



REPORT TO: SPECIAL MORAY COUNCIL ON 1 DECEMBER 2020

SUBJECT: MORAY COUNCIL'S AUDITED ANNUAL ACCOUNTS FOR THE PERIOD 1 APRIL 2019 TO 31 MARCH 2020

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT & FINANCE)

1. REASON FOR REPORT

- 1.1 To submit to the Council the Audited Annual Accounts for the Moray Council for the year ended 31 March 2020.
- 1.2 This report is submitted to the Council to ensure the deadline for signing the accounts by 30 November is met and for consideration as a suite of reports on the Annual Audit and Accounts for 2019/20.

2. RECOMMENDATION

2.1 It is recommended that the Council:

- (a) considers the Audited Annual Accounts for the financial year 2019/20; and
- (b) approves that the Annual Accounts are signed, having regard to the Annual Report from the external auditor considered earlier at this meeting.

3. BACKGROUND

- 3.1 The unaudited Annual Accounts were submitted to a meeting of the Emergency Cabinet Council on 1 July 2020 (paragraph 9 of the Minute refers). A copy of the Audited Annual Accounts for 2019/20 is available on as an other meeting document on this agenda. The signed accounts will be posted to the Council's website following this meeting.
- 3.2 As a result of the audit process a number of changes have been made to the Core Statements. These are described below.

- 3.3 The North East Scotland Pension Fund's appointed actuaries provided IAS 19 figures for inclusion in the accounts which reflected the implications of the McCloud judgement and these were incorporated into the unaudited accounts. On 16 July 2020 the UK Government issued a consultation document with their proposed remedy for the McCloud judgement and the actuaries revised their IAS 19 figures to reflect the remedy. The revised figures are incorporated in the audited accounts. This has resulted in a decrease in the Pension Liability of £7.602m. This impacted on the Comprehensive Income and Expenditure Statement (CIES) by increasing the re-measurement of the net defined liability. This also affected the Movement in Reserves Statement (MIRS) to increase the unusable reserves value; the Balance Sheet for the long term pension liability and pension reserve, along with the associated notes and group accounts.
- 3.4 During the audit an error was found in the revaluations of Property, Plant and Equipment (PPE). This has increased the value of PPE on the balance sheet by £0.845m. This has also impacted on the CIES by increasing the Surplus on the Revaluation of Property, Plant & Equipment; the MIRS by increasing the unusable reserves value, and the Balance Sheet for the Revaluation Reserve.
- 3.5 One asset had a depreciation charge for the year which resulted in a negative value for that asset. This charge has now been reversed. This has increased the value of PPE on the balance sheet by £0.028m. It has also impacted on the CIES by decreasing the Cost of Services; the MIRS by decreasing the Statutory adjustments line, and the Balance Sheet for the Capital Adjustment Account.
- 3.6 During the year two assets were transferred from the Council to the Common Good, but were not derecognised from the Council's accounts. This has been amended in the Audited Accounts and has decreased the value of PPE on the balance sheet by £0.186m. It has also impacted on the CIES by increasing other operating expenditure by £0.190m and the balance Sheet for the Capital Adjustment Account and the Revaluation Reserve.
- 3.7 The Short Term Debtors figure in the Balance Sheet has been amended by £0.709m. The reasons for this are: the amount of the HB Debtor included in the accounts was incorrect and had to be increased by £0.080m; an Education Grant was included in debtors in error and was removed which decreased debtors by £0.048m. A VAT Refund wasn't included in Debtors and should have been which has increased Debtors by £0.677m. This has also increased the cost of Services in the CIES, and the General Fund Balance.
- 3.8 In addition to the above, the Group Core Statements were amended due to the IAS 19 pension fund liability relating to the Grampian Valuation Joint Board and amendments in Moray Leisure accounts, which has reduced the liability on the share of associates reserves by £0.033m.
- 3.9 Other presentational amendments were made to the accounts but did not have any impact on the core statements.

- 3.10 This year the accounts were prepared under extremely trying circumstances due to lockdown restrictions imposed as a result of the Covid-19 pandemic, resulting in minimal access to financial systems. The accountancy staff prepared the accounts remotely and should be commended for their hard work in doing so.
- 3.11 The Council's External Auditors have given the Council an unqualified opinion in the Independent Auditor's Report which can be found on pages 111 to 113 of the Accounts.

4. SUMMARY OF IMPLICATIONS

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

The audited Annual Accounts have been completed within the target timescale.

(b) Policy and Legal

According to Paragraph 10 (1) of the Local Authority Accounts (Scotland) Regulations 2014, a Local Authority is required to submit its Audited Accounts to the Council each year and state that a local authority must meet to consider the Audited Accounts and aim to approve them no later than 30 September immediately following the financial year to which they relate. The Coronavirus (Scotland) Act, and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003), the regulations have been relaxed in response to the COVID-19 pandemic but the relaxations mainly relate to the timing on the audit and the consideration date was delayed until 30 November 2020.

The review by the External Auditors of the Council's Accounts is in accordance with the Council's Code of Corporate Governance and ensures that the Council complies with established policies, procedures, laws and regulations.

(c) Financial implications

Several amendments to the accounts were identified as part of the audit process. These have had the impact of increasing the Council's General Fund balance by £0.710m. This means that the free General Fund Balance, available for use by the Council is now £15.349m. The Pension Liability and corresponding reserve have decreased by £7.602m as a result of updated information on the impact of the remedy to the McCloud ruling. Other amendments affected the Group Accounts by reducing the pension fund liability by £0.033m.

(d) Risk Implications

There are no risk issues arising directly from this report. The work undertaken by Audit Scotland provides assurance to the Committee that the Accounts for 2019/20 give a true and fair view of the financial position and expenditure and income of the Council and its group for the year.

(e) Staffing Implications

Many staff throughout the Council provide information for the inclusion in the Annual Accounts.

(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.

(h) Consultations

None.

CONCLUSION

- 5.1 The Council's External Auditor has issued an opinion with no qualifications for the 2019/20 Annual Accounts which means that the audited financial statements give a true and fair view of the financial position and expenditure and income of the Council and its group for the year.**

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Background Papers: Held in Financial Services
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