

REPORT TO AUDIT COMMITTEE – 19 SEPTEMBER 2019

AUDITED ANNUAL ACCOUNTS 2018/19 FOR ABERDEENSHIRE COUNCIL AND ITS' CHARITABLE TRUSTS

1 Recommendations

The Committee is recommended to:

- 1.1 Acknowledge that the Council's External Auditors have stated that the Council's "financial statements give a true and fair view and have been properly prepared" for 2018/19;
- 1.2 Consider the Audited Annual Accounts 2018/19 for Aberdeenshire Council and approve them for signature; and
- 1.3 Consider the accounts for the Council's Charitable Trusts for 2018/19 and recommend them to the Trustees for signature; and
- 1.4 Approve the detailed action plan contained within the External Auditor's Report and agree that a report on progress towards achieving the actions is presented to Audit Committee on 26th March 2020.

2 Discussion

- 2.1 The Annual Accounts document for the Council is prepared in accordance with the Code of Practice for Local Authority Accounting in the UK based on International Financial Reporting Standards (IFRS). This comprehensive document comprises a Management Commentary, a Remuneration Report, a Statement of Responsibilities, an Annual Governance Statement, an audit certificate from the Independent Auditor, a number of prescribed statements and accompanying narrative disclosures.
- 2.2 Aberdeenshire Council's audit certificate is unmodified which provides assurance that the financial statements give a true and fair view of the financial position of Aberdeenshire Council at 31 March 2019. The audited Annual Accounts will be made available on the Council's website: <http://publications.aberdeenshire.gov.uk/dataset/annual-accounts> after Committee has considered the Accounts.
- 2.3 The audit certificate for the Council's Charitable Trusts is unmodified, which provides assurance that the financial statements give a true and fair view of the financial position of the Council's Charitable Trusts at 31 March 2019. The audited accounts of the Charitable Trusts will be made available on the Council's website: <http://publications.aberdeenshire.gov.uk/dataset/charitable-trusts-accounts> after Committee has considered the accounts for the Charitable Trusts.

- 2.4 There have been amendments made to the document as a result of the audit process. Whilst some are presentational there are also numerical changes either resulting from an error, a change in accounting treatment or as a result of new information that became available that had a material bearing on the accounts.
- 2.5 The Appendix to this Report shows the movement between the unaudited and audited accounts in respect of the Comprehensive Income and Expenditure Statement (CIES) and the Balance Sheet as a result of the above changes. A schedule of unadjusted errors has been included in the External Auditor's report.
- 2.6 Three significant changes have been made to the document through the audit process.

Pensions Disclosures IAS19

As a result of McCloud/Sergeant Legal ruling that changes made by the government to the pensions of judges and firefighters were unlawful on the grounds of age discrimination, Mercer, the Council's Pension Fund Actuary was requested to review the pension liabilities information for inclusion in the final annual accounts. The review resulted in an increase in the liabilities reflected in the balance sheet from £281.912m to £307.275m.

Aberdeen Western Peripheral Road (AWPR)

The Council in partnership with other government bodies contributed to the funding of the construction of the AWPR. The resultant benefits to the Council from the investment in the road are widely acknowledged. In previous years accounts the asset was treated as an asset under construction, however now complete, the road is not owned and maintained by the Council and has been removed from the balance sheet. The junctions and bridges across the road have been recognised within the balance sheet as donated assets.

City Region Deal (CRD)

The council contributed £3.6m to the city south harbour development during the year which has been included in assets under construction. This was previously treated as an asset under construction but will now be treated as revenue expenditure.

To the extent that AWPR and CRD were funded by borrowing, both are now treated as revenue expenditure funded by capital under statute (REFCUS) and a corresponding transfer made to the capital adjustment account and therefore there is no change to the bottom line.

- 2.7 It is a requirement of the Local Authority Accounts (Scotland) Regulations 2014 (the 2014 Regulations) that the audited Annual Accounts shall be made available on the Council's website for a period of at least five years and make copies available for purchase to interested parties at a reasonable charge. This charge is currently set at £10 and it is proposed that no alteration be made to this charge for printed copies of the Accounts.
The Annual Accounts can be downloaded free of charge from the Council's website:

<http://www.aberdeenshire.gov.uk/council-and-democracy/about-us/annual-accounts/>.

- 2.8 During the course of the audit, the auditors raised relevant matters with officers. Issues raised are included within the external auditor's report which is a separate report on this agenda.
- 2.9 In accordance with the 2014 Regulations, the Council or a committee of the Council whose remit includes audit or governance functions must aim to approve the accounts for signature no later than 30 September immediately following the financial year to which the accounts relate. It is recommended that the Committee considers the Annual Accounts 2017/18 and approves them for signature. Following this approval, the appropriate certificates will be signed by the Leader, the Chief Executive and the Head of Finance. The audit certificate will also be signed subsequently by Audit Scotland.
- 2.10 The monitoring officer has been consulted in the preparation of this report and had no comments to make and is satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to consider and take a decision on this item in terms of Section G.1.3 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to a review of the financial statements, management letters or reports and compliance with relevant codes of practice.

4 Implications and Risk

- 4.1 An Equalities Impact Assessment is not required as the actions do not have a differential impact on people with protected characteristics.
- 4.2 There are no direct financial or staffing implications arising from this report.
- 4.3 The following Risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures ([Corporate Risk Register](#)). The following Risk has been identified as relevant to this matter on a Strategic Level: Balancing the Books ([Directorate Risk Registers](#)).

Ritchie Johnson
Director of Business Services

Report prepared by Mary Beattie, Strategic Finance Manager
16 August 2019

APPENDIX

Reconciliation of Unaudited Accounts to Final Audited Accounts

Comprehensive income and expenditure statement - CIES

| | £'000 |
|--|-------------------------|
| Net Cost of Services per unaudited Accounts | (111,118) |
| <u>Audit Adjustments:</u> | |
| Pensions adjustments (IAS19) | (25,363) |
| Capital expenditure (AWPR,CRD) | (6,984) (32,347) |
| Revised Net Cost of Services | <u>(143,465)</u> |
| Net Cost of Services per audited Accounts | <u>(143,465)</u> |
| Difference | 0 |

Balance Sheet

| | £'000 |
|--|-------------------------|
| Net Assets per Draft Accounts | 944,789 |
| <u>Audit Adjustments:</u> | |
| Pensions adjustments (IAS19) | () |
| Capital expenditure (AWPR,CRD) | () () |
| Revised Net Assets | <u>1,011,910</u> |
| Net Assets per Final Audited Accounts | <u>1,011,910</u> |
| Difference | 0 |

