

**EAST AYRSHIRE COUNCIL**  
**COUNCIL MEETING – 8 DECEMBER 2005**  
**AUDITED ACCOUNTS 2004/2005**

**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 2004/05 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 2004/05 was submitted to the Controller of Audit on 23 June 2005 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 2005. A copy of the report which was formally presented by the Auditor to the Risk and Audit Scrutiny Group on 16 November 2005 has been issued to all Members.

### **3 AUDITOR'S REPORT**

- 3.1** The Report by the Auditor covers the Financial Statements and related matters, Governance and Business Controls and Performance and Business Issues. 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 Audit Opinion**

The auditors' opinion contains no qualifications and is set out in full in Appendix 4 of his report. The auditor has been complimentary about the quality of the work done in preparing and presenting the accounts for audit. 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 the effect on the overall financial position reported to the Council in June was to increase the value of committed balances by 0.233m. The amendments relate to minor elements of income and expenditure moved between the 2005/06 and the 2004/05 financial year.

#### **4.3 Specific Matters**

##### **4.3.1 Capital Accounting**

The auditor has recommended that the recording of capital expenditure within the accounts should be reviewed and that the arrangements which include a requirement for a qualified surveyor to certify that expenditure can be correctly classified as capital should be enhanced.

##### **4.3.2 Audit Committee Principles**

The report confirms the auditor's view that whilst the new Risk and Audit Scrutiny Group adequately fulfils the role of an audit committee the Council should review the performance of the group after an appropriate operational period to ensure that it is meeting audit committee best practice guidance.

##### **4.3.3 Performance Indicators**

The Auditor notes that the Council reported on all 65 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 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.

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**Executive Head of Finance**

AMcP/DMW  
21 November 2005  
ENC (1)

**LIST OF BACKGROUND PAPERS  
NIL**

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