

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	26 September 2017
REPORT TITLE	Audited Annual Accounts 2016/17
REPORT NUMBER	CG/17/111
LEAD OFFICER	Steven Whyte, Head of Finance
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1. PURPOSE OF REPORT:-

- 1.1 The purpose of this report is to provide the Council's audited Annual Accounts 2016/17.
- 1.2 The report also provides the audited Annual Accounts 2016/17 for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
 - a) approve the Council's audited Annual Accounts 2016/17 for signature by the Head of Finance, Chief Executive and Council Leader; and
 - b) approve the audited Annual Accounts 2016/17 for those registered charities where the Council is sole trustee, and nominate a trustee to sign the accounts.

3. BACKGROUND/MAIN ISSUES

3.1 Audited Annual Accounts

- 3.1.1 On 23 February 2017 this committee received and noted the contents of a report, "Annual Accounts 2016/17 – Action Plan" which provided high level information and key dates in relation to the production of the 2016/17 Annual Accounts.

3.1.2 The key dates contained within the above report were:-

31 March 2017	End of the financial year 2016/17
March – Sept 2017	Information from Group Entities (including ALEO's)
14 June 2017	Public Notice for the Public Inspection Period to be issued
22 June 2017	Audit, Risk and Scrutiny Committee to consider the draft Annual Accounts
29 June 2017	Statutory deadline for the Proper Officer to sign the draft Annual Accounts, submit to the Auditor and publish on the website
30 June – 20 July 2017	Public Inspection Period for the draft Annual Accounts
28 July 2017	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
26 September 2017	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
26/27 Sept 2017	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader
29 September 2017	Deadline for submission of the signed audited Annual Accounts to the Auditor
Early October 2017	Deadline for submission of the audited WGA to the Scottish Government (date to be confirmed)
31 October 2017	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
15 December 2017	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

3.1.3 On 27 June 2017 this committee considered the unaudited Annual Accounts and they were signed by the Head of Finance (as Proper Officer) on 27 June 2017.

3.1.4 The unaudited Annual Accounts were available for public inspection for the period 1 – 21 July 2017.

3.1.5 This committee must now consider and aim to approve the audited Annual Accounts for signature.

3.1.6 In a separate report, this committee has considered the external auditor's Annual Audit Report to Members and the Controller of Audit. This report highlights any significant findings from the audit of the accounts and provides their audit opinion.

3.2 Financial Performance and Review of the Accounts

3.2.1 It should be noted that the audited Annual Accounts are prepared according to the requirements of the IFRS based Code of Practice on Local Authority Accounting (the Code) and as a result are more complex and detailed than the information included in the monitoring reports provided to Committee throughout the year.

3.2.2 A report detailing the financial position of the Council was considered by the Finance, Policy and Resources committee on 29 June 2017. This report covered the Council's revenue and capital accounts for General Fund, Housing Revenue and Common Good and the reserves and balances of the Council as at 31 March 2017.

3.2.3 The following paragraphs explain the audit adjustments made to the Annual Accounts:

3.2.3.1 The debtor in relation to the deferred capital receipt for the former St Nicholas House site was amended from long term to short term debtors to reflect that the monies will be received during 2017/18.

3.2.3.2 Income and expenditure in relation to the Integrated Joint Board (IJB) has been grossed up to reflect proper accounting requirements. In addition, the previously recognised share of profit in the IJB was removed to reflect the proper treatment of the IJB as a Joint Venture.

3.2.3.3 The accounting entries in relation to the council's bond issuance have been amended to reflect the requirement to account for the costs using an effective interest rate.

3.2.3.4 The accounting entries in relation to the use of earmarked reserves to fund expenditure have been amended to reflect proper accounting treatment.

3.2.3.5 As required by legislation, the outstanding debtor in relation community charges was written off. As there was a full corresponding bad debt provision for this the net effect on the council's financial position is nil.

3.2.3.6 The value of NDR debtor balances was reduced to reflect prior year NDR debtor balances written off.

3.2.3.7 Following review of the methodology for assessing the likelihood of payment, the level of bad debt provision in relation to sundry debtors has been increased. In addition, an adjustment was made to properly reflect the debtor in relation to homelessness against the bad debt provision made.

3.2.4 The group accounts have been amended to reflect the above adjustments as well as any changes arising from the audit of other group entities.

3.2.5 These adjustments do not affect the overall financial position of the Council as reported to Finance, Policy and Resources committee on 29 June 2017.

3.3 Registered Charities

- 3.3.1 This encompasses those trusts, registered with OSCR, for which the Council (all 45 Councillors) is the sole trustee. There are nine separately registered charities, which for reporting purposes can be grouped together into a single Annual Report and Accounts.
- 3.3.2 These accounts are subject to the same audit process as the Council with the audited accounts and related auditor's report included with the aforementioned report from the external auditor.
- 3.3.3 The committee must now consider and aim to approve the audited Annual Accounts for signature.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 There is a statutory requirement for the Council to produce both unaudited and audited Annual Accounts within certain timescales and to a high standard in accordance with The Local Authority Accounts (Scotland) Regulations 2014, the CIPFA Code of Practice on Local Authority Accounting and generally accepted accounting practices. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

6. MANAGEMENT OF RISK

Financial

- 6.1 The robust process of closing the accounts at the financial year-end means that all reasonable steps have been taken to ensure that they are reflective of the financial circumstances of the Council during 2016/17 and as at 31 March 2017. Whilst there remained a risk that the external audit process would reveal errors or adjustments, these have been discussed by officers and the external auditor throughout the audit process and amendments made as appropriate prior to the presentation of the audited Annual Accounts and the auditor's report and opinion to this committee.

Employee

- 6.2 A detailed year end timetable was been drawn up to ensure all employees were aware of their involvement in the year end process and the information they must provide for the Annual Accounts. Whilst there remained a risk that the external audit process would reveal errors or adjustments, these have been discussed by officers and the external auditor throughout the audit process and amendments made as appropriate prior to the presentation of the audited Annual Accounts and the auditor's report and opinion to this committee.

Customer

- 6.3 The council's external auditors are KPMG, a highly reputable firm who have examined and analysed the Annual Accounts and reported their findings in their Annual Audit Report. This minimises any risk to users of the Annual Accounts.

Environmental

- 6.4 This report has no environmental risks.

Technological

- 6.5 The production of the Annual Accounts relies on the finance systems of the Council. There is a risk that these systems could be disrupted. To mitigate these risks the Council has a digital strategy that includes undertaking regular and rigorous checks, taking action as appropriate to protect the integrity of all systems.

Legal

- 6.6 The annual external audit scrutiny provides assurance that relevant legislation is adhered to. The risk of the Annual Accounts not complying with this legislation is therefore low.

Reputational

- 6.7 There is a risk that the information contained in the Annual Accounts document may cause damage to the Council's reputation. This risk is mitigated by independent examination by senior staff members and the external auditors.

7. IMPACT SECTION

Economy

- 7.1 The accounts for 2016/17 have recognised the role of the Council in delivering specific projects that will deliver economic impacts in their own right; and the Council's corporate role in delivering wider 'business facing' activity in supporting the competitiveness of the business environment.
- 7.2 The economy is exposed to external issues such as Brexit, globalisation and higher prices, as well as macro-economic issues relating to energy prices that will have a proportionately higher direct impact on the local economy than elsewhere in Scotland and the United Kingdom.

People

- 7.3 The Accounts for 2016/17 provide details of income and expenditure incurred in the provision of services in Aberdeen City for the year.

Place

- 7.4 The Annual Accounts report provides financial information to the people of Aberdeen regarding the services in their area. The narrative report contained within explains the governance of the Council, and projects that ACC has undertaken over the past year, along with future plans for Aberdeen City.

Technology

- 7.5 The aim of the Council's digital strategy is to make it easier for employees to do their jobs, give customers better choice in how they get information and use services, ensure that information is shared and to use data to make better decisions.

8. BACKGROUND PAPERS

Audited Annual Accounts 2016/17
KPMG Annual Audit Report to the Members of Aberdeen City Council and the Controller of Audit for the year ended 31 March 2017.

9. APPENDICES

Appendix A – Aberdeen City Council audited Annual Accounts 2016/17
Appendix B – Aberdeen City Council Registered Charities audited Annual Report and Accounts 2016/17

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