

PERTH & KINROSS COUNCIL

Audit Committee – 22 July 2020

UNAUDITED DRAFT ANNUAL ACCOUNTS 2019/20

Report by the Head of Finance (Report No. 20/118)

PURPOSE OF REPORT

This report presents the Council's Unaudited Annual Accounts for the financial year 2019/20 in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

1. BACKGROUND

1.1. The Local Authority Accounts (Scotland) Regulations 2014 sets out the following in respect of the Unaudited Annual Accounts:

- “(5) The proper officer must ensure that financial statements give a true and fair view of the financial position of the local authority and its group at the end of the financial year and the transactions of the local authority and its group for that year.*
- (6) Once the proper officer is satisfied as to the matters set out in paragraph (5), the proper officer must certify these matters by signing and dating the statement of responsibilities and the balance sheets contained within the Annual Accounts and then submit the Annual Accounts to the auditor.*
- (7) The Annual Accounts must be submitted to the auditor no later than 30th June immediately following the financial year to which the Annual Accounts relate.*
- (8) The local authority must publish a copy of the Annual Accounts submitted to the auditor, clearly identified as an unaudited version, on a website of the authority from the date they are submitted until the date on which the audited Annual Accounts are published in accordance with regulation 11.*
- (9) A local authority or a committee of that authority whose remit includes audit or governance functions must meet to consider the unaudited Annual Accounts as submitted to the auditor.*
- (10) The meeting referred to in paragraph (9) must be held no later than 31st August immediately following the financial year to which the Annual Accounts relate”.*

1.2. On 21 May 2020 the Scottish Government issued Local Authority Annual Accounts 2019-20 – Covid – 19 – Statutory Guidance. This guidance included permission to delay the publication of the Audited Annual Accounts

to 30 November 2020. In common with the majority of local authorities and in discussion with our external auditors, Perth & Kinross Council has, as far as possible, strived to maintain the “traditional” statutory timetable.

2. ANNUAL ACCOUNTS

- 2.1 The Annual Accounts are prepared in accordance with the 2019 CIPFA Code of Practice on Local Authority Accounting (“the Code”).
- 2.2 These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014 which came into force in October 2014.
- 2.3 The Unaudited Annual Accounts were submitted to KPMG on 29 June 2020 to allow commencement of the statutory audit.
- 2.4 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 on pages 1 to 12 of the Accounts.
- 2.5 The regulations require an annual review of the effectiveness of a local authority’s system of internal control by Elected Members. This requirement will be met prior to finalisation of the Audited Accounts when it is anticipated the Annual Governance Statement will be approved by the Scrutiny Committee on 5 August 2020. The Statement is set out from page 13 of the 2019/20 Unaudited Annual Accounts which are attached at Appendix 1.
- 2.6 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 ensure compliance with the statutory requirements.

3. LATEST POSITION

- 3.1 The Unaudited Annual Accounts were available for public inspection between 1 and 21 July 2020 (inclusive) with any objections to be submitted to the auditor by 24 July 2020.
- 3.2 The audit of the Annual Accounts is currently underway and should be complete by the end of August 2020. KPMG (working with Council officers) will consider whether the Annual Accounts:
 - Give a true and fair view in accordance with applicable law and the 2019 Code of the state of the affairs of the group and Perth & Kinross Council (PKC) as at 31 March 2020 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 2019 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.

3.3 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 will include 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.

3.4 The results of the audit will be summarised in the Draft Annual Audit 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 16 September 2020.

3.5 **ACTION:** The Committee is asked to note that it is anticipated that the unsigned Audited Annual Accounts will be considered by the Audit Committee on 16 September 2020.

4. CONCLUSION AND RECOMMENDATIONS

4.1 The Unaudited Annual Accounts were submitted to KPMG on 29 June 2020 following authorisation by the Head of Finance.

4.2 It is recommended that the Committee note that it is anticipated that the unsigned Audited Annual Accounts will be considered by the Audit Committee on 16 September 2020 – see paragraph 3.5.

Author(s)

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Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	30 June 2020

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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, Executive Directors and the Interim Chief Operating Officer 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 – 2019/20 Unaudited Annual Accounts