

Unaudited Financial Statements 2017/18

Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

The purpose of this report is to enable Audit Committee to consider and comment on the unaudited accounts for 2017/18.

A separate presentation will be provided to the committee before it considers this report and the accounts.

2 Background

The Local Authority Accounts (Scotland) Regulations 2014 sets out the requirements in respect of preparation, submission and scrutiny of unaudited accounts as follows, paragraphs 9 and 10 set out the requirements for Audit Committee to consider the unaudited accounts by 31 August 2018.

Published Accounts and Audit

- 8.—(1) A local authority must ensure that its Annual Accounts are prepared in accordance with these Regulations and, so far as compatible with these Regulations, in accordance with proper accounting practices.
- (2) The Annual Accounts must include, in addition to the financial statements required by proper accounting practices, the following statements, which are to be prepared in accordance with proper accounting practices and recognised guidance—
- (a) a management commentary;
 - (b) a statement of responsibilities;
 - (c) an annual governance statement;
 - (d) either—
 - (i) a remuneration report in the style set out in the Schedule to these Regulations, or
 - (ii) a statement that no remuneration report has been prepared because no persons have received remuneration that requires to be included in such a report.
- (3) The Annual Accounts must also include such of the following statements and disclosures as are relevant to the functions of the local authority—
- (a) a housing revenue account;
 - (b) a non-domestic rate account;
 - (c) a council tax account;
 - (d) any other statement relating to statutory funds which is required by any statutory provision.
- (4) The remuneration report referred to in paragraph (2)(d)(i) must contain the information set out in the Schedule to these Regulations.
- (5) The proper officer must ensure that—
- (a) the statement of responsibilities required by paragraph (2)(b) accurately reflects the proper officer's responsibilities; and

- (b) 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.
- (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.

The regulation also provide for public inspection and in this regard public inspection ran from 2 – 23 July 2018 with no objections lodged.

Accordingly as agreed by Council this special meeting of Audit Committee is specifically to fulfil the requirements of paragraphs 9 and 10 of the regulations.

For future years the Audit Committee meeting schedule has been revised to allow for earlier consideration of the unaudited accounts.

3 Financial Performance

Separately on today's agenda is the Financial Monitoring 2017/18 – General Fund Revenue, Housing Revenue Account Revenue and Capital Final Outturn 2017/18 and General Services Capital Plan 2017/18 Final Outturn. They detail financial performance in each area. The impact on reserves is as follows:

- The General Fund Balance is £10.777 million of which £6.440 million is earmarked for specific purposes leaving a general reserve of £4.337 million;
- The Housing Revenue Account Balance is £33.863 million which is an increase of £4.109 million on the position at 31 March 2017.

4 Financial Statements

The Council's External Auditors, Ernst & Young LLP (EY), made a number of recommendations based on the 2016/17 Financial Statements for action in preparing the 2017/18 statements. These were detailed in the Annual Audit Report presented to Council in November 2017. All actions have been completed with the exception of recommendation 2 – HRA Capital Contributions which requires some more detailed work to finalise figures although the direction of travel has already been discussed and agreed with EY. There are no significant changes to the format and presentation of Midlothian's statements in 2017/18 compared to the prior year.

5 Audit and Consideration of audited Accounts

EY are reaching the later stages of the financial audit. A pre clearance meeting took place on 16 August 2018 and a clearance meeting scheduled for later today, 28 August 2018. The aim is to complete the audit and for EY to be provided with draft audited accounts by early September 2018.

Thereafter the audited accounts are scheduled to be presented to Audit Committee on 25 September 2018 together with EY audit report. The aim is to secure an unqualified audit opinion for financial year 2017/18.

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

Consideration and Signing of Audited Annual Accounts

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

Accordingly Audit Committee on 25 September 2018 must consider in accordance with paragraphs 1 and 2 whether the accounts should be signed and thereafter the Leader, Chief Executive and myself as proper officer (S95 officer) will sign the accounts before submission to the Accounts Commission.

6 Report Implications

6.1 Resource

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

6.2 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.

6.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

6.4 Impact on Performance and Outcomes

The decisions taken to balance the budget will have fundamental implications for service performance and outcomes. The Council's Transformation Programme aims to minimise the impact on priority services.

6.5 Adopting a Preventative Approach

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

6.6 Involving Communities and Other Stakeholders

No consultation was required.

6.7 Ensuring Equalities

There are no equality implications arising directly from this report.

6.8 Supporting Sustainable Development

There are no sustainability issues arising from this report.

6.9 IT Issues

There are no IT implications arising from this report.

7 Recommendations

In accordance with The Local Authority Accounts (Scotland) Regulations 2014, set out in section 2 of the report, Audit Committee are asked to consider and comment on the unaudited accounts for 2017/18.

Date: 21 August 2018

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Appendix 1 Midlothian Council Unaudited Financial Statements 2017/18