

EAST AYRSHIRE COUNCIL
COUNCIL MEETING – 7 DECEMBER 2006
AUDITED ACCOUNTS 2005/2006

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 2005/06 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 2005/06 was submitted to the Controller of Audit on 22 June 2006 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 2006. A copy of the report which was formally presented by the Auditor to the Risk and Audit Scrutiny Group on 23 November 2006 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 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 5 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 £0.024m and the uncommitted balance by £0.202m giving revised figures of £8.565m and £8.548m respectively. The amendments relate primarily to how Equal Pay Compensation payments are accounted for. The level of balances held is within the limits of the Council's Financial Reserves Strategy.

4.3 Specific Matters

4.3.1 Debt Charges

After the completion of the accounts, guidance issued by Audit Scotland on the treatment of certain elements of early repayment premiums was changed. It was agreed with the auditor that the new guidance allowed the sum originally included as debt charges to be appropriated to the Capital Fund resulting in greater flexibility for the future. The sum involved is £2.485m and formal authority for this appropriation is sought from the Council.

4.3.2 Capital Expenditure

The report comments on the management of the General Services Capital Programme and recommends a review of arrangements to address issues of option appraisal, profiling and resources. Members will be aware that steps have already been taken to deal with such issues.

4.3.3 Follow-Up on Previous Audit Recommendations

The auditor has noted that action on only 7 out of 61 recommendations has still to be finalised and that none of these are business critical. They relate to ongoing issues such as procurement, asset management, single status and PPP and the Corporate Management Team will continue to monitor progress on all of the ongoing actions together with the new ones included in the auditor's report.

4.3.4 Efficient Government

The Auditor confirms that the Council is continuing to progress with the Efficient Government Agenda and has recommended that the nature and level of savings made are monitored by Members.

4.3.5 Performance Indicators

The Auditor notes that all of the Council's Statutory Performance Indicators 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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AMcP/DMW
21 November 2006
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LIST OF BACKGROUND PAPERS NIL

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