

PERTH & KINROSS COUNCIL

Audit Committee

18 September 2019

DRAFT AUDITED ANNUAL ACCOUNTS 2018/19 AND DRAFT ANNUAL AUDIT REPORT TO THE MEMBERS OF PERTH & KINROSS COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR ENDED 31 MARCH 2019

Report by the Head of Finance (Report No. 19/251)

PURPOSE OF REPORT

This report presents the Council's Draft Audited Annual Accounts for financial year 2018/19 in accordance with the Local Authority Accounts (Scotland) Regulations 2014 and includes the Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the Year Ended 31 March 2019.

1. BACKGROUND

- 1.1. The Unaudited Annual Accounts for 2018/19 were considered by the Audit Committee on 26 June 2019 (Report No. 19/197 refers) which authorised them to be signed by the Head of Finance and submitted to KPMG, the Council's external auditors, by the statutory deadline of 30 June 2019.
- 1.2. The Annual Accounts are prepared in accordance with the 2018/19 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 1 July and 19 July 2019 (inclusive). During this period KPMG received no objections to the draft Unaudited Annual Accounts.

2. ANNUAL ACCOUNTS 2018/19

- 2.1 The audit of the 2018/19 Annual Accounts took place between July and early September 2019. The audit considered not only the financial statements but also areas such as financial performance and corporate governance.
- 2.2 Since the 2018/19 Unaudited Accounts were considered by the Audit Committee there have been two adjustments which have been reflected in the Audited Accounts. The first, which is set out in Appendix Three of the Draft Annual Audit Report to Members of Perth & Kinross Council and the

Controller of Audit for the year ended 31 March 2019 at Appendix C, relates to an accounting entry on the Employee Statutory Adjustment Account.

- 2.3 The second adjustment relates to the Council's Pension Liability and arose following a court ruling in June 2019, referred to as the McCloud judgement. Because of the timing of this ruling, KPMG do not consider this a misstatement in the Unaudited Annual Accounts.
- 2.4 Neither of the adjustments described above have an impact on the level of resources available to the Council. There were also a few small presentational adjustments.
- 2.5 At this time, the 2018/19 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. The Draft Audited Accounts (unsigned) are attached to this report at Appendix A.
- 2.6 The Head of Finance will also sign the Letter of Representation included at Appendix B. Once signed, the Accounts and Letter of Representation will be passed to KPMG so that they may issue their opinion in the form of an audit certificate.

3 Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the Year Ended 31 March 2019

- 3.1 The Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2019 is set out at Appendix C (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.
- 3.2 The key messages from the 2018/19 audit are set out in the Audit Conclusions on page 5 of Appendix C 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 2019.

Financial Reporting Framework, Legislation and Other Reporting Requirements

- The Annual Accounts have been prepared in accordance with the relevant accounting standards and legislation.

Annual Accounts Preparation and Audit Readiness

- The Accounts were provided to KPMG on 26 June 2019. The Council's finance team continued to perform well in its delivery of high-quality annual accounts and its readiness for audit.

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

- Two audit misstatements were identified (see paragraph 2.2), none of which impact on the Council's resources.

Written Representations

- The letter of representation does not include any additional representations to those that are standard as part of the audit.

- 3.3 It is anticipated that the final 2018/19 Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2019 will be issued by KPMG following completion of the final accounts process. The final Report and the signed Audited Annual Accounts for 2018/19 will be considered by the Council on 25 September 2019.

4. ANNUAL ASSURANCE PROCESS – SCOTTISH HOUSING REGULATOR

- 4.1 Social landlords must submit an Annual Assurance Statement to the Scottish Housing Regulator as per the Scottish Social Housing Charter. This provides assurance that their organisation complies with the relevant requirements of Chapter 3 of the Regulatory Framework, which includes the regulatory requirements that apply to all social landlords. This statement should be agreed by Committee and signed by the Chair of the committee.
- 4.2 The requirements of this assurance statement are covered under the Council's approach to the assurance provided through the Annual Governance Statement (AGS) which was reported to Scrutiny Committee on 12 June 2019 (Report No. 19/178). Early discussions with the Housing Regulator have confirmed that they are content with this approach.

- 4.3 Through this process, the Committee can be assured that the Council complies with the regulatory requirements set out in Chapter 3 of the Regulatory Framework.

5. CONCLUSION AND RECOMMENDATIONS

- 5.1. KPMG's findings on the 2018/19 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 2019 which is attached Appendix C to this report.
- 5.2. It is recommended that the Committee:
- 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 2019.
 - Approve the 2018/19 Audited Annual Accounts and authorise 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.

Author(s)

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

Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	12 September 2019
Jim Valentine	Depute Chief Executive and Chief Operating Officer	12 September 2019

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 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 A – 2018/19 Audited Annual Accounts (unsigned)

Appendix B – Draft letter of representation (unsigned)

Appendix C – Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2019