The Auditor's report is an important part of the overall external scrutiny and governance of the Council, and the agreed action plan reflects improvements that the Council has agreed to make.

**Recommendation**

The Council is asked to note that the Auditor's report was approved by Audit & Scrutiny Committee at its meeting on 30<sup>th</sup> September. The Council is now asked to consider the report and note the agreed actions.

Designation: Director of Finance

Date: 15<sup>th</sup> October 2015

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Background Papers: None