

EAST AYRSHIRE COUNCIL

CABINET MEETING – 21 NOVEMBER 2007

AUDIT OF ACCOUNTS 2006/07 REPORT TO MEMBERS & THE CONTROLLER OF AUDIT

Report by Executive Head of Finance & Asset Management

1 PURPOSE OF REPORT

- 1.1** The purpose of this Report is to consider Audit Scotland's audit of East Ayrshire Council's Statement of Accounts for the financial year 2006/07.

2 BACKGROUND

- 2.1** The Local Authority Accounts (Scotland) 1985 Regulations require the Council's proper officer to prepare accounts as soon as practicable after the end of each financial year and to submit these to the authority and to the Controller of Audit by 30 June of the next financial year. The Abstract of Accounts for 2006/07 was submitted to the Controller of Audit on 21 June 2007 following approval by the Council at its meeting that day.

- 2.2** The duties and responsibilities of the External Auditor include a requirement to consider and assess: -

- Whether the Statement of Accounts for the year presents fairly the financial position of the Council.
- The adequacy of the main financial systems.
- The adequacy of the arrangements in place for the prevention and detection of fraud and corruption.
- The effectiveness of overall management arrangements.

- 2.3** The Council's External Auditors, Audit Scotland, have now submitted their Report in respect of the year ended 31 March 2007. A copy of the report which will be formally presented by the Auditor to the Governance & Scrutiny Committee on 23 November 2007 has been issued to all Members.

3 AUDITOR'S REPORT

- 3.1** The Report by the Auditor a copy of which is attached covers a review of the key strategic and financial risks faced by the Council. Together with the audit of the Financial Statements the Auditor also looked at performance management and governance. The Report concludes with an Action Plan setting out areas of potential further improvement identified during the audit process.

4 MAIN ISSUES IN THE REPORT

4.1 Audit Opinion

The auditors' opinion contains no qualifications and is set out in full at page 39 of his report. All of the issues raised by him have been accepted by officers and all of the actions identified in the Action Plan are already in hand.

4.2 Performance

The Auditor notes the very good progress made towards securing the overall objectives of the Community Plan and that following the review carried out in 2006/07 both the Community Plan and related thematic action plans remain fit for purpose. Positive comment has also been made in respect of the overall performance framework that has been put in place together with the existence of a wide range of procedures aimed at driving up performance.

4.3 Governance

The report notes that control systems in place operated well and were based within a sound control environment. Auditors also noted that introduction of the Governance & Scrutiny Committee resulted in the Council being fully compliant with Audit Committee Principles.

4.4 Financial Position

The report highlights the work done by the Council in its Strategic Review of the Revenue Budget and recognises this work as being a groundbreaking initiative. Specific mention is also made of the excellent progress made by the Council in introducing its Single Status Agreement by March 2007. The auditor also commented about the quality of the work done in preparing and presenting the accounts for audit and noted that this enabled the audit to run smoothly.

4.5 Specific Matters

Certain changes were made to the draft accounts during the audit process. This is normal practice and the effect on the overall financial position reported to the Council in June was to reduce the deficit on the Income & Expenditure Account and increase the value of reserves by £2.080m. The amendments relate primarily to accounting provisions which were written back during the audit and to a reclassification of a creditor balance which has now been included as an earmarked balance within reserves. Arrangements have also been made to examine accounts from other Councils and identify areas of best practice in terms of disclosure arrangements.

A copy of the Audited Accounts which incorporates these agreed adjustments is available at the Members Information Point and on the Council's website.

4.6 Asset Management Arrangements

The report notes that the Council is making encouraging progress in embedding asset management into business planning processes and recognises the agreement of a the asset management strategy by the Council and highlights that the strategy is consistent with the Chartered Institute of Public Finance and Accountancy (CIPFA), best practice.

4.7 Performance Indicators

The Auditor notes that all of the Council's Statutory Performance Indicators were given an "A" rating for reliability and notes that the Council has reported continued improvement and high performance for a proportion of performance indicators.

5 ACTION PLAN

- 5.1 The Action Plan drawn up as part of the Auditor's Report includes target dates which have been agreed with the Chief Executive. Achievement of these targets will be monitored over the period in question.

6 RECOMMENDATIONS

- 6.1 It is recommended that Members note the contents of the Report.

Alex McPhee
Executive Head of Finance & Asset Management

15 November 2007

LIST OF BACKGROUND PAPERS NIL

Further information on this report is available from Alex McPhee, Executive Head of Finance & Asset Management, Tel: (01563) 576300.