

EAST AYRSHIRE COUNCIL

COUNCIL MEETING – 9 DECEMBER 2004

AUDITED ACCOUNTS 2003/2004

Report by Executive Head of Finance

1 PURPOSE OF REPORT

- 1.1 The purpose of this Report is to present to Members the audited Abstract of Accounts for 2003/04 following certification by the External Auditor.

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 2003/04 was submitted to the Controller of Audit on 24 June 2004 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, PricewaterhouseCoopers, have now submitted their Report in respect of the year ended 31 March 2004. A copy of the report has been issued to all members and it was formally presented by the Auditor to the Corporate Governance Committee on 16 November 2004.

The Accounts have been certified by the Auditor without qualification.

3 AUDITOR'S REPORT

- 3.1 The Report by the Auditor covers the Financial Statements and related matters, Governance & Business Controls and Performance. The Report also includes an Action Plan to address areas of possible improvement identified during the process.

4 MAIN ISSUES IN THE REPORT

4.1 Overview

The general tone of the Report is a positive one which reflects the commitment of the Council to continuous improvement. The auditor is complimentary about the quality of the work done in preparing and presenting the accounts. 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 Overall Financial Performance

Certain changes were made to the draft accounts during the audit process. This is normal practice and only one of these had any effect on the overall financial position reported to the Council in June. In previous years the Housing Benefit Subsidy claim was due for submission after the end of the audit. This year the date was brought forward and as a result the prudent estimate of subsidy made before the audit was able to be updated in line with the actual return which was available before the end of the audit. The actual figure was 1.9% higher than estimated which adds £0.644m to the year end surplus. Whilst this reflects improving benefits performance it is essentially a timing issue. The cumulative balance brought forward is therefore revised to £7.910m of which £4.333m is uncommitted. The Auditor has confirmed that this is not excessive.

4.3 Specific Matters

4.3.1 Asset Management Arrangements

The auditor makes a number of points relating to Asset Management and compliance with the Prudential Code and Capital Accounting guidance. Members will be aware that work on this is currently being undertaken by the Executive Director of Development and Property Services.

4.3.2 Audit Committee Principles

The report recommends that the Council should review its arrangements for scrutiny of Risk Management and Audit issues to ensure compliance with best practice guidance. This has been done by the Corporate Governance Committee and recommendations to the Council are included in a separate report on this agenda.

4.3.4 Performance Indicators

The Auditor notes that the Council reported on all 64 Statutory Performance Indicators, that all of them were given an "A" rating for reliability and commends the Council for the systems used and the supporting documentation provided.

5 ACTION PLAN

- 5.1** The Action Plan drawn up as part of the 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

AMcP/DMW
18 November 2004
ENC (3)

LIST OF BACKGROUND PAPERS

Annual Report to Council Members 2003/04 by PricewaterhouseCoopers dated 24 September 2004

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