

PERTH & KINROSS COUNCIL

AUDIT & RISK COMMITTEE

27 September 2022

DRAFT AUDITED 2021/22 ANNUAL ACCOUNTS DRAFT ANNUAL AUDIT REPORT TO THE MEMBERS OF PERTH & KINROSS COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR ENDED 31 MARCH 2022

Report by the Head of Finance
(Report No 22/241)

1. PURPOSE

- 1.1 This report presents the Council's draft Audited Annual Accounts for the financial year 2021/22 in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

2. RECOMMENDATIONS	
2.1	It is recommended that the Committee: <ul style="list-style-type: none">• approves the Audited 2021/22 Annual Accounts and authorises the Leader of the Council, the Chief Executive and the Head of Finance to sign them and also authorise the Head of Finance to sign the Letter of Representation – see paragraph 5.5.• Notes the contents of KPMG's Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2022 – see paragraph 6.3.

3. STRUCTURE OF THE REPORT

- 3.1 This report includes the following sections:

- Section 4 - Background
- Section 5 - Draft 2021/22 Audited Annual Accounts
- Section 6 - Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the Year Ended 31 March 2022
- Section 7 - Conclusions

4. BACKGROUND

- 4.1 In line with legislative requirements, the Audit & Risk Committee considered the Unaudited 2021/22 Annual Accounts on 28 June 2022 (Report No. 22/157 refers).
- 4.2 The Unaudited 2021/22 Annual Accounts were then submitted to KPMG, the Council's external auditors on 28 June 2022.
- 4.3 The Annual Accounts are prepared in accordance with the 2021/22 CIPFA Code of Practice on Local Authority Accounting ("the Code").
- 4.4 These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014 which revoked the Local Authority Accounts (Scotland) Regulations 1985.
- 4.5 The Unaudited 2021/22 Annual Accounts were available for public inspection between 1 July and 21 July 2022 (inclusive). During this period, KPMG received no objections to the draft Unaudited Annual Accounts.

5. DRAFT AUDITED 2021/22 ANNUAL ACCOUNTS

- 5.1 The audit of the 2021/22 Annual Accounts took place between July and September 2022. The audit considered not only the financial statements but also areas such as financial performance and corporate governance.
- 5.2 Two audit differences were identified during the audit (see page 39 of the External Audit report). One related to a judgemental difference on the obsolescence of external works. This was unadjusted (uncorrected) but has no impact on the level of resources available to the Council. The second adjustment was made (corrected) and related to a disclosure note which had no impact on the core financial statements. In addition, there were a few minor presentational adjustments.
- 5.3 Approval of the Accounts at today's meeting will provide authorisation for the Leader of the Council, the Chief Executive and the Head of Finance to sign them. The Draft Audited Accounts (unsigned) are attached to this report at **Appendix 1**.
- 5.4 The Head of Finance will also sign the Letter of Representation included at **Appendix 2**. Once signed, the Draft Audited 2021/22 Annual Accounts and Letter of Representation will be passed to KPMG so that they may issue their opinion in the form of an audit certificate.
- 5.5 **ACTION:** The Committee is asked to approve the Draft Audited 2021/22 Annual Accounts and authorises the Leader of the Council, the Chief Executive and the Head of Finance to sign them and also to authorise the Head of Finance to sign the Letter of Representation.

5.6 All signatures will be provided electronically using a system recognised by Audit Scotland that ensure the signings comply with the legislative requirements.

6. DRAFT ANNUAL AUDIT REPORT TO THE MEMBERS OF PERTH & KINROSS COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR ENDED 31 MARCH 2022

6.1 The Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2022 is set out at **Appendix 3** (the Draft Audit Report). The Draft Audit Report sets out KPMG's opinions and conclusions on the overall audit and their findings to be reported under ISA260: Report to those Charged with Governance. The Draft Audit Report also includes the findings in relation to Perth & Kinross Charitable Trusts which were distributed separately to Trustees.

6.2 The key messages from the 2021/22 audit are set out in the Audit Conclusions on page 5 of **Appendix 3** and are summarised as follows:

Audit Opinion

- KPMG expect to issue an unqualified opinion on the truth and fairness of the state of the Council's affairs as at 31 March 2022.

Financial Reporting Framework, Legislation and Other Reporting Requirements

- The Annual Accounts have been prepared in accordance with the CIPFA Code and relevant legislation.

Annual Accounts Preparation and Audit Readiness

- The Accounts were provided to KPMG on 28 June 2022. The Council's finance team continued to perform well in its delivery of high-quality annual accounts, particularly considering the operational impact of Covid-19

Statutory Reports

- There are no circumstances to notify the Controller of Audit that indicate a statutory report may be required

Other Communications

- There were no significant difficulties during the audit. There were no other significant matters that were discussed, or subject to correspondence with management that have not been included in the report.

Audit Misstatements

- There were two misstatements identified through the audit (see paragraph 5.2 above), one was corrected, and one was uncorrected.

Written Representations

- The letter of representation will be amended to include additional representations on the treatment of Heritage Assets. There were no further representations to those that are standard as part of the audit.

6.3 **ACTION:** The Committee is asked to note the contents of KPMG's Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2022.

6.4 It is anticipated that the final 2021/22 Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2022 will be issued by KPMG following completion of the final accounts process.

7. CONCLUSIONS

7.1 KPMG's findings on the 2021/22 Audit are set out in the Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2022 which is attached **Appendix 3** to this report.

Author(s)

Name	Designation	Contact Details
Scott Walker	Chief Accountant	chxfinance@pkc.gov.uk
Alison O'Brien	Corporate Accounting Manager	

Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	20 September 2022
Karen Donaldson	Chief Operating Officer	20 September 2022

ANNEX

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

1.1. Corporate Plan

1.1.1. The Council's Corporate Plan 2018 – 2023 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

2. Resource Implications

2.1. Financial

2.1.1. There are no direct financial implications arising from this report other than those reported within the body of the main report.

2.2. Workforce

2.2.1. There are no direct workforce implications arising from this report other than those reported within the body of the main report.

2.3. Asset Management (land, property, IT)

2.3.1. There are no direct asset management implications arising from this report other than those reported within the body of the main report.

3. Assessments

3.1. Equality Impact Assessment

3.1.1. Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

3.1.2. The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as not relevant for the purposes of EqIA.

3.2. Strategic Environmental Assessment

3.2.1. The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.2.2. The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

3.3. Sustainability

3.3.1. Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

3.3.2. The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

4.1 Internal

4.1.1 The Executive Leadership Team have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

Appendix 1 – 2021/22 Draft Unaudited Annual Accounts

Appendix 2 – Letter of Representation

Appendix 3 – Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2022