



REPORT TO: SPECIAL MORAY COUNCIL ON 26 SEPTEMBER 2018

**SUBJECT: EXTERNAL AUDIT – ANNUAL REPORT TO COUNCIL ON
2017/18 AUDIT**

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To provide Council with a copy of the External Auditor's report to Council on the 2017/18 Audit.
- 1.2 This report is submitted to the Council for consideration as a suite of reports on the Annual Audit and Accounts for 2017/18.

2. RECOMMENDATION

- 2.1 **It is recommended that the Council considers and notes the contents of the attached report from the Council's External Auditors.**

3. BACKGROUND

- 3.1 The Council's External Auditor, Audit Scotland, provides an Annual Report to those in charge of governance who are the Council and the Controller of Audit each year. This report is a significant document and covers:
 - Significant audit and accounting matters
 - Financial management and sustainability
 - Governance and transparency
 - Value for Money
 - Fraud
 - Findings which require action and management's response
- 3.2 A copy of the External Auditor's covering report is attached as **APPENDIX 1** for information and the report itself will be circulated separately to this agenda. A representative of the Council's External Auditors will present the report at the meeting.

- 3.3 The report coincides with the completion of the Annual Audit of the Council's Annual Accounts. The Council has received an unqualified Audit Opinion for 2017/18 on the council's annual accounts and on the Connected Charities accounts.
- 3.4 The report includes an Action Plan (**APPENDIX 1** to the Auditor's Report) dealing with areas where the External Auditor has identified room for improvement. The most significant of these for the Council is financial sustainability, where the following risk is identified: the Council is unable to agree and implement a sustainable model for service delivery before its reserves are exhausted.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

This is referenced in **Appendix 1** to the report.

(b) Policy and Legal

The audit is conducted in terms of statutory powers afforded to Audit Scotland, the appointed External Auditor for the Council.

(c) Financial Implications

There are no issues arising directly from this report. The report notes that the current level of service provision is not financially sustainable and that Members have a short time in which to make difficult decisions to balance the budget for 2018/19.

(d) Risk Implications

The work undertaken by External Audit provides assurance to Members on the Council's performance management, financial statements and the actions taken by the Council to address significant matters arising out of the audit process.

(e) Staffing Implications

Preparation of the Council's annual financial statements requires significant resource input as part of the scheduled work of the accountancy team within Corporate Services.

(f) Property

There are no property issues arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no equalities issues arising directly from this report. The report concludes that the council has mainstreamed equalities issues.

(h) Consultations

The content of the External Auditor's report has been discussed with CMT and relevant officers of the Council.

5. CONCLUSION

- 5.1 The annual audit by External Audit gives members assurance that the Council's Financial Statements give a true and fair view of its financial position at 31 March 2018 and that appropriate internal control systems are in place. The Report to those in charge of governance details External Audit's findings and conclusions arising from the audit and the planned management actions to address matters which have been highlighted.**

Author of Report: Lorraine Paisey, Head of Financial Services – Ext 3213
Background Papers: Attached
Ref: LP/LJC/