

**PERTH AND KINROSS COUNCIL****Audit Committee****27 September 2017****DRAFT AUDITED ANNUAL ACCOUNTS 2016/17 AND  
DRAFT ANNUAL AUDIT REPORT TO THE MEMBERS OF PERTH AND  
KINROSS COUNCIL AND THE CONTROLLER OF AUDIT  
FOR THE YEAR ENDED 31 MARCH 2017****Report by the Head of Finance****PURPOSE OF REPORT**

This report presents the Council's Draft Audited Annual Accounts for financial year 2016/17 in accordance with the Local Authority Accounts (Scotland) Regulations 2014 and includes the Draft Annual Audit Report to the Members of Perth and Kinross Council and the Controller of Audit for the Year Ended 31 March 2017.

**1. BACKGROUND**

- 1.1 The Unaudited Annual Accounts for 2016/17 were considered by the Council on Audit Committee on 28 June 2017 (Report No. 17/326 refers) which authorised the Head of Finance to sign the Accounts and submit them to KPMG, the Council's external auditors, by the statutory deadline of 30 June 2017.
- 1.2 The Annual Accounts are prepared in accordance with the 2016/17 CIPFA Code of Practice on Local Authority Accounting ("the Code").
- 1.3 These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014 which revoked the Local Authority Accounts (Scotland) Regulations 1985.
- 1.4 The Unaudited Annual Accounts were available for public inspection between 3 July and 21 July 2017 (inclusive). During this period KPMG received no objections to the draft Accounts.

**2. ANNUAL ACCOUNTS 2016/17**

- 2.1 The audit of the 2016/17 Annual Accounts took place between July and early September 2017. The audit considered not only the financial statements but also areas such as financial performance and corporate governance
- 2.2 The Draft Annual Audit Report to the Members of Perth and Kinross Council and the Controller of Audit for the year ended 31 March 2017 is set out at Appendix 1 (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 and Kinross Charitable Trusts which were distributed separately to Trustees.

- 2.3 The key messages from the 2016/17 audit are set out under six themes on pages 3 and 4 of Appendix X and are summarised as follows:

Audit Conclusions –

- Unqualified audit opinion on the 2016/17 financial statements of Perth and Kinross Council and Perth and Kinross Charitable Trusts.
- The Accounts were of high quality, as were supporting working papers. No audit misstatements were identified demonstrating good financial management.

Financial Position –

- The Council maintains a strong financial position.  
Financial Management and Financial Sustainability –
- Strong financial management in respect of monitoring of costs, forward planning and reporting to elected members.
- The Council prepares a two year Revenue Budget which is considered good practice.
- The Council has a robust Reserves policy.

Governance and Transparency –

- The Council has an effective governance structure.
- There is effective scrutiny, challenge and transparency on decision making.
- The new Risk Management Strategy shows a commitment to continuous improvement.
- Systems of internal control operated effectively.

Value for Money –

- The Council demonstrates a commitment to achieving value for money and has appropriate arrangements for complying with the Following the Public Pound code.
- Options appraisals and business cases are developed to support key decisions and are appropriately scrutinised.

Outlook –

- Budgets have been set for the next two years with a medium term financial plan – this represents good practice.
- The Council faces financial challenges and opportunities associated with reducing settlements and new ways of working.

- 2.4 At this time the 2016/17 Audited Annual Accounts remain unsigned. 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. Once signed the Accounts will be passed to KPMG so that they may issue their opinion in the form of an audit certificate.
- 2.5 It is anticipated that the final 2016/17 Annual Audit Report to the Members of Perth and Kinross Council and the Controller of Audit for the year ended 31 March 2017 will be issued by KPMG following completion of the final accounts process. The final Report and the signed Audited Annual Accounts for 2016/17 will be considered by the Council on 4 October 2017.
- 2.6 The Draft Audited Accounts (unsigned) are attached to this report at Appendix 2.

### 3. CONCLUSION AND RECOMMENDATIONS

- 3.1 KPMG, the Council's External Auditors, findings on the 2016/17 Audit are set out in the Draft Annual Audit Report to the Members of Perth and Kinross Council and the Controller of Audit for the year ended 31 March 2017 which is attached Appendix 1 to this report.
- 3.2 It is recommended that the Committee:
- (i) Notes the contents of KPMG's Draft Annual Audit Report to the Members of Perth and Kinross Council and the Controller of Audit for the year ended 31 March 2017.
  - (ii) Approves the 2016/17 Audited Annual Accounts and authorises the Leader of the Council, the Chief Executive and the Head of Finance to sign them.

#### Author(s)

Name	Designation	Contact Details
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Alison O'Brien	Corporate Accounting Manager	

#### Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	14 September 2017
Jim Valentine	Depute Chief Executive and Chief Operating Officer	14 September 2017

If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting *(Alison O'Brien – 01738 475516)*



Council Text Phone Number 01738 442573

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### 1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focused 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 Chief Executive and all Executive Directors 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 – KPMG’s Draft Annual Audit Report to the Members of Perth and Kinross Council and the Controller of Audit for the year ended 31 March 2017

Appendix 2 – 2016/17 Audited Annual Accounts (Unsigned)