

EAST AYRSHIRE COUNCIL

COUNCIL MEETING – 14 DECEMBER 2000

EXTERNAL AUDITOR'S REPORT ON 1999/00 ACCOUNTS

Report by Director of Finance

1 PURPOSE OF REPORT

- 1.1** The purpose of this report is to present to Members the External Auditor's report on the audit of the Council's accounts for 1999/00.

2 BACKGROUND

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

- (a)** whether the statement of accounts for the year presents fairly the financial position of the Council;
- (b)** the adequacy of the main financial systems;
- (c)** the adequacy of the arrangements in place for the prevention and detection of fraud and corruption;
- (d)** the performance of particular services; and
- (e)** the effectiveness of overall management and arrangements.

- 2.2** The Council's External Auditors, Audit Scotland, have now submitted their report in respect of the year ended 31 March 2000 a copy of which is appended to this report.

3 AUDITOR'S REPORT

- 3.1** The report by the auditor covers financial accounts and related matters, matters arising from the audit and matters of economy, efficiency and effectiveness. The report also includes an action plan to address areas of possible improvement identified during the process.

3.2 Overview

The general tone of the report is a positive one which acknowledges the commitment of the Council to continuous improvement. The issues raised for attention have already been recognised and action is in hand to deal with them.

There are a number of issues raised in previous years which required longer term solutions and on which work is continuing. The report notes the good progress on all of these.

3.3 Overall Financial Performance

The Auditor indicates satisfaction with the Council's strategy to eliminate the cumulative deficit brought forward from earlier years and notes that but for the technical legal difficulty in concluding the transaction in respect of the King Street shop units, the deficit would have been overtaken. The Auditor suggests that the Council should take steps to generate reserves to cater for future unforeseen contingencies that may occur.

3.4 Reconciliations

The report records that further improvements have been made to the procedures in place to reconcile transactions in subsidiary financial systems to enhance financial control.

3.5 Capital Accounting

The report highlights the fact further work has been done to ensure that asset registers are complete, up-to-date and reconciled to title deeds. In accordance with the agreed timetable, work is ongoing in Homes and Technical Services, Development Services, Legal and Finance departments to achieve completion by 31 March 2001.

3.6 Stores

The auditor found that the Director of Homes and Technical Services had taken action to improve stores security and management and that progress on a revised action plan including the resolution of variances is being monitored by Internal Audit.

3.7 Voids

The auditor notes continuing difficulties with council house voids, that Members have been made aware of the issues and that an initial report on action to attempt reduce the level of voids by the Director of Homes and Technical Services has been considered with a further report to the Housing Committee scheduled for January 2001.

3.8 Restructuring of Debt

The report notes the decision to restructure the Council's debt portfolio to significantly reduce financing costs and the adherence to CIPFA methodology in pursuing this. It also confirms that external professional advice was taken to ensure that best value was achieved. The details were reported to the Policy and Resources Committee in June 2000.

3.9 Ex-Strathclyde Transactions

The auditor draws attention to a payment of the Council's share of final balance adjustments for Strathclyde Regional Council for which detailed back-up information could not be provided by Glasgow City Council, the responsible authority. All of the Councils covering the former Strathclyde area had the same difficulty and it was noted that the audit carried out by Glasgow's External Auditors, who are also Audit Scotland should provide all of the councils with some assurance with regard to these transactions.

3.10 Accelerated Rental Income

The report records the circumstances surrounding the sale of the Council's interest in rental income for shop units adjacent to Burns Mall. It confirms that professional advice was taken throughout the process to ensure that best value was obtained and that once the extent of the delay in settlement became known further negotiation was entered into to ensure the Council's position was protected, again with the guidance of professional advisers.

3.11 Corporate Governance

Corporate Governance is defined as "the system by which local authorities direct and control their functions and relate to their communities." Debate at national level is refining the concept further and aspects will be addressed in Council responses to the McIntosh and Kerley reports. The Auditor concludes that the Council's current management arrangements already include many aspects considered to constitute best practice in this area and specifically highlights the location of financial management teams within service departments and the existence of a Budget Monitoring Group. The report also indicates other areas where, in due course, changes may be appropriate.

3.12 Building and Works

The report notes the continuous improvement in the management of Building and Works and the plans to implement new computer systems to deliver better management information. It concludes that the changes introduced by the Director of Homes and Technical Services have had a beneficial impact on the financial position of the DLO.

3.13 Rent Arrears

The Auditor expressed concern over the level of rent arrears and the trend in these over the last three years. He also made reference to a value for money study carried out by Audit Scotland which was intended to assist Councils to achieve best value in their management of rent arrears. An audit review revealed that the Council complied with the majority of the 43 best practice statements included in the report.

3.14 Written Procedures

The auditor commends the preparation of written financial procedures as an essential management control to prevent error and fraud and considers that excellent progress has been made in this area.

3.15 Housing and Council Tax Benefit

The Auditor notes the substantial progress made in improving the administration of benefits evidenced by reduced levels of customer complaints, an improved staff structure, training initiatives and computer systems rationalisation. The significant reduction in processing backlogs and elimination of subsidy penalties arising from this is also noted.

3.16 Internal Audit

The Auditor confirms that the internal audit function met the standards set by CIPFA and the Auditing Practices Board. He notes that reporting arrangements are in line with these.

3.17 Review of Financial Systems

The report summarises the work done on the major financial systems during the year and the agreed actions for improvement arising from this.

3.18 Best Value

The focus of work on Best Value arrangements was on the establishment of performance management and planning arrangements and the review of Criminal Justice, Grounds Maintenance and Housing Repairs. The Auditor found that the three services had demonstrated their support for continuous improvement in service delivery. He also noted the intention to progress improvements of a corporate nature in 2000/01.

3.19 Centrally Directed Studies

Four national value for money studies were carried out by Audit Scotland in 1999/00. These covered rent arrears, refuse collection, DLO/DSO management information and schools administration.

The rent arrears study is referred to above. The refuse collection study was used by Community Services to identify areas where management attention might be focussed. Similarly the recommendations contained in the studies on DLO/DSO management information and schools administration were welcomed by the departments concerned.

4 ACTION PLAN

- 4.1 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.

5 RECOMMENDATIONS

- 5.1 It is recommended that Members note the contents of this report.

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Director of Finance

AMcP/DMW
29 November 2000
ENC (1)

LIST OF BACK GROUND PAPERS NIL

Members wishing further information should contact Alex McPhee, Director of Finance, Tel: (01563) 576300.

AGENDA