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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 22 AUGUST 2018**

**SUBJECT: AUDIT SCOTLAND – MANAGEMENT REPORT – 2017/18**

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

**1. REASON FOR REPORT**

- 1.1 To provide Committee with a copy of the External Auditor's management report for 2017/18.
- 1.2 This report is submitted to Committee in terms of Section III (I) (8) of the Council's Scheme of Administration relating to consideration of reports produced by the Council's External Auditor.

**2. RECOMMENDATION**

- 2.1 **It is recommended that the Committee considers and notes the contents of the External Auditor's Management Report for 2017/18.**

**3. BACKGROUND**

- 3.1 A management report has been received from Audit Scotland and is attached as **Appendix 1** to this report. The report contains a summary of the key issues identified during the interim audit work undertaken to gain assurances over systems and processes used in the preparation of the financial statements.
- 3.2 The audit findings together with management responses to issues raised are detailed in the report.
- 3.3 The report also includes consideration of wider issues which impact on the Council, and highlights financial sustainability as the major challenge currently facing the Council, noting that there is a risk that the Council is unable to agree and implement a sustainable model for service delivery before the Council's reserves are exhausted.

#### **4. SUMMARY OF IMPLICATIONS**

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

The work of the external auditor provides assurances on key elements of the council's governance arrangements; arrangements that are central to the delivery of community and council plans.

**(b) Policy and Legal**

The audit is conducted in terms of statutory powers afforded to the appointed External Auditor and in accordance with Audit Scotland's Code of Practice.

**(c) Financial implications**

No implications directly arising from this report.

**(d) Risk Implications**

Implementation of the audit recommendations will mitigate the risk issues identified in the External Auditor's report.

**(e) Staffing Implications**

Audit recommendations will be addressed using existing staffing resources.

**(f) Property**

No implications.

**(g) Equalities/Socio Economic Impact**

No socio economic impacts known at this time .

**(h) Consultations**

The report has been agreed with the Corporate Management Team, Head of Financial Services, Acting Joint Head of HR and ICT, Democratic Services Manager, Internal Audit Manager and Payments Manager, who contributed the management responses to issues raised during the audit.

**5. CONCLUSION**

- 5.1 The Management Report forms part of the external audit reporting for 2017/18 and is submitted to the Audit and Scrutiny Committee for its consideration.**

Author of Report:	Atholl Scott
Background Papers:	Held by external auditor
Ref:	LP/AS/LJC/213-3139