

ABERDEEN CITY COUNCIL

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| COMMITTEE | Audit Risk & Scrutiny Committee |
| DATE | 15 August 2023 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Audited Annual Accounts 2022/23 |
| REPORT NUMBER | RES/23/261 |
| DIRECTOR | Steven Whyte |
| CHIEF OFFICER | Jonathan Belford |
| REPORT AUTHOR | Lesley Fullerton |
| TERMS OF REFERENCE | 4.1 |

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval from the Committee for the signing of the Council's 2022/23 audited Annual Accounts, and for approval of which trustee (Councillor) will sign the registered charities accounts for 2022/23 and approve the charity accounts for signature.

2. RECOMMENDATION(S)

That the Committee: -

- 2.1 approve the Council's audited Annual Accounts for the financial year 2022/23 as presented, and
- 2.2 approve the audited Annual Accounts 2022/23 for those registered charities where the Council is the sole trustee and nominate a trustee to sign the accounts.

3. CURRENT SITUATION

- 3.1.1 On 13 December 2022 the Audit Risk and Scrutiny Committee 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.

- 3.1.2 These key dates were set without consultation of the Council's auditors Audit Scotland, who had not yet commenced their engagement.

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

| Date(s) | Description |
|-----------------|---|
| 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 |

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| 11 May 2023 | Submission of the 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 |
| 27 June 2023 | Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Co-Leaders. |
| 30 June 2023 | Statutory deadline for the Proper Officer to sign the unaudited 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 unaudited Whole of Government Accounts (WGA) to the Scottish Government |
| 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 |

3.1.4 On 11 May 2023 this Committee considered the unaudited Annual Accounts, and they were signed by the Chief Officer - Finance (as Proper Officer).

3.1.5 The unaudited Annual Accounts were available for public inspection for the period 15 May – 13 June 2023. The public inspection period was extended as there was a delay in publishing Aberdeen City Integration Joint Board Unaudited Annual Accounts. One objection to the annual accounts was received following the inspection period.

3.1.6 Due to this being the first year of Audit Scotland's engagement they were unable to complete their audit by the original deadline of 27 June 2023. The committee date was rearranged to 20 July 2023; however, this was cancelled in accordance with Standing Orders by the Convener. A further committee date of 15 August 2023 was then set.

3.1.7 Having considered the reports from the External Auditor and taken into account their audit opinion (in a previous report on the agenda) the committee must now consider the audited Annual Accounts and approve them for signature.

3.1.8 The preparation of the Council's Annual Accounts 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.

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 International Financial Reporting Standards 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 covering the detailed financial position of the Council was considered by Finance and Resources Committee on 17 May 2023. That 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 2023.
- 3.2.3 Audit Scotland, the Council's external auditors, have now completed their audit and the Committee will note the findings from their report, which was an earlier item on this Committee's agenda. The auditor has indicated that it will provide the Council with an unmodified audit opinion, and this will be incorporated into the Annual Accounts document, attached as Appendix A before publication.
- 3.2.4 In addition to those adjustments identified by the audit, the Council undertook to incorporate changes that were identified as part of the annual valuation review for Property, Plant and Equipment and Investment Properties. This was to comply with accounting standards. Revised reports were received from the Council's valuers, and this resulted in a net decrease of £34m to Property, Plant & Equipment, and a net increase of £6m to Investment Properties. This did not affect the Council's Usable Reserves.
- 3.2.5 Further adjustments were made to service income and expenditure to correctly identify grant income and capital income that were identified before the audit commenced. This meant immaterial amendments to debtors, creditors and income and expenditure.
- 3.2.5 The group accounts have been amended to reflect all appropriate adjustments as well as any changes arising from the audit of other group entities.
- 3.2.6 These adjustments adversely affected the overall financial position of the Council as reported to Finance and Resources Committee on 17 May 2023 by £1.113m. This means that the deficit of £2.083m reported has risen to £3.196m. This will be funded from the earmarked Covid 19 grant funding.
- 3.2.7 The statutory deadline for local authority financial statements to be audited and submitted to the appropriate committee is 30 September. It should be noted that the Council's Annual Accounts have now been audited almost two months ahead of the required deadline.

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 afore-mentioned report from the external auditor.
- 3.3.3 There were no adjustments identified.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications, not already referred to, 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.

5.2 There is a statutory requirement for the Council to produce the audited Annual Accounts for the Charitable Trusts within specific timescales and as per guidance produced by the Office of the Scottish Charity Regulator (OSCR).

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? |
|-----------------------|--|--|---|---|
| Strategic Risk | None | n/a | n/a | n/a |
| Compliance | Risk of legislation not being followed | Staff working with external audit to ensure compliance with legislation | L | Yes |
| Operational | There is the risk that technological issues may prevent the Council from preparing the annual accounts | Staff working with IT ensuring that correct processes are in place to prevent technological disruption | L | Yes |
| Financial | There is a risk that the external | Officers discuss with auditors throughout the external audit process | L | Yes |

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| | audit reveals errors &/or adjustments | | | |
| Reputational | Information contained in the Annual Accounts may cause damage to the Council's reputation | Independent examination by senior staff and external auditors | L | Yes |
| Environment / Climate | None | n/a | n/a | n/a |

8. OUTCOMES

| <u>COUNCIL DELIVERY PLAN 2023-2024</u> | |
|---|--|
| Impact of Report | |
| Aberdeen City Council Policy Statement <u>Working in Partnership for Aberdeen</u> | The proposals within this report provide financial information which supports all services and programmes provided by the Council. |
| <u>Aberdeen City Local Outcome Improvement Plan 2016-26</u> | |
| Prosperous Economy Stretch Outcomes | The annual accounts for 2022/23 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. The economy is exposed to external issues such as 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. |
| Prosperous People Stretch Outcomes | The Accounts for 2022/23 provide details of income and expenditure incurred in the provision of services in Aberdeen City for the year. |
| Prosperous Place Stretch Outcomes | 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. |

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| Regional and City Strategies | The Council's Annual Accounts provides financial information which supports these strategies. |
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9. IMPACT ASSESSMENTS

| Assessment | Outcome |
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| Integrated Impact Assessment | not required. |
| Data Protection Impact Assessment | not required |
| Other | not required |

10. BACKGROUND PAPERS

- 10.1 Delivering Good Governance in Local Government, Framework (2016 Edition)' CIPFA & SOLACE, 2016;
- 10.2 Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities (2016 Edition)' CIPFA & SOLACE, 2016.
- 10.3 Unaudited Annual Accounts 2022/23

11. APPENDICES

- 11.1 Appendix A – Aberdeen City Council Audited Annual Accounts 2022/23
- 11.2 Appendix B - Aberdeen City Council Registered Charities audited Annual Report and Accounts 2022/23

12. REPORT AUTHOR CONTACT DETAILS

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