

A14. 2019/20 Annual Audit Report to Members and the Controller of Audit

The Committee considered a report by the Director of Corporate and Housing Services presenting the 2019/20 Annual Audit Report by the Council's External Auditors, Ernst & Young LLP, together with proposed Audit opinion and letter of representation by Ernst & Young LLP.

The Chief Finance Officer provided background to the Auditor's Report highlighting the key messages.

These focussed on:-

- financial management
- financial sustainability
- governance and transparency
- value for money

The Audit Report set out the Auditor's assessment of the Council's arrangements identifying the degree of risk potentially facing the Council in regard to each (described by red, amber or green colour coding). An action plan, showing the potential risk together with management response was set out in an appendix to the Audit Report.

The note also set out the economic consequences the Council was facing as a result of Covid-19 which had affected the financial and operation position as well as performance during 2020/21.

The Auditor's Certificate was free from qualification.

Stephen Reid and Grace Scanlin provided a summary of the report by Ernst & Young.

Following a question Ms Scanlin explained that due to timing considerations the impact of the McCloud judgement and Goodwin ruling on the valuation of pensions liabilities had not been accounted for in the unaudited accounts but had now been included in the final accounts.

Following a question on the valuation of property, plant and equipment Ms Scanlin confirmed that assets should be revalued every 5 years. There had been an £85m increase in value following the housing valuation due to a significant audit valuation. The challenge for Local Authorities was to keep valuations up to date. External Audit had asked the Council to look at how to do this, possibly using indices or interim valuations.

The report had commented that no action had been taken to resolve the conflict of interest in having Council officers act as directors of FCSL and that this had been highlighted since 2016/17. The committee asked when the matter would be reported to Council and also sought whether the appointment of the Director of Development Services to the Board was ex officio. The Acting Director of Development Services advised that a report would be submitted shortly on the make up of FCSL and proposing a way forward for the makeup of the stadium company. Decisions taken by

Council on 30 September had had a material impact on the proposed way forward. Mr Duff confirmed that the appointment was ex officio.

Following a question on Service performance reporting The Director of Corporate & Housing Services advised that the Service had the 3rd lowest support service staff costs in the country.

The committee then discussed the reported ongoing need to improve the management and monitoring of the Capital Programme. The Chief Finance Officer explained that the responsibility for the management of a project lay with the sponsoring Service. However, there was corporate strategic oversight of the programme through the Capital Monitoring Working Group which meets regularly to review each project. Some degree of slippage was inevitable

The Committee turned to medium term financial planning noting that budget gaps going forward would be large and there was a need to identify savings options. The Chief Executive noted the Auditor's comments in regard to Financial Sustainability and stated that the Council needed to face the challenge with pace and energy. There was a need to identify savings options and elected members' role was critical - there was a need for engagement and collective political leadership from members. To create groundwork for future deliberations and decisions briefing sessions had been arranged for all members.

The Director of Corporate & Housing Services stated, following an assertion that some staff felt unable to take savings options ideas to management and that Trades Unions had raised this as a concern with an elected member, that's no such had been raised by Trades Unions through the established channels such as the weekly call with the unions. There were a number of ways in which staff could engage in the process and management recognised the value of proposals brought by those who work 'on the ground'. Mr Ritchie undertook to provide members with background.

Decision

The Committee:-

- (1) noted the Annual Audit Report for 2019/20, and**
- (2) noted the action plan appended to the Annual Audit Report.**