

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk & Scrutiny Committee
<b>DATE</b>	11 May 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Unaudited Annual Accounts 2022/23
<b>REPORT NUMBER</b>	RES/23/125
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Lesley Fullerton
<b>TERMS OF REFERENCE</b>	AR&S Cttee 4.1 and 4.2,

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Elected Members with an overview of the Council's 2022/23 unaudited Annual Accounts.
- 1.2 To enable scrutiny of and approval by the Committee on the content of the Annual Governance Statement. The statement has been included in the 2022/23 unaudited Annual Accounts subject to this approval.
- 1.3 The report also provides the unaudited Annual Accounts 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)

That the Committee:-

- 2.1 consider the Council's unaudited Annual Accounts 2022/23;
- 2.2 approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2022/23;
- 2.3 consider the unaudited Annual Accounts 2022/23 of the Council's registered charities;
- 2.4 note that following this meeting the Council's and the registered charities unaudited Annual Accounts will be finalised, signed, and submitted to the Council's external auditors, Audit Scotland;
- 2.5 note that Audit Scotland has now stated that they will not have completed their audit in line with the Council's early close timeline, presented in December 2022 and therefore a special Audit, Risk & Scrutiny Committee has been arranged on 20 July 2023 to allow for the approval of the audited Annual Accounts;

- 2.6 note that the Audit, Risk and Scrutiny Committee of 20 July 2023 will receive the external auditor's report on the annual accounts for consideration and that this report will set out the auditor's findings and conclusions, highlight any significant issues arising from the audit of the annual accounts and inform Councillors of the proposed audit opinion in advance of the accounts being certified;
- 2.7 note that the Audit, Risk and Scrutiny Committee on 20 July 2023 will also receive the Council's audited 2022/23 Annual Accounts for consideration and approval prior to their signature by the Chief Officer - Finance, Chief Executive and the Council co-Leaders;
- 2.8 note that the Audit, Risk and Scrutiny Committee on 20 July 2023 will also receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report; and
- 2.9 note that officers will continue to work with Audit Scotland to identify how the Councils' 'early close' timeline can be achieved for external audit work in future years of the appointment.

### **3. CURRENT SITUATION**

#### **Annual Governance Statement**

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 specify that the Annual Accounts must include an Annual Governance Statement (AGS).
- 3.2 The AGS should be produced in accordance with proper accounting practices and the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.
- 3.3 The Council has developed its approach to the annual governance review process and in 2022/23 has again undertaken a self-evaluation of the effectiveness of the Local Code of Corporate Governance.
- 3.4 There are different layers of assurance that have been considered and used in determining the content of the AGS. These include management assurance, the internal audit assurance framework, and the consideration of external audit and external scrutiny.
- 3.5 Management assurance includes the certification of internal controls and assurance by Chief Officers, along with an assurance statement having been received by, or on behalf of, the Chief Executive of the group entities. The Chief Officer of the Aberdeen City Integration Joint Board has also provided assurance in respect of the Health and Social Care Partnership arrangements.
- 3.6 Further confidence is based on the operational structure and legislative framework that exists for the Council, that has been updated to reflect the Tom 1.2 structure that was implemented in 2022/23.

- 3.7 The Scheme of Governance defines the roles and responsibilities for officers and Elected Members
- 3.8 The accounting team work closely with budget holders to ensure that a positive relationship exists and there is openness and transparency about decision making and the financial implications.
- 3.9 Each Chief Officer has reviewed their portfolio and certified their effectiveness to the Chief Officer – Governance and the Chief Officer - Finance.
- 3.10 Management Assurance has also been obtained from each Chief Officer and reviewed by the Corporate Management Team.
- 3.11 In undertaking a self-evaluation of the Council's effectiveness of its governance framework, several officers have reviewed the Local Code of Governance and drawn judgements on the extent to which the Council is effectively complying with the code.
- 3.12 Independent scrutiny is undertaken by the Internal Audit function, which was carried out by the Internal Audit team from Aberdeenshire Council. They have provided management and the Committee with recommendations on improvements that can be implemented for the benefit, amongst other things, of the control environment.
- 3.13 External scrutiny is required by legislation (Local Authority Accounts (Scotland) Regulations 2014) and the Council's external auditor, Audit Scotland, reports on a variety of areas, not simply the financial statements and financial control environment. These reports, which are produced on a national basis, have been considered in preparing the AGS for 2022/23.
- 3.14 In conclusion and in examining the evidence, the 2022/23 AGS has been prepared with an approach of openness and accountability that recognises the positive framework that the Council has and the effectiveness of it during the financial year. It should be noted that the Statement has been produced by management and is not an independent expression of audit opinion.
- 3.15 The Annual Governance Statement is signed on behalf of Aberdeen City Council by the Chief Executive and the co-Leaders of the Council. It is recommended for approval prior to being signed.

### **Unaudited Annual Accounts**

- 3.16 On 13 December 2022 Audit, Risk and Scrutiny received and noted the contents of a report, "Annual Accounts 2022/23 – Action Plan" which provided high level information and key dates in relation to the production of the 2022/23 Annual Accounts. The key dates are noted below:

<b>Date(s)</b>	<b>Description</b>	<b>Amendments</b>
31 March 2023	End of the financial year 2022/23	
Jan – June 2023	Information from Group Entities (including ALEO's)	
17 April 2023	Public Notice for the Public Inspection Period to be issued	
08 May 2023	Signing of unaudited Annual Accounts by the Proper Officer	11 May 2023
11 May 2023	Submission of the unaudited Annual Accounts to Auditors	
15 May 2023 – 02 June 2023	Public Inspection Period for the unaudited Annual Accounts	
27 June 2023	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature	Audit Scotland has confirmed they are unable to achieve this date.
27 June 2023	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Co-Leaders.	Following the Special Meeting on 20 July 2023
30 June 2023	Statutory deadline for the Proper Officer to sign the <u>unaudited</u> Annual Accounts, submit to the Auditor and publish on the website, along with the accounts of all subsidiary bodies	
14 July 2023 (tbc)	Deadline for submission of the <u>unaudited</u> Whole of Government Accounts (WGA) to the Scottish Government	
20 July 2023		Special Meeting of AR&S Committee to consider External Auditor's Annual Report and approve Audited Annual Accounts for signature.
30 September 2023	Deadline for submission of the signed audited Annual Accounts to the Auditor	
30 September 2023 (tbc)	Deadline for submission of the audited WGA to the Scottish Government	
31 October 2023	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies	
31 December 2023	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR	

- 3.17 There is also a requirement that the unaudited Annual Accounts be provided to and considered by a committee whose remit includes audit or governance, this report satisfies that requirement.

### **Inspection and Audit of the Accounts**

- 3.18 The Local Authority Accounts (Scotland) Regulations 2014 define the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. At least 14 days' public notice must be given prior to the commencement of the inspection period. The latest date by which the public inspection can start is 1 July 2023. The inspection must last 15 working days. This year the public inspection period will begin on 15 May 2023 and end on 2 June 2023.
- 3.19 The Regulations also require publication of the unaudited Annual Accounts, as submitted to the Auditor, on the Council's website until the audited accounts can replace them. This not only provides a means by which the public can access the accounts during the inspection period but also ensures the Council is open and transparent in its reporting.
- 3.20 On completion of the audit process, the external auditors will present their report on the audit of the Annual Accounts. Audit Scotland has confirmed that they will be unable to complete their work in time for the 27 June 2023 Committee meeting due to this being the first year of the audit appointment. In the first year of an appointment there is significantly more information to be gathered, analysed and considered by the auditors and therefore it is expected the 'early close' timeline will be met in future years. A special meeting of the Audit, Risk and Scrutiny Committee on 20 July 2023 has been requested to consider the final annual audit report. This report will highlight any significant issues arising from the audit and inform Elected Members of the proposed audit opinion in advance of the final accounts being approved for signature.
- 3.21 The audited Annual Accounts will also be presented to that meeting for consideration and approval. Thereafter, the accounts will be signed by the Chief Officer - Finance, Chief Executive, and the Council Co-Leaders. The signed accounts must be published no later than 31 October 2023.

### **Financial Performance and Review of the Accounts**

- 3.22 It should be noted that the unaudited 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 the Finance and Resources Committee throughout the year.
- 3.23 A report covering the detailed financial position of the Council will be considered by the Finance and Resources Committee on 17 May 2023. This report covers 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 2023.

- 3.24 The credit rating and London Stock Exchange (LSE) listing has brought several additional reporting and governance requirements, including the need to consider our financial management systems, processes, and routines to take into account the requirements and expectations of holding and maintaining a suitable credit rating and being an Issuer of Bonds.
- 3.25 The following paragraphs highlight some of the key sections of the Annual Accounts:
- 3.26 Management Commentary – focuses on the financial performance of the Council and its group as well as highlighting significant past and future events and comments on the economic climate within which the Council operates.
- 3.27 Comprehensive Income & Expenditure Statement (CIES) and Expenditure & Funding Analysis - reflects the income and expenditure of the Council per the Council's service structure based on the requirements of accounting standards.
- 3.28 Balance Sheet – provides information on the assets and liabilities of the Council together with its usable and unusable reserves. Net assets (i.e., assets less liabilities) have increased by £444 million from March 2022 to a total of £1.879 billion at March 2023. The corresponding movement in reserves reflects an increase of £439 million and £5 million in unusable and usable reserves respectively.
- 3.29 Common Good and Trusts – the Common Good Fund's CIES and Balance Sheet reflect a decrease in the value of its net assets which has resulted in its value decreasing by £6 million to £121 million at March 2023. The financial statements of the Trusts reflect the split between charitable and non-charitable trusts. This aids the separate audit of charitable trusts, which is an OSCR (Office of the Scottish Charity Regulator) requirement and will be carried out by the Council's external auditors.
- 3.30 Group Accounts – these include the Council, its subsidiaries, associate, and joint venture companies and reflects all the significant entities the Council has a controlling interest in. The group balance sheet shows net assets and reserves of £2.063 billion. A few smaller organisations have been excluded from the financial statements due to their relative size on the grounds of materiality and as such their performance is disclosed simply in the notes to the group accounts.

### **Registered Charities**

- 3.31 This encompasses those trusts, registered with OSCR, for which the Council (all 45 Councillors) is the sole trustee. There are seven separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts. The consolidated balance sheet shows a value of £11.014 million, after the elimination of intra trust balances, i.e., the investment in the Lands of Skene by the Guildry & Mortifications and Bridges of Aberdeen Heritages trusts.

3.32 These accounts are subject to the same audit process as the Council with the audited Annual Accounts and related auditor’s report being reported back to this committee on 20 July 2023 for approval prior to signature by the relevant officers and the nominated Councillor (normally the Council Leader or Convener of Finance and Resources Committee).

3.33 Thereafter, they will be submitted to OSCR, which must be no later than 31 December 2023.

#### 4. FINANCIAL IMPLICATIONS

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

#### 5. LEGAL IMPLICATIONS

5.1 The preparation of the Annual Governance Statement is a part of the Council’s compliance with the CIPFA/SOLACE guidance on ‘Delivering Good Governance in Local Government’.

5.2 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. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.’

#### 7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	There is a risk that if reporting of annual accounts is not undertaken as required, the financial	L	Comprehensive approach to preparing Annual Accounts to accounting standards and legislation to ensure	Yes

	resilience of the Council is not maintained that strategic priorities and outcomes have to be compromised in the future.		compliance and transparency for all stakeholders.	
<b>Compliance</b>	Risk of Legislation not being followed	L	Staff working with external audit to ensure compliance with legislation	Yes
<b>Operational</b>	Risk that the Finance systems could be disrupted	L	Digital strategy that includes regular and rigorous checks to protect the integrity of all systems.	Yes
<b>Financial</b>	External audit reveals errors &/or adjustments	L	Officers discuss with Auditors throughout external audit process.	Yes
<b>Reputational</b>	Information contained in the Annual Accounts may cause damage to the Council's reputation	L	Independent examination by senior staff and external auditors	Yes
<b>Environment / Climate</b>	n/a	n/a	n/a	n/a

**\*Note – if there are inconsistencies between the target risk level and the risk appetite level set, please provide rationale for your proposals.**

## 8. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN</u></b>	
<b>Impact of Report</b>	
<b>Aberdeen City Council Policy Statement</b>	Financial reporting enables the delivery of the outcomes and regular performance reviews ensure

	that the Council's stewardship and financial management are robust.
<a href="#"><u>Aberdeen City Local Outcome Improvement Plan 2016-26</u></a>	
Prosperous Economy Stretch Outcomes	The Council continues to invest and report in front-line services across its statutory responsibilities as well as capital infrastructure. Investment in the city will have a positive impact on the economy.
Prosperous People Stretch Outcomes	Robust and effective management and reporting of the Council's finances will ensure that services can continue to be provided
Prosperous Place Stretch Outcomes	Investment will enhance the place by creating a better and more vibrant city in which to live.
<b>Regional and City Strategies</b>	The information within this report supports Council, Regional and City Strategies by enabling financial planning, resource allocation and investment.

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	Not required
<b>Data Protection Impact Assessment</b>	Not required
<b>Other</b>	Not required

## 10. BACKGROUND PAPERS

- 10.1 Delivering Good Governance in Local Government, Framework (2016 Edition)' CIPFA & SOLACE, 2016; 'Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities (2016 Edition)' CIPFA & SOLACE, 2016; Audited Annual Accounts 2021/22

## 11. APPENDICES

- 11.1 Appendix A - Unaudited Annual Accounts 2022/23  
Appendix B - Aberdeen City Council Registered Charities Unaudited Annual Report and Accounts 2022/23

## 12. REPORT AUTHOR CONTACT DETAILS

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