

Angus Council

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Angus Council and the Controller of Audit

October 2023

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Key messages

2022/23 annual accounts

- 1 Audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified.
- 2 The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 3 There were several material and non-material misstatements identified within the unaudited accounts.

Best Value

- 4 The council has made satisfactory progress on recommendations reported in the 2022 BVAR.
- 5 The council has identified performance measures to monitor progress with its priorities.

Financial management

- 6 The council has effective arrangements to secure sound financial management and appropriate budget setting.
- 7 The council operated within its revised fiscal resources, reporting an underspend of £10.3 million, with 98 per cent of savings achieved.
- 8 The main financial systems of internal control operated effectively while standards for the prevention and detection of fraud remain appropriate.

Financial sustainability

- 9 The council has effective and appropriate arrangements in place to plan the use of its resources to continue delivery of services into the medium-term.
- 10 The council continues to face significant financial challenges in the medium term with a projected funding gap of £51.9 million over three years to 2025/26.
- 11 The Finance and Change Plan 2023-2026 details plans to achieve savings in the medium-term but further development is required.
- 12 A long-term financial planning framework is in place, following delays in previous years.

Vision, leadership and governance

- 13** The council has a clear vision, strategy and priorities.
- 14** Governance arrangements are appropriate and operated effectively.
- 15** There is effective collaborative working between members and with members and officers towards the achievement of the priorities.
- 16** In the new Council Plan, the council is committed to achieving net zero by 2045.

Use of resources to improve outcomes

- 17** The council has set out a clear vision and priorities which are well-aligned with the Community Planning Partnership's Community Plan.
- 18** Success measures are in place but the continued development of the PLED programme ensuring effective performance reporting against the Council Plan is now key.
- 19** The council has reported a mixed performance against its recognised indicators.
- 20** The council has satisfactory arrangements for the preparation and publication of Statutory performance information (SPIs).

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Angus Council (the council). The scope of the audit was set out in an annual audit plan presented to the 25 April 2023 meeting of the Scrutiny and Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the council's annual accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

2. This report is addressed to the members of Angus Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Pauline Gillen, have been appointed by the Accounts Commission as auditor of Angus Council for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank councillors, scrutiny and audit committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. Angus Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the council from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £300,960 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to the council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified.

The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

There were several material and non-material misstatements identified within the unaudited accounts.

Audit opinions on the annual accounts are unmodified

11. The Council approved the annual accounts for Angus Council and its group for the year ended 31 March 2023 on 26 October 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed as £11.3 million

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues

may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£11.3 million
Performance materiality	£6.8 million
Reporting threshold	£0.25 million

14. The overall materiality threshold for the audit of the annual accounts of the council was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 60% of overall materiality, reflecting that all errors highlighted in previous years were adjusted and testing of individual errors highlighted during the previous year's audit that these were adjusted were one off rather endemic in the systems.

16. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

17. We also set separate materiality levels for the Robert & William Strang Mortification and the Angus Council Charitable Trust. On receipt of the unaudited statements of accounts we reviewed and updated our planning materiality calculations to £29,000 for the Robert & William Strang Mortification and £11,300 for the Angus Council Charitable Trust (2% of the net assets for each charity). We also set a specific area materiality for the Statement of Financial Activities as the level of income and expenditure is significantly lower than the asset-based materiality. The specific area materiality was £1,900 for the Robert & William Strang Mortification and £390 for the Angus Council Charitable Trust (2% of gross expenditure for each charity).

Significant findings and key audit matters

18. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the body's accounting practices.

19. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

20. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p>1. Pension Assets</p> <p>Angus Council is an admitted member of Tayside Pension Fund, part of the Local Government Pension Scheme (LGPS). 2022/23 represented the first year that the LGPS had a net pension asset at the year end. The unaudited accounts recognised a pension asset of £187.7 million.</p> <p>Proper accounting practice, as outlined in International Accounting Standard (IAS) 19 and International Financial Reporting Interpretations Committee (IFRIC) 14 states that any pension asset should be recognised at the lower of the surplus or the pension asset ceiling calculated by the actuary. The pension asset was based on figures provided by the council's actuary. Some of the assumptions used were inconsistent with our understanding of the correct treatment.</p> <p>Following review of these assumptions and discussion with the actuary, revised figures were provided showing a liability of £8.9 million as at 31 March 2023. An adjustment of £197 million was made to the Balance Sheet with a corresponding adjustment in Re-measurements of the net pension liability in the Comprehensive Income & Expenditure Account.</p> <p>The group accounts have also been updated to reflect the removal of pension assets from Tayside Valuation Joint Board audited accounts and Tayside Contracts. The adjustment resulted in an</p>	<p>Management have adjusted for this in the audited annual report and accounts.</p> <p>Appendix 2 - Summary of uncorrected misstatements (issue 2) shows an alternative approach in relation to the group pension asset (AngusAlive) of £7.4 million.</p> <p>Recommendation 1</p>

Issue	Resolution
<p>increase of Liability in Associates & Joint Ventures of £17.7 million.</p>	
<p>2. Service Concession Assets</p> <p>The council approved the use of temporary financial flexibilities in 2022/23 for calculating the statutory charge for the repayment of debt for service concession arrangements in line with Finance Circular 10/2022. This circular requires the flexibility to be applied consistently to all arrangements entered into prior to 1 April 2022. However, the Beech Hill House service concession arrangement has not been treated in line with the others with a subsequent understatement of the savings of £0.9 million.</p>	<p>This was not corrected in the audited accounts - see Appendix 2 - Summary of uncorrected misstatements (issue 1)</p> <p>Recommendation 2</p>
<p>3. Gross Income/expenditure disclosures</p> <p>The unaudited Comprehensive Income and Expenditure Statement (CIES) and group CIES misstated the gross income/expenditure in a number of areas resulting in an overstatement of gross income and expenditure of £12.7 million. The audit adjustments include:</p> <ul style="list-style-type: none"> • Inclusion of void rents of £1.7 million • Intra-council transactions of £5.8 million had not been removed • Intra-group transactions of £5.7 million had been incorrectly accounted for in the group CIES • Only the net position for Ukraine Support grants was included in the CIES. Gross income and expenditure understated by £0.5 million 	<p>Management have adjusted for this in the audited annual report and accounts.</p>
<p>4. Accounts disclosures</p> <p>The Code of Practice on Local Authority Accounting in the UK 2022/23 requires that adjustments to usable reserves permitted by accounting standards are separately disclosed in the Movement in Reserves Statement. The unaudited accounts did not correctly disclose these adjustments. This required an adjustment of £8.8 million to the Movement in Reserves Statement. The disclosure issue did not impact the bottom line.</p>	<p>Management have adjusted for this in the audited annual report and accounts.</p> <p>The council should consider completion of a disclosure checklist or other similar exercise to ensure the accounts are complete and accurate.</p> <p>Recommendation 3</p>

Issue	Resolution
<p>This and other audit findings would have been identified through the completion of a disclosure checklist to confirm all appropriate disclosures are made.</p>	
<p>5. Group consolidation</p> <p>The following group consolidation issues were identified in the unaudited accounts:</p> <ul style="list-style-type: none"> • The surplus on revaluation of non-current assets – subsidiaries line in the group CIES has been overstated by £13.7 million • Group Reserves in the group balance sheet was overstated £32.6 million with an equivalent understatement in Unusable Reserves • Usable reserves overstated by £7.4 million that should have been included in Unusable Reserves. • The group cash flow includes a deficit of £6.9 million attributable to Jointly Controlled Entities. This is in relation to the Angus IJB and should be included instead as part of the Joint Venture disclosures. 	<p>Management have adjusted for this in the audited annual report and accounts.</p>
<p>6. Revaluation reserve</p> <p>An annual adjustment is made between unusable reserves to remove the difference between depreciation on revalued amounts and depreciation on historic costs. However, differences totalling £1 million between the revaluation reserve and the capital adjustment account were highlighted during audit testing.</p>	<p>This was not corrected in the audited accounts - see Appendix 2 - Summary of uncorrected misstatements for account disclosure issues (issue 2).</p> <p>Recommendation 4</p>
<p>7. Non-Domestic Rate Income Account</p> <p>An error in the working papers resulted in the following understatements in the Non-Domestic Rate Income Account:</p> <ul style="list-style-type: none"> • Reliefs and Other Deductions of £0.5 million • Write-offs of uncollectable debts of £0.2 million 	<p>Management have adjusted for this in the audited annual report and accounts.</p>
<p>8. Fixed asset register - surplus assets</p> <p>An error in the fixed asset register resulted in Property, Plant and Equipment on the Balance Sheet being understated by £0.6 million.</p>	<p>Management have adjusted for this in the audited annual report and accounts.</p>

Our audit work responded to the risks of material misstatement we identified in the annual accounts

21. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> Assessed the design and implementation of controls over journal entry processing. Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Tested journals at the year-end and post-closing entries and focus on significant risk areas. Considered the need to test journal entries and other adjustments during the period. Evaluated significant transactions outside the normal course of business. Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. Focussed testing of accounting accruals and prepayments. 	<p>Results: We did not identify any significant issues within our work on journals, accruals, prepayments, income and expenditure testing. Our testing of estimates identified errors in the valuation of the pension asset which are noted in Exhibit 2. These errors were adjusted in the audited accounts.</p> <p>One significant transaction outside the normal course of business was in relation to financial flexibilities for service concession assets which was used in 2022/23. Our review identified one issue in relation to the accounting where one arrangement was excluded from the calculations. This error is reflected in Appendix 2 - Summary of uncorrected misstatements.</p> <p>Conclusion: No issues were identified that indicate management override of controls</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2. Estimation in the valuation of land and buildings.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>All non-current assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that the council ensures the financial statements accurately reflect the value of the land and buildings.</p>	<ul style="list-style-type: none"> • Reviewed the information provided to the valuer to assess for completeness. • Evaluated the competence, capabilities, and objectivity of the professional valuer. • Obtained an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred. • Critically assessed the approach the council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. • Challenged management's assessment of why it considers that the land and buildings not revalued in 2022/23 are not materially misstated. Critically assessed the appropriateness of any assumptions. • Critically assessed the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of land and buildings. 	<p>Results: Our review of the work of the valuer confirmed that we could place reliance on the valuer's assessment of land and buildings as at 31 March 2023.</p> <p>Conclusion: We concluded that the value of land and buildings in the audited financial statements is not materially misstated.</p>

22. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. The area of specific audit focus was estimation in the valuation of the pension asset/liability.

23. Our testing of estimates identified errors in the valuation of the pension asset which are noted in [Exhibit 2](#). These errors were adjusted in the audited accounts.

There were several material and non-material misstatements identified within the unaudited accounts

24. Corrected material misstatements are detailed as significant findings in [Exhibit 2](#). As part of the audit, we identified several non-material misstatements that were also adjusted in the audited accounts.

25. We also identified misstatements which were not corrected by management in the audited accounts. We considered the size, nature and circumstances leading to all uncorrected misstatements, individually and in aggregate, and concluded that these were not material. Further details of the uncorrected misstatements are included in [Appendix 2](#).

The unaudited annual accounts were received in line with the agreed audit timetable

26. The unaudited annual accounts were received on 30 June 2023, in line with our agreed audit timetable.

Our audit opinions on Section 106 charities were unmodified

27. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities' legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Angus Council are sole trustees, irrespective of the size of the charity.

28. Angus Council's two Section 106 charities are the Angus Council Charitable Trust (ACCT), which covers the Angus area, and the Robert and William Strang Mortification, which is specific to Forfar. For the first time, in 2022/23, the Trustees' Annual Report for Angus Council Charitable Funds was prepared under Regulation 7 (Connected Charities) of the Charities Accounts (Scotland) Regulations 2006. This allows registered charities which have a common or related purpose, or have a common controlling body or administration, to prepare a single set of accounts.

29. Our audit opinions on the Section 106 charities are unmodified.

30. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit, including our view about the qualitative aspects of the body's accounting practices.

31. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

32. The significant findings in relation to the trust audit were:

- As the appointed auditors of the Section 106 charities administered by the council, we are required to consider whether the funds held within the trusts are being used for the purposes intended. This includes

reporting any inappropriate use of funds or prolonged lack of activity. No awards have been made by ACCT in 2022/23 for the fourth year in a row. The trustees of ACCT should consider the future of the trust and decide as to how this will be used going forward.

- The Charities SORP (FRS102) requires that where connected charities prepare a single set of accounts, they must include all of the information for each charity that would be required if each charity produced individual accounts. The unaudited accounts did not contain the required details. Adjustments have been made to the trust's audited accounts.
- Bank interest in the unaudited accounts was interest from the council of £39,758. The interest that should have been paid based on the balances held should have been £8,171. Council officers have indicated that this overpaid interest £31,587 is to be treated as a donation to the trusts. An adjustment has been made to the trust's audited accounts.

Good progress was made on prior year recommendations

33. The council has made good progress in implementing the audit recommendations identified in our 2021/22 Annual Audit Report. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Conclusions

The council has made satisfactory progress on recommendations reported in the 2022 BVAR.

The council has identified performance measures to monitor progress with its priorities.

Best Value work in 2022/23

34. For 2022/23 the scope of Best Value work included conclusions on:

- Leadership of the development of new local strategic priorities (2022/23 thematic work)
- Council service performance improvement
- Effectiveness of council performance reporting
- Progress made against Best Value improvement actions made in previous years.

35. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, in addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this annual audit report.

Leadership of the development of new local strategic priorities

36. Annual thematic Best Value work is set by the Accounts Commission. For the 2022/23 financial year, auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The results of this work were reported to elected members at the Scrutiny & Audit Committee in October 2023. This report will be published on the Audit Scotland website soon.

37. The key findings in this report are:

- In the new Council Plan, the council has set out a clear vision and priorities for Angus, which are well-aligned with the Community Planning Partnership's Community Plan. It has also identified success

measures to monitor progress. When communicating the new Plan to the public, the council sent a clear message that it will have to make difficult decisions to achieve its vision and priorities.

- The council continues to be committed to meaningful engagement with communities and has been working towards a council-wide approach to community engagement. Building on lessons learnt from Covid, it is now developing a targeted partnership approach with communities, shifting its focus towards prevention of issues. It is still at the early stages but will help the council involve communities more in service design and delivery.
- The council priorities focus on reducing inequalities. It has been working closely with partners and communities to support post-Covid recovery and to address the ongoing cost-of-living crisis. The council has also committed to achieving net zero by 2045 and has started to review progress towards next steps.
- The council has a Finance & Change Plan, which shows that the delivery of financial savings to balance future budgets is a significant challenge. The council's financial, workforce and asset plans are aligned to the Council Plan 2023-28. The council will need to continue to prioritise its use of resources to deliver its priorities and difficult decisions on how services are delivered will need to be taken.
- The council has strong leadership with elected members, working well with each other and in partnership with officers. There is effective collaborative working between members and with members and officers towards the setting and achievement of the council's priorities.
- The council has made satisfactory progress on recommendations reported in the 2022 BVAR. The continued development of the PLED programme is key to ensuring effective performance reporting against the Council Plan.

38. The audit recommendations made in this report, with the management responses, are included in [Appendix 1](#) of this report.

The council has identified performance measures to monitor progress with its priorities

39. The *Best Value: Revised Statutory Guidance 2020* sets out that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities.

40. In March 2023, Angus Council approved a new Council Plan for 2023-2028, making 30 commitments specifically for the council. This was alongside the budget for 2023/2024, the Finance & Change Plan for 2023-2026 and the Workforce Plan for 2023-2028. The new Council Plan adopts the Community Plan's vision and three over-arching priority themes and adds a council-specific theme, 'Angus Council is Efficient and Effective'. While the vision and four themes remain unchanged from the previous Plan, the new Plan presents a

clearer alignment with the Community Plan, providing a sharper focus on how the council aims to achieve the vision which is shared with partners.

41. Our [Best Value Assurance Report](#) (BVAR, published in July 2022) highlighted that ‘the council has an improving performance management framework but progress on embedding this has been slow’. In response, the council has been progressing the Performance-Led Council (PLED) approach. In both the Community Plan and Council Plan, the council has identified success measures with associated targets, (where applicable) for the plan period (Year Three and Five for the Council Plan and Year Three, Five and Eight for the Community Plan). This was applied for each commitment across the over-arching themes.

42. The 2022 BVAR concluded that the council’s performance has improved or been maintained across three of the four key priority areas within its Council Plan. But in its priority area for the local economy, where many indicators did not have performance information available, there were challenging performance issues before March 2020. However, the economy indicators in the Annual Performance Report 2022-23 show improvement in employment rates, access to broadband speeds and a reduction in Working Age Population claiming benefits.

43. Further information on performance is included in section 6 of this report.

The council has made satisfactory progress on recommendations reported in the 2022 BVAR.

44. Angus Council received a full Best Value Assurance report in 2022. As part of our annual work programme, we followed up on agreed actions from that report.

45. The 2022 BVAR concluded that the council has strong leadership by elected members, working well with each other and in partnership with officers. The council was urged that this leadership - supported by effective decision-making and scrutiny - be maintained to face the significant financial challenges ahead and the continuing need to make difficult decisions about service delivery.

46. In response to the BVAR the council approved a Best Value Action Plan in September 2022. Progress of the improvement plan that was reported to members in June 2023 highlighted that four out of eight actions were complete. The council has yet to complete its implementation of the PLED programme which will improve the use of performance information and better demonstrate the impact of improvement actions with phases 3 and 4 of the process planned to be implemented by 31 December 2023. Revised timescales were also agreed for the remaining outstanding actions including:

- Angus Health & Social Care Partnership to ensure financial planning is aligned with Strategic Plan: target date for completion is extended to 31 August 2023

- Develop a Place Strategy for Angus which will help to prioritise service delivery: target date for completion is extended to 31 October 2024
- Develop long-term financial planning framework: target date for completion is extended to 30 September 2023.

47. Within the completed actions was the establishment of a corporate approach for ongoing opportunities for participation and engagement with the public – including the use of Participatory Budgeting. Officers highlighted that the process was not used in the 2023/24 budget process but is now planned for the 2024/25 budget with the council creating a new engagement portal site.

3. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

The council has effective arrangements to secure sound financial management and appropriate budget setting.

The council operated within its revised fiscal resources, reporting an underspend of £10.3 million, with 98 per cent of savings achieved.

The main financial systems of internal control operated effectively while standards for the prevention and detection of fraud remain appropriate.

The council operated within budget in 2022/23

48. The council approved its 2022/23 budget in March 2022. The budget was set at £309.4 million, including £6.8 million of Change Programme savings and a funding gap of £4.8 million to be met from General Fund reserves. The council reported an underspend of £10.3 million. The most significant factor in this was a £5.1 million underspend in Education and Lifelong Learning, mainly due to underspends on Early Years expansion (£2.4m) and balances held under the Devolved School Management (DSM) scheme and the Pupil Equity Fund (PEF) which are tied to an academic year rather than the financial year (£1.8m). Industrial action by teaching staff (£1m) also had an impact. Difficulty in filling posts has also contributed to the budget surplus over all Directorates.

49. The more significant under and overspends are summarised in [Exhibit 4](#).

Exhibit 4

Summary of significant under/overspends against budget

Area	£m	Reason for variance
Underspends		
Education and Lifelong Learning	5.1	Mainly related to staff costs and multi-year funding for Early Years expansion, Devolved School Management and Pupil

Area	£m	Reason for variance
		Equity Fund. These grants are ring-fenced and the unspent balance is carried forward to 2023/24.
Other Services	4.1	Mainly due to additional staff vacancies and additional income from Interest on Revenue Balances.
Overspends		
Children, Families and Justice	2.9	Mainly due to higher expenditure in external fostering and residential placements.

Source: Angus Council 2022/23 Annual Accounts

Housing revenue account reported a surplus of £2 million

50. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set a level which will at least cover the costs of its social housing provision. The 2022/23 Housing Revenue Account budget was set to achieve break even.

51. The Housing Revenue Accounts (HRA) reported a surplus of £2 million. This is affected by the accounting treatment of £1 million of capital funding from reserves and balances as well as £2.5 million of Scottish Government capital grant funding for the 2022/23 staff pay award across the council. Overall, the HRA reduced by £0.2 million.

Budget processes were appropriate and 98 per cent of planned efficiency savings were achieved

52. We observed that senior management and members receive regular and accurate financial information on the body's performance against budgets. The body has appropriate budget setting and monitoring arrangements.

53. The council achieved 98 per cent of the Change Programme savings target for 2022/23 of £6.8 million. This equates to recurring savings of £6.7 million against the original budget setting target.

There has been a significant increase in the level of General Fund reserves, most of which are earmarked

54. One of the key measures of the financial health of a council is the level of reserves held. The level of usable general fund reserves held by Angus Council increased from £56.2 million in 2021/22 to £71.2 million in 2022/23.

55. As reported in the Best Value Assurance Report, Angus Council has seen a significant increase in general fund reserves since 31 March 2017. As at 31 March 2023, Angus Council had a usable general fund balance of £71.2 million, of which £68.7 million (96 per cent) was earmarked for specific purposes. This shows that the council generally has limited uncommitted reserves to support additional expenditure.

56. The council has also allowed for an earmarked contingency of £5 million, in line with its reserves policy, to address any significant one-off issues.

Capital expenditure was under budget in 2022/23, mainly due to project delays

57. Total general fund capital expenditure in 2022/23 was £17.1 million against a budget of £23.4 million, reflecting an underspend of £6.3 million. The majority of this related to underspends on Infrastructure assets (£4 million) driven by project delays, a significant proportion of which was due to on-going difficulties and delays procuring vehicles and equipment and staff resourcing issues. It therefore represents a delay in incurring the expenditure rather than a reduction in the expenditure required.

58. Total Housing Revenue Account capital expenditure in 2022/23 was £9.6 million against a budget of £12.7 million, reflecting an underspend of £3.1 million. This is mainly as a result of the deferral of some new build programmes in 2022/23 and termination of an internal upgrades contract due to poor performance by the contractor, which has caused delays to the programme.

Borrowing levels have remained static

59. Borrowing levels have remained relatively stable. Long-term borrowing as at 31 March 2023 was £134.6 million, a decrease of £3.6 million on the 2022 level of £138.2 million. During the same period, short term borrowing decreased from £9.6 million to £8.1 million.

60. Total external debt, which includes the council's long-term liabilities, was within the authorised limit and operational boundary set by the treasury management strategy. No new external borrowing was undertaken in the financial year mainly due to lower than expected borrowing requirements to fund the General Fund capital programme due to slippage on projects and additional funding from other sources; and high levels of temporary cash balances available for investment meant there was no urgency to taking new borrowing, given higher interest rates.

The Council has appropriate financial control arrangements in place

61. From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach and testing of the operating effectiveness of specific controls, we did not identify any weaknesses which could affect the council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

Internal audit provided reasonable assurance over the control environment

62. The council's internal audit function is provided internally. However, the team is supplemented for IT audit expertise through a contract with Azets. The contract is currently being retendered as a joint procurement with Dundee City Council for the period 2023/24 to 2026/27.

63. Internal audit has now completed its 2022/23 audit work and presented their Annual Report and Review of Corporate Governance to the June 2023 Scrutiny and Audit Committee. The report confirmed that the council has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money.

64. One internal audit review, *Adults With Incapacity Follow-up*, was assessed as providing "No Assurance". The audit reviewed procedures in place to ensure compliance with legal, Office of the Public Guardian (OPG) and Mental Welfare Commission for Scotland (MWC) requirements, including the implementation of an improvement plan from 2019. The service began taking action to address the weaknesses identified as soon as these were brought to their attention and before the report and action plan were finalised. This has been included in the council's Annual Governance Statement.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

65. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

66. The council has adequate arrangements in place to prevent and detect fraud or other irregularities.

4. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The council has effective and appropriate arrangements in place to plan the use of its resources to continue delivery of services into the medium-term.

The council continues to face significant financial challenges in the medium term with a projected funding gap of £51.9 million over three years to 2025/26.

The Finance and Change Plan 2023-2026 details plans to achieve savings in the medium-term but further development is required.

A long-term financial planning framework is in place, following delays in previous years.

Medium-term financial plans are in place and are updated annually

67. The Finance and Change Plan 2023-26 summarises the financial challenges the council faces and the plans in place to address these. The rolling three-year Medium Term Budget Strategy and Capital Plan ensure consistency. These are refreshed every year as part of the budget setting process and have been updated to reflect the increasing financial pressures such as inflation and the legacy effects from Covid-19 including additional costs, delays in capital projects and potential impacts on income generation.

68. The Finance and Change Plan 2023-2026 also identified a funding gap of £25.9 million for 2023/24. This will be addressed through a combination of change programme savings, increases in services charges, use of reserves and council tax increases. The main cost pressures currently facing the council continue to be inflationary price increases and pay award costs, which will have a significant impact in the future years.

The council continues to face significant financial challenges in the medium term with a projected funding gap of £51.9 million over three years to 2025/26

69. The council's latest Medium Term Budget Strategy projects a baseline funding gap of £51.9 million over the three years 2023/24 to 2025/26. Sensitivity analysis identified a potential range from £48 million (optimistic) to £68 million

(pessimistic). Change Programme savings of £14.6 million have been identified (not including 2025/26) alongside some use of reserves, but there remains a £37.3 million funding gap which needs to be addressed. This represents a significant financial pressure and the council recognises that it will have to make difficult decisions.

The Finance and Change Plan 2023-2026 details plans to achieve savings in the medium-term but further development is required

70. The council estimate that over the next three years, a further £52 million of savings will be required. The change programme within the Finance and Change Plan details the proposals to achieve this. These are focused on:

- Organisation Design/Service Changes (£15.6m)
- Increased Cost Recovery (£8.6m)
- Preventative Activity Delivered through a Targeted Partnership Approach (£1.9m)
- Customer Service Changes (£0.3m).

71. These proposals are integrated within the change programme to achieve £26.4 million in service savings over the three-year period to address the projected funding gap. The council has a strong track record of achieving savings, having removed £78 million from the budget over a 10-year period. However, these proposals will require further development to achieve the total savings required.

Following delays in previous years, a long-term financial planning framework was published in September 2023

72. We reported in our 2021/22 Annual Audit Report that, although the council has sound medium term financial planning arrangements, the development of a long-term financial planning framework has suffered delays due to staffing pressures. The report and plan were due to be presented to Angus Council in by March 2023 alongside the 2023/24 budget. However, this was further delayed until September 2023.

73. The framework assesses the council's financial resilience against several categories: reserves, expenditure, income, cashflow and borrowing, budget performance and forward planning. The overall assessment is 'adequate' with most areas rated as 'strong'. The only category assessed as 'weak' is expenditure, primarily because of the legislative and policy constraints imposed on the council. Management assess that those constraints are unsustainable without an increase in the funding the council receives in government grants or significant changes in the income the council can raise in taxes and charges.

74. The framework uses a PESTLE analysis to study the key external factors (Political, Economic, Sociological, Technological, Legal and Environmental) that influence the organisation. However, it does not provide detailed financial

projections and is intended as a strategic planning tool to inform detailed financial planning over the medium-term.

Recommendation 5

The council should develop its long-term financial planning further, with the use of the agreed framework.

5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

The council has a clear vision, strategy and priorities.

Governance arrangements are appropriate and operated effectively.

There is effective collaborative working between members and with members and officers towards the achievement of the priorities.

In the new Council Plan, the council is committed to achieving net zero by 2045.

The council has a clear vision, strategy and priorities

75. The BV section of this report highlights that the new Council Plan sets out a clear vision and priorities for Angus, which are well-aligned with the Community Planning Partnership's Community Plan and also identifies success measures to monitor progress.

Governance arrangements are appropriate and operated effectively

76. The council's governance arrangements have been set out in the annual governance statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate and effective.

77. Papers and minutes for Council and Committee meetings, including financial and performance reporting and information on decision-making are available on the council's website.

78. The governance and transparency arrangements we consider in reaching our conclusions include:

- council and committee structure and conduct

- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption
- openness of council and committees
- reporting of performance and whether this is fair, balanced and understandable.

There is effective collaborative working among members and officers towards the achievement of the council's priorities

79. In the BV management report, we confirmed that the initial development of priorities for the Council Plan started with discussions with elected members across the parties to obtain council-wide agreement of the key issues for the council going forward. These discussions formed part of the budget setting process to allow an understanding of the impact of decisions that contribute to the achievement of the priorities set.

80. We concluded that officers and elected members work well together and understand their respective roles. This allows for constructive and professional working relationships.

In the new Council Plan, the council is committed to achieving net zero by 2045

81. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

82. In March 2020, the council adopted the Scottish Government's national net zero targets for its regional emissions, aiming to achieve a 75 per cent reduction by 2030, 90 per cent by 2040 and net zero by 2045. The Community Plan recognises that 'addressing climate change is now a key priority for the partnership', committing to 'take action to address climate change to ensure communities are sustainable.' To meet this end, the Council Plan specifies four council actions:

- Take action to mitigate against climate change by delivering our Transition to Net Zero Action Plan 2022 to 2030 and leading on the delivery of a Sustainable Energy Climate Action Plan (SECAP) for Angus to reduce area wide emissions
- Reduce our energy use through a reduction in our property estate coupled with good management to reduce wasting energy
- Deliver efficient waste services and encourage more recycling and cleaner streets
- Enhance and restore Angus Biodiversity, corporately and with a range of stakeholders.

83. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

84. The council has made good progress in areas such as nature restoration to enhance biodiversity, working closely with partners, experts, landowners and communities. However, it also recognises that more needs to be done, acknowledging that as a smaller council, limited capacity has been an issue. While the Plan provides a clear direction of travel, the council needs to sustain commitments from those stakeholders to work towards its target.

6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

The council has set out a clear vision and priorities which are well-aligned with the Community Planning Partnership's Community Plan.

Success measures are in place but the continued development of the PLED programme ensuring effective performance reporting against the Council Plan is now key.

The council has reported a mixed performance against its recognised indicators.

The council has satisfactory arrangements for the preparation and publication of Statutory performance information (SPIs).

The council has set out a clear vision and priorities which are well-aligned with the Community Planning Partnership's Community Plan

85. The BV section of this report highlights that in the new Council Plan, the council has set out a clear vision and priorities for Angus, which are well-aligned with the Community Planning Partnership's Community Plan. It has also identified success measures to monitor progress. However, the continued development of the PLED programme ensuring effective performance reporting against the Council Plan is now key.

The council has reported a mixed performance against its recognised indicators

86. Generally, the council has improved service performance in recent years, per Local Government Benchmarking Framework (LGBF) data. The 2021/22 LGBF annual report shows that the council have 48% of outcomes-based indicators in the top two quartiles. This compares to 50% in 2020/21 but shows a notable increase since 2019/20 (38%).

87. This information is reported to the Scrutiny and Audit Committee annually where members are encouraged to analyse and scrutinise service performance.

The Annual Performance Report was presented to the Council on 7 September 2023 and reports progress against the indicators and priorities set out in the Council Plan 2022/2023, as well as setting targets for 2023/24.

88. The report shows limited data available for 2022/23 in some areas, particularly against the People and Place categories. This is mainly due to data not being available until later in the year. Where data is available, the report shows a mixed picture in the Economy, People and Our Council categories. There is an improving and strong performance in relation to the accessibility of buildings from which the council delivers services (98 per cent), and income due from council tax received (98 per cent). However, particular areas of concern are:

- Only 57 per cent of housing stock meets the Scottish Housing Quality Standard. The target for 2023/24 is 97 per cent and management identify the main area causing failures is Electrical Installation Condition Reports and to a lesser extent smoke detector installs. While overall SHQS performance has decreased, this is primarily due to contract performance and delays receiving certifications in these areas. The council are engaging with contractors as well as the Scottish Housing Regulator on this issue, providing regular updates to the Regulator on progress in improving compliance.
- 40 per cent of households were estimated to be in fuel poverty in 2022/23. No data is available, but this estimate is based on fuel costs and local incomes. The council continue to tackle poverty and inequality through various initiatives such as the Welfare Rights Team's collaboration with NHS Tayside, the Child Poverty – Lived Experience service design project and the Cost-of-Living Roadshows delivered across Angus during 2022/23.

89. Overall, the council is delivering service levels consistent with its strategic objectives. However, improvements where performance has declined should be prioritised.

The council has satisfactory arrangements for the preparation and publication of Statutory performance information (SPIs)

90. The Accounts [Commission's 2021 Statutory Performance Direction](#) defines the performance information that councils must publish. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

91. The council's arrangements for publicly reporting its performance continue to develop. The council website's 'spending and performance' section has links to PLED reports and the Local Government Benchmarking Framework to allow comparison across councils for specific indicators. It also includes annual reports on the council's performance against the Council Plan and on Community Planning Partnership performance against the Angus Community Plan.

92. We have evaluated Angus Council's arrangements for fulfilling the Direction requirements and concluded that appropriate arrangements are in place. The council is also looking to enhance their public performance reporting in due course through making use of the Power BI platform.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Pension judgements and assumptions</p> <p>There are differences in the actuarial assumptions that one group entity has used to calculate their pension asset ceiling in line with IFRIC14 as outlined in Appendix 2 – uncorrected misstatements.</p> <p><i>Risk – Pension disclosures in the financial statements are inconsistent.</i></p>	<p>The council should ensure where practicable that consistent judgements and assumptions are in place across its group entities.</p> <p>Exhibit 2 (Issue 1)</p>	<p>This is always sought where it is permitted by the timetable of accounts approval by group entities. It is noted, however, that the Council has limited influence on the accounts preparation by group entities.</p> <p>Steven Mill (Service Lead, Finance)</p> <p>30 June 2024</p>
<p>2. Service concession assets</p> <p>The Council agreed to use financial flexibilities in 2022/23 for service concession assets in line with Finance Circular 10/2022. This circular requires that all arrangements are accounted for in the same way. However, the Beech Hill House service concession arrangement has not been treated in line with the others.</p> <p><i>Risk – The council are not accounting for this arrangement in line with the relevant Finance Circular.</i></p>	<p>The council should reconsider the treatment of this asset for 2023/24 with reference to Finance Circular 10/2022.</p> <p>Exhibit 2 (Issue 2)</p>	<p>The Council's Leadership Team and 2 March 2023 Special Council meeting approved the approach to Service Concessions based upon the circumstances at that time. Consideration will be given to whether there has been any material change in these circumstances.</p> <p>Steven Mill (Service Lead, Finance)</p> <p>31 December 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Accounts disclosures</p> <p>The audit identified some areas where the unaudited accounts did not identify relevant disclosures (e.g. Adjustment to usable reserves permitted by accounting standards).</p> <p><i>Risk – The financial statement disclosures are incomplete or inaccurate.</i></p>	<p>The council should consider completion of a disclosure checklist or other similar exercise to ensure the accounts are complete and accurate.</p> <p>Exhibit 2 (Issue 4)</p>	<p>Consideration will be given to the benefit of incurring the additional expense of the Disclosure Checklist for 2023/24 accounts.</p> <p>Steven Mill (Service Lead, Finance)</p> <p>31 March 2024</p>
<p>4. Revaluation Reserve</p> <p>An annual adjustment is made between unusable reserves to remove the difference between depreciation on revalued amounts and depreciation on historic costs. Differences highlighted in audit testing totalled £0.993 million.</p> <p><i>Risk – The revaluation reserve and movements disclosed in the financial statements are incorrect.</i></p>	<p>The council should consider reporting arrangements from the fixed asset register and investigated any potential accumulated differences between the balances remaining in the Revaluation Reserve and the Capital Adjustments Account.</p> <p>Exhibit 2 (Issue 6)</p> <p>Appendix 2 (disclosure issue 1)</p>	<p>The identified variances will be reviewed to determine any amendments required for the 2023/24 accounts.</p> <p>Steven Mill (Services Lead, Finance)</p> <p>31 March 2024</p>
<p>5. Long-term financial planning</p> <p>The council agreed its long-term financial planning framework in September 2023. The framework uses a PESTLE analysis to study the key external factors that influence the organisation. However, it does not provide detailed financial projections and is intended as a strategic planning tool to inform detailed financial planning over the medium-term.</p> <p><i>Risk – Financial plans are not sufficient to support financial sustainability in the long-term</i></p>	<p>The council should develop its long-term financial planning further, with the use of the agreed framework.</p> <p>Paragraph 74</p>	<p>Report 241/23 noted the intention to review and update the framework on a 3 to 5 year cycle. As such, there are no immediate plans to address this recommendation.</p>

2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p>BV1. Equality assessments</p> <p>The council is currently reviewing how the assessments are presented to the committees and is planning to digitise the whole process. As part of this, it is exploring ways of integrating children and other human rights considerations into the current assessments.</p> <p><i>Risk – equality assessments are inconsistent and do not consider all relevant aspects.</i></p>	<p>The council should further develop its approach to equality assessment to ensure overall consistency and allow effective delivery of priorities in the Council Plan.</p>	<p>The new digital process for EIAs, FSDs and children’s rights will be finalised, then piloted and in place for the end of October 2023.</p> <p>Senior Practitioner – Equalities</p>
<p>BV2. Service plans</p> <p>The council are using the implemented Performance Led council (PLED) approach to demonstrate how it will deliver its priorities through its services. Detailed service plans are essential to demonstrate how the council deliver on the priorities set out in the Council Plan. The service plans within PLED in some instances have been reported to members formally (e.g. Education) with others just being considered as part of the Council Plan reporting arrangements.</p> <p><i>Risk - there is a lack of clarity and accountability over how the priorities set out in the Council Plan will be delivered.</i></p>	<p>To reflect good practice, the council should ensure detailed service plans are publicly available which clearly and comprehensively demonstrate how services will deliver the priorities set out in the Council Plan.</p>	<p>The council will provide an appropriate level of service plan information, linked to the current Council Plan priorities, as part of its budget setting papers for FY 2024/25 (February/ March 2024).</p> <p>Service Leader (Governance & Change)</p>
<p>BV3. Long term financial planning</p> <p>The Best Value Assurance Report recommended that the council should develop its</p>	<p>The council should develop its long-term financial planning framework.</p>	<p>The council’s first Long Term Financial Planning Framework was considered at the meeting of the council on 7 September 2023.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>long-term financial planning framework. The council extended the completion date for this to September 2023.</p> <p><i>Risk - the council is unable to demonstrate its long-term financial sustainability.</i></p>		<p>Director of Finance</p>
<p>BV4. Directorate workforce plans</p> <p>The Workforce Plan 2023-28 approved alongside the Council Plan and Finance & Change Plan in March 2023 provides a strategic workforce overview. The plan sets out how the council will review the workforce in line with changing ways of working, retain and develop its employees to meet current and future workforce requirements and changes to service delivery. However, workforce planning at a Directorate level has yet to be developed.</p> <p><i>Risk - there is a lack of clarity and accountability over how the council's workforce will deliver services.</i></p>	<p>The council should develop its Directorate workforce planning arrangements to ensure sufficient focus on recruitment, retention and succession planning as service delivery transforms.</p>	<p>Workforce planning sessions are underway with Service Leaders and Directors. They are focused on improving our use of people data, identifying likely requirements and actions needed to ensure resilience and development of services. Directorate plans will be completed January – March 2024.</p> <p>Leader of HR, OD and Business Support</p>
<p>BV5. Digital Strategy</p> <p>The Best Value Assurance Report highlighted the council's intention to annually update its digital strategy. This review has not been undertaken in the last two years with a review planned for later this year. The current digital strategy therefore pre-dates the approved Council Plan.</p> <p><i>Risk - the council does not have appropriate strategies in</i></p>	<p>The council should update its digital strategy to ensure it reflects the current Council Plan and priorities.</p>	<p>A new digital strategy is currently being prepared and will be ready to be considered by committee by the end of the calendar year, 2023.</p> <p>Service Leader, Digital Enablement and IT</p>

Issue/risk	Recommendation	Agreed management action/timing
<i>place to support delivery of the Council Plan.</i>		

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Provision of working papers</p> <p>There were a number of areas where working papers were not received on a timely basis, namely non-current assets, payroll and cash and bank.</p> <p>We recognise the resourcing pressures that exist within finance and payroll teams resulting in reliance on a small number of key individuals.</p> <p><i>Risk – There is a risk that lack of appropriate audit evidence could impact on the audit opinion.</i></p>	<p>The council should ensure that the Finance and Payroll teams are adequately resourced to prepare a full package of working papers and supporting documentation alongside the unaudited accounts, to support the audit process.</p>	<p><i>In Progress</i></p> <p>Most working papers were provided timeously. Issues in relation to the working papers are documented in the Exhibit 2. No further actions arising from this recommendation.</p>
<p>b/f 2. Valuation of Non-Current Assets</p> <p>Our prior year recommendation remains valid. The revaluation programme needs to support the value of each asset category in each year of the programme.</p> <p>Additional revaluation work was required following the removal of the material valuation uncertainty that was included in the valuer’s report in the previous two years. Material adjustments were</p>	<p>A formal review of asset revaluation arrangements should be completed to ensure it is sufficiently robust to demonstrate that asset values across all categories remain appropriate in each year of the revaluation programme.</p>	<p><i>Complete</i></p> <p>No issues highlighted in 2022/23.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>required to the annual accounts as a result.</p> <p><i>Risk – Non-current assets are materially misstated in the financial statements.</i></p>		
<p>b/f 3. Accounting for Non-Current Assets</p> <p>There were several misstatements identified in non-current assets, including: depreciation calculations, revaluation calculations, discrepancies between Finance records and Property Services records, and capitalisation of maintenance costs on community assets.</p> <p><i>Risk – Non-current assets are materially misstated in the financial statements.</i></p>	<p>The council should formally review the detail in its asset register to ensure it supports accurate and robust non-current asset accounting. This would support timely engagement with Property Services and other council services on capital expenditure and other non-current asset changes</p>	<p>In Progress</p> <p>Several differences highlighted between asset register and unaudited account disclosures including the uncorrected misstatement in relation to the revaluation reserve (see recommendation 1).</p> <p>The council should ensure that the asset register is complete and accurate and appropriately reflected in the unaudited accounts.</p> <p>Steven Mill (Service Lead, Finance)</p> <p>30 June 2024</p>
<p>b/f 4. Accounting for prepayments</p> <p>We noted two instances of transactions being accounted for as current year expenditure rather than as prepayments.</p> <p><i>Risk – Expenditure is overstated and current assets are understated in the financial statements.</i></p>	<p>The council should review its processes for identifying prepayments to ensure these are accounted for correctly.</p>	<p>Complete</p> <p>No issues highlighted in 2022/23.</p>
<p>b/f 5. Long-term financial planning</p> <p>Although the council has sound medium-term financial planning arrangements the development of a long-term financial planning framework has suffered delays due to staffing pressures.</p>	<p>The long-term financial planning framework should be concluded to support the financial sustainability of the council.</p>	<p>In Progress</p> <p>The council published its Long-Term Financial Planning Framework in September 2023.</p> <p>See Recommendation 4</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><i>Risk – There is insufficient longer term financial planning to support overall financial sustainability.</i></p>		
<p>b/f 6. Performance management framework</p> <p>Progress on embedding a council-wide performance management framework has been impacted by the Covid-19 pandemic.</p> <p>Ongoing data gaps make it difficult to form a complete picture of the council's performance.</p> <p><i>Risk – The council cannot achieve its ambition of being a performance-led council.</i></p>	<p>The council-wide performance management framework must now be fully embedded to drive improvement activity and support its ambition to be a performance-led council.</p>	<p><i>In Progress</i></p> <p>There are still several data gaps in the council's Annual Performance Report. This is mainly due to the availability of data at the time of reporting.</p> <p>The council should continue to develop its performance management framework to ensure a complete picture of overall performance.</p> <p>Service Leader (Governance, Change & Strategic Policy)</p> <p>30 June 2024</p>
<p>b/f 7. Procurement training records (from 2020/21)</p> <p>The council does not hold detailed records of the procurement training that has taken place at a corporate or service level.</p> <p><i>Risk – Staff involved in procurement may not have up to date training to support appropriate procurement practices.</i></p>	<p>The council should ensure that detailed training records are held for staff involved in procurement activity.</p>	<p><i>In Progress</i></p> <p>Revised action:</p> <p>Training records have, in the past, been held at a devolved level within individual services. A review of procurement activity across the council has been undertaken, and a number of improvements identified. One such improvement is in relation to the council's internal rules on Procurement which are currently contained within the council's Financial Regulations. These internal procurement rules are out of date with current best practice and government policy and require an overhaul. New Procurement Standing Orders have been developed and will be put before elected members later</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>in the year for approval. Once new Standing Orders have been adopted, training will then be finalised and rolled out to staff involved in undertaking procurement activity. The Corporate Procurement Group has been reinstated and a combined procurement training register shall be populated by the members of that group to create a central document. In addition, a more structured training programme for procurement is being developed centrally and this will be based on the procurement competency framework to identify training needs. Good progress has been made on this over the last year. A training record file has been created and will be compiled once the new programme of training is launched in late 2023/early 2024.</p> <p>Service Leader (Legal)</p> <p>Revised date: 30 June 2024</p>

Appendix 2. Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £0.25 million.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 1](#). We are satisfied that these errors do not have a material impact on the financial statements.

Narrative	Account areas	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr £m	Cr £m	Dr £m	Cr £m
Accounting Misstatements					
1. Financial flexibilities for service concession assets not used for all arrangements as required by Finance Circular 10/2022. Beech Hill House excluded from adjustments to the audited accounts.	Capital Adjustment Account			0.882	
	General Fund Reserve				0.882
Account Disclosure Issues					
1. An annual adjustment is made between the Revaluation Reserve and Capital Adjustment Account to remove the difference between depreciation on revalued amounts and depreciation on historic costs. This movement is disclosed in the Movement in Reserves Statement as Adjustment to usable reserves permitted by accounting standards of £8.838 million in 2022/23. The differences highlighted through testing in 2022/23 totalled £0.993 million and are therefore well below performance materiality providing assurance that accounts are not material misstated in 2022/23 (see recommendation 1).					
2. The group accounts include the council's share of the pension assets for its subsidiary AngusAlive of £7.362 million. This has been based AngusAlive's audited accounts and on an actuarial report from Barnett Waddingham on the Tayside Pension Fund. For other council group entities within the Tayside Pension Fund revised actuarial report have been provided that have					

reduced the pension asset to a liability position due to different judgements and assumptions being used in calculations in line with IFRIC14.

We have accepted this pension assets existence as AngusAlive's auditors have agreed the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework. The £7.362 million AngusAlive pension asset is not material to the council's group financial statements. However, in future years the council should ensure where practicable that consistent judgements and assumptions are in place across its group entities (see recommendation 2).

Angus Council

2022/23 Annual Audit Report

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