

REPORT TO: Audit and Governance Committee

MEETING DATE: 25 September 2018

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Annual Accounts 2017-18

1 PURPOSE

- 1.1 To provide the Committee with an update on the main changes arising during the audit of the draft financial statements 2017-18, and to ask the Committee to approve the now audited accounts for 2017-18.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to:
- Note the main changes arising during the course of the audit; and
 - Approve the 2017-18 audited accounts for the Council and its group components.

3 BACKGROUND

- 3.1 The Council's draft financial accounts for 2017-18 were considered by Council on 26 June 2018, and formally submitted to Audit Scotland prior to the statutory deadline of 30 June 2018. The audit commenced early July 2018 and was completed mid-September.
- 3.2 In accordance with statutory requirements, the draft accounts were made available for public inspection for a 3 week period commencing 1 July 2018. No objections were received during this period.
- 3.3 East Lothian Council's statutory accounts include the financial results for both the Council and its group components. The audited financial accounts are set out in Appendix 1, and include an independent audit opinion on the financial statements, and as also highlighted in the auditor's

draft annual audit report, I am pleased to report that an unqualified audit opinion has been presented signalling that the financial statements presented represent:

- A true and fair view of the affairs of the Council and the wider Group;
- Have been properly prepared in accordance with respective accounting standards.

3.4 In addition to the Council's financial statements, Audit Scotland also provide an audit opinion of the Dr Bruce Trust which is administered by the Council. The final audited accounts are included within Appendix 2, of this report for Members information, and an unqualified audit opinion has been issued.

3.5 Members of Audit & Governance Committee should be aware that whilst the accounts which are laid before them are complete, there may remain a few minor presentational changes which are still to be made prior to formal signing and submission to Audit Scotland, none of which will impact on the substance and figures which are presented for approval with this report.

Main changes to Unaudited Financial Position

3.6 During the course of the audit there were a number of proposed changes to the accounts, none of which remain outstanding. The most significant of these related to changes in the Pension results which we receive from Lothian Pension Fund, in particular relating to the value of pension assets. Updated pension valuation results were requested which resulted in an overall increase in pensions assets by £9.3 million, and a corresponding decrease in pension liabilities from the previous draft position of £142 million to £133 million. The issue has largely arisen due to timing differentials between the information which Pension Fund submit to actuaries to prepare reports which are used for accounting pension calculation (IAS 19), against the position which actually prevails as at end of March 2018. This issue is not unique to Lothian Pension Fund, and has affected a wide number of Scottish Local Government Pension Funds and their related employers.

3.7 Whilst overall there have been a number of presentational issues to the draft accounts, the key results which were presented to Council in June 2018 have been maintained and there has been no impact on the useable reserves position which remains at £24.431 million (General Fund including Insurance Fund - £19.036 million and HRA £5.395 million).

3.8 In line with statutory guidance, following approval of the annual accounts by those charged with governance, the 2017-18 accounts will be formally signed by the Council (Chief Executive, Council Leader and Chief Finance Officer) as well as Audit Scotland prior to the statutory deadline of 30 September 2018, and will be placed on the Council's website.

4 POLICY IMPLICATIONS

4.1 There are no direct policy implications associated with this report.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment.

6 RESOURCE IMPLICATIONS

6.1 Financial – as described above

6.2 Personnel - none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 Council 26 June 2018 – Item 3 – 2017-18 End of Year Financial Review

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