

PERTH AND KINROSS COUNCIL

Audit Committee – 27 June 2018

UNAUDITED ANNUAL ACCOUNTS 2017/18

Report by the Head of Finance (Report No. 18/223)

PURPOSE OF REPORT

This report presents the Council's Unaudited Annual Accounts for the financial year 2017/18 in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

1. BACKGROUND

- 1.1. The Unaudited Annual Accounts for 2017/18 are due to be submitted to the Controller of Audit by 30 June 2018.
- 1.2. The Annual Accounts are prepared in accordance with the 2017 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 came into force in October 2014.

2. ANNUAL ACCOUNTS

- 2.1 The regulations require an annual review of the effectiveness of a local authority's system of internal control by Elected Members. This requirement was met with the approval of the Annual Governance Statement by the Scrutiny Committee on 13 June 2018 (Report No. 18/192 refers). The Statement is set out from page 14 of the Unaudited Annual Accounts which are attached at Appendix 1.
- 2.2 The Annual Accounts include a Management Commentary, which provides users of the financial statements with integrated information on management's view of performance, position and progress (including forward looking information). This is set out from page 1 of the Accounts.
- 2.3 The regulations require consideration of the Unaudited Annual Accounts by those charged with governance at a meeting to be held no later than 31 August. This report (and the Draft Unaudited Accounts attached at Appendix 1) is before the Committee today to meet that requirement prior to submitting them to the appointed auditor (KPMG) and making them available for public inspection.

- 2.4 **ACTION:** Following consideration of the Unaudited Annual Accounts the Committee is asked to authorise the Head of Finance to sign the Unaudited Accounts.

3. NEXT STEPS

- 3.1 The audit of the Annual Accounts will take place during July and August 2018. KPMG (working with Council officers) will consider whether the Annual Accounts:
- Give a true and fair view in accordance with applicable law and the 2017 Code of the state of the affairs of the group and PKC as at 31 March 2018 and of the income and expenditure of the group and PKC for the year then ended;
 - Have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as interpreted and adapted by the 2017 Code; and
 - Have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
- 3.2 Amendments to the Companies Act require auditors to give an explicit opinion on whether the strategic report and governance statement have been prepared in accordance with legal requirements. Audit Scotland's policy is to apply Companies Act requirements on a best practice basis and, from 2016/17, have included new opinions to the auditor's report on whether the:
- Management commentary has been prepared in accordance with statutory guidance.
 - Annual Governance Statement has been prepared in accordance with the proper practices set out in the good governance code.
- 3.3 It is anticipated that the results of the audit will be summarised in the Draft Annual Report which incorporates the International Standard on Accounting (ISA) 260: Report to those Charged with Governance. It is anticipated that this KPMG report will be considered by the Audit Committee on 26 September 2018 with the Final Annual Report on the 2017/18 Audit being considered by the Council on 3 October 2018.
- 3.4 **ACTION:** The Council is asked to note that it is anticipated that the unsigned Audited Annual Accounts will be considered by the Audit Committee on 26 September 2018.
- 3.5 The Unaudited Annual Accounts are also available for public inspection between 2 and 20 July 2018 (inclusive) with any objections being sent to the auditor by 23 July 2018.

4. CONCLUSION AND RECOMMENDATIONS

4.1 The Unaudited Annual Accounts will be submitted to the Controller of Audit by 30 June 2018 following authorisation by the Head of Finance.

4.2 It is recommended that the Committee:

4.2.1 Authorises the Head of Finance to sign the Unaudited Annual Accounts – see paragraph 2.4.

4.2.2 Notes that it is anticipated that the unsigned Audited Annual Accounts will be considered by the Audit Committee on 26 September 2018 – see paragraph 3.4.

Author(s)

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

Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	20 June 2018
Jim Valentine	Depute Chief Executive and Chief Operating Officer	

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 2013 – 2018 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 Chief Executive, Depute Chief Executive and 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 – 2017/18 Unaudited Annual Accounts