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**REPORT TO: SPECIAL MORAY COUNCIL ON 26 SEPTEMBER 2019**

**SUBJECT: 2018/19 ANNUAL AUDIT REPORT TO COUNCIL**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

**1. REASON FOR REPORT**

- 1.1 To provide Council with a copy of the External Auditor's Annual Audit Report to Council on the 2018/19 audit.
- 1.2 This report is submitted to the Council for consideration as a suite of reports on the Annual Audit and Accounts for 2018/19.

**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:
- The audit of the 2018/19 annual accounts
  - Financial management and sustainability
  - Governance and transparency
  - Value for Money
  - 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 forms **APPENDIX 2** to this report. 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 2018/19 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, with the need to identify what savings will be made to meet the funding gaps anticipated in the short to medium term and a cross-Council transformation plan to generate the savings.

#### **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.

**(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 Financial 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.

**(h) Consultations**

The content of the **APPENDIX 2** to this report has been discussed with CMT and relevant officers of the Council.

**5. CONCLUSION**

- 5.1 The annual audit by External Audit gives Council assurance that the Council's Financial Statements give a true and fair view of its financial position at 31 March 2019 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/