

## **A6. External Audit Recommendations 2017/18**

As part of the Audit Plan for 2017/18 the External Auditor had made 8 recommendations. An action plan had been agreed. The progress made to date in addressing the recommendations was set out in an appendix. It was anticipated that a review of the actions would be included as part of the External Auditor's workplan for 2018/19.

The 8 recommendations were:-

- (1) Financial statement presentation - management commentary
- (2) Financial statement presentation – Expenditure and Funding Analysis
- (3) IAS 19 Accounting for defined benefit pensions
- (4) Capital programme monitoring and reporting
- (5) Governance and transparency – Internal audit improvement actions
- (6) Governance and transparency prior year audit recommendations
- (7) Value for money – Council of the future monitoring and reporting arrangements
- (8) Financial sustainability / Value for money – Delivery of Council of the Future and MTFP

The Director of Corporate and Housing gave a detailed explanation of the recommendation, and actions, around recommendation (8) - Financial Sustainability / Value for Money – Delivery of Council of the Future and MTFP. Mr Ritchie explained the development of Service Business Plans and confirmed that the plans would be considered by the Budget Working Group on 15 April 2019 ahead of a briefing for all members on 23 April and their consideration by the Executive on 14 May 2019. Mr Ritchie explained that good progress had been made in regard to the recommendation and that the key to bridging the £76k gap over the next five years was ambition.

The Chief Finance Officer then explained the background to recommendation (4) IAS 19 Accounting for defined benefit pensions. The difference identified of £6.8m had arisen from an understating of the Council's share of the Pension Funds Assets at 31 March 2019 because the figure, due to accounting deadlines was an estimate. The difference was that between the estimated and actual values.

The committee then discussed the budget gap and the Council's ability to bridge it. Members observed that each year the Council delivered its budget despite reduced funding. The Chief Finance Officer explained that the Council's budget had many variables of which the biggest are the Revenue Support Grant and pay costs. Mr Smail explained that move to multiyear pay awards and multiyear budgets were positive and assisted the budget process. Mr Smail highlighted that while focus tended to be on savings and gaps, the size of Council investment and range of service delivery should be recognised. As an example Mr Smail highlighted the Council's housing investment.

### **Decision**

**The Committee noted the External Audit Recommendations.**