

**Financial Statements for the year ended 31 March 2020**

**Report by Gary Fairley, Chief Officer Corporate Solutions**

**Report for Decision**

**1 Recommendation**

Audit Committee is recommended to approve the 2019/20 audited accounts for signature having regard to the appointed auditor's report for 2019/20.

**2 Purpose of Report/Executive Summary**

The purpose of this report is to present the Council's audited Financial Statements for 2019/20 to Audit Committee and to provide a brief overview of the changes made during the audit process.

5<sup>th</sup> October 2020.

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### 3 Background

Council submitted its unaudited annual accounts to the external auditor by the required date of 30<sup>th</sup> June 2020 and they were examined in detail at a special Audit Committee on Monday 18<sup>th</sup> August 2020.

#### 3.1 Regulations

The Local Authority Accounts (Scotland) Regulations 2014 set out the requirements for completion, approval and signing of the accounts which are as follows.

*10 (1) A local authority, or a committee of that authority whose remit includes audit or governance functions, must—*

- (a) Meet to consider the audited Annual Accounts; and*
- (b) Aim to approve those accounts for signature as described in this regulation no later than 30th September immediately following the financial year to which the accounts relate.*

*10 (2) That local authority or committee must consider whether the Annual Accounts should be signed, having regard to any report made on those accounts and any advice given by the proper officer or the auditor.*

*10 (3) immediately following the approval of the Annual Accounts for signature, the statements which form part of those accounts are to be signed and dated as follows—*

- (a) the management commentary by the proper officer, the Chief Executive and the Leader of the Council;*
- (b) the statement of responsibilities by the Leader of the Council and the proper officer, who must also certify the matters referred to in paragraphs (5) and (6) respectively;*
- (c) the annual governance statement by the Chief Executive and the Leader of the Council;*
- (d) the remuneration report by the Chief Executive and the Leader of the Council; and*
- (e) the balance sheets by the proper officer, to authorise publication of the financial statements.*

*10 (4) Where a local authority does not have a Chief Executive or a Leader of the Council, the statements that paragraph (3) requires that person to sign are to be signed by such other person as it nominates for that purpose.*

*10 (5) The person who signs the statement of responsibilities as Leader of the Council must certify that the Annual Accounts have been approved for signature by, or on behalf of, the authority.*

*10 (6) The proper officer must certify that the 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.*

*10 (7) Following the signature of the Annual Accounts, the proper officer must provide the Annual Accounts, including the signed statements, to the auditor.*

*10 (8) Any further report provided by the auditor following the signature of the Annual Accounts which relates to those accounts must be considered by the local authority or a committee of that authority whose remit includes audit or governance functions.*

In line with the UK's Financial Conduct Authority, Scottish Ministers advised that, under provisions made in the Coronavirus (Scotland) Act 2020, each authority may determine its date of publishing the Annual Accounts up to the 30 November 2020 – an extension of 2 months on the previously stipulated deadline. The Council considered this but determined that it wished to continue to work as closely as possible to the previously planned timetable of 30 September 2020 for completion of the audit and approval of audited financial statements.

Accordingly the accounts are presented to Audit Committee today as required by the regulations alongside the Annual Audit Report to Members and the Controller of Audit – year ended 31 March 2020 prepared by the appointed external auditor, Ernst & Young LLP.

The external auditors report will also be presented to Council on Tuesday 17<sup>th</sup> November 2020 and a copy of the audited accounts will be provided to all members of Council.

### **3.2 Differences arising during the audit process**

EY have issued an unqualified audit opinion on the 2019/20 financial statements for the Council and its Group.

There is one unadjusted judgemental audit difference relating to additional updated information being made available in relation to the Local Government Pension Scheme. Nine adjustments were processed as part of the audit, primarily relating to challenge associated with the valuation of property, plant and equipment. The Local Government Pension Scheme net liability valuation was also amended following updated information being made available after the unaudited financial statements were published. Details of the adjustments are outlined in Appendix E to the EY report.

These adjustments have no impact on the financial outturn for the year or the useable reserves at 31 March 2020 as reported to Council on 16<sup>th</sup> June 2020.

### **3.3 Management Commentary, Annual Governance Statement and Disclosures**

As indicated by EY the unaudited financial statements were prepared to a good standard and were materially compliant with the Code and required disclosures. As part of the audit process, the finance team worked with EY to make amendments and enhancements to the presentation of the financial statements.

The continuing change to circumstances driven by Covid-19 led to a number of disclosure changes within the financial statements. These reflect developing risks, additional information becoming available in respect of the valuation of key judgements and estimates in the financial statements, and agreement between management and the audit team on key disclosure requirements for areas of specific focus in 2019/20.

In addition enhancements were made to both the Management Commentary and the Annual Governance Statement.

## **4 Report Implications (Resource, Digital and Risk)**

### **4.1 Resource**

Whilst this report deals with financial issues there are no financial implications arising directly from it.

### **4.2 Digital**

There are no digital issues arising directly from this report.

### **4.3 Risk**

Section 95 of the Local Government (Scotland) Act 1973 requires all Local Authorities in Scotland to have adequate systems and controls in place to ensure the proper administration of their financial affairs. The Council's Standing Orders and Financial Regulations detail the responsibilities of members and officers in relation to the conduct of the Council's financial affairs.

### **4.4 Ensuring Equalities**

There are no equality implications arising directly from this report.

### **4.5 Additional Report Implications See Appendix A**

## APPENDIX A – Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

The financial statements set out the utilisation of resources committed to support the delivery of the key priorities in the single Midlothian Plan.

### A.2 Key Drivers for Change

Key drivers addressed in this report:

- ☐ Holistic Working
- ☐ Hub and Spoke
- ☐ Modern
- ☐ Sustainable
- ☐ Transformational
- ☐ Preventative
- ☐ Asset-based
- ☐ Continuous Improvement
- ☐ One size fits one
- ☒ None of the above

### A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- ☐ One Council Working with you, for you
- ☐ Preventative and Sustainable
- ☐ Efficient and Modern
- ☐ Innovative and Ambitious
- ☒ None of the above

### A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value.

### A.5 Involving Communities and Other Stakeholders

No consultation was required.

### A.6 Impact on Performance and Outcomes

The proposals in this report do not directly impact on performance or outcomes.

### A.7 Adopting a Preventative Approach

The proposals in this report do not directly impact on the adoption of a preventative approach.

### A.8 Supporting Sustainable Development

There are no sustainability issues arising from this report.