



## Financial Statements for the year ended 31 March 2019

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

#### 1 Purpose of Report

The purpose of this report is to present the Council's draft audited Financial Statements for 2018/19 to Audit Committee and to provide a brief overview of the changes made during the audit process.

#### 2 Background

Council submitted its unaudited annual accounts to the external auditor by the required date of 30<sup>th</sup> June 2019 and they were examined in detail at a special Audit Committee on Monday 24<sup>th</sup> June 2019.

##### 2.1 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.*

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 2019 prepared by the appointed external auditor, Ernst & Young LLP.

The external auditors report will also be presented to Council on Tuesday 12<sup>th</sup> November 2019 and a copy of the audited accounts will be provided to all members of Council.

## **2.2 Changes to the unaudited accounts during the audit process**

There are no qualifications to the Financial Statements.

Five audit differences were identified and adjusted for during the audit. None of these have any impact on the Council's reported outturns for the year.

At the time of writing the audit of the accounts is not finalised thus members will be advised at committee if any further material changes arise.

The five adjustments agreed during the audit to date are:

- Reclassification of the site at 6-8 Eskmills Road Penicuik from an operational asset to a surplus asset. The value in the Balance Sheet of this site is £0.400 million;
- Upwards Revaluation of £0.554 million for the site adjacent to Nobles Garage Loanhead, which is currently being marketed;
- An increase in the value of the Pension Liability of £9.207 million as a consequence of recent legal judgements on the McCloud and Guaranteed Minimum Pensions (GMP) cases;
- A change in accounting treatment relating to assets that were demolished during the year. The impact is a £1.365 million charge to the CIES which is subsequently reversed out through statute in the Movement in Reserves Statement. Previously accounting entries were seen solely in the Balance Sheet;
- An adjustment of £0.407 million to the carrying value for Newbattle Community Learning Centre.

These adjustments have no impact on the General Fund Balance of £8.637 million, the Housing Revenue Account Reserve Balance of £39.084 million or the Capital Fund Balance of £20.168 million.

## **2.3 Management Commentary and Annual Governance Statement**

During the audit a number of agreed enhancements were made to both the Management Commentary and the Annual Governance Statement.

## **3 Report Implications**

### **3.1 Resource**

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

### **3.2 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.

### **3.3 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

### **3.4 Impact on Performance and Outcomes**

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

### **3.5 Adopting a Preventative Approach**

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

### **3.6 Involving Communities and Other Stakeholders**

No consultation was required.

### **3.7 Ensuring Equalities**

There are no equality implications arising directly from this report.

### **3.8 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

### **3.9 IT Issues**

There are no IT implications arising from this report.

## **4 Recommendations**

Audit Committee is recommended to approve the 2018/19 accounts for signature having regard to the appointed auditor's report for 2018/19.

11<sup>th</sup> September 2019.

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#### **Background Papers:**