

EAST AYRSHIRE COUNCIL
COUNCIL MEETING – 12 DECEMBER 2002
AUDITED ACCOUNTS 2001/2002

Report by Director of Finance

1 PURPOSE OF REPORT

- 1.1** The purpose of this Report is to present to Members the audited Abstract of Accounts and the Competitive Services Annual Report and Accounts for 2001/02 together with the External Auditor's Report on these.

2 BACKGROUND

- 2.1** The Local Authority Accounts (Scotland) 1985 Regulations require the Director of Finance 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 2001/02 was submitted to the Controller of Audit on 27 June 2002 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:-

- (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.
- (e)** 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 2002 and a copy is appended to this Report.

The Accounts have been certified by the auditor without qualification.

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.

4 MAIN ISSUES IN THE REPORT

4.1 Overview

The general tone of the Report is a positive one which acknowledges the commitment of the Council to continuous improvement. The auditor was complimentary about the internal control processes and 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 many of the actions identified in the Action Plan are already well advanced.

4.2 Overall Financial Performance

Certain changes were made to the draft accounts during the audit process. None of these had any effect on the overall financial position reported to the Council in June which showed that a cumulative surplus balance at 31 March 2002 of £1.164m was achieved. All areas of the Accounts - General Services, Housing Revenue Account and DLO/DSOs - were in surplus. The Auditor notes in his report however, that in his view, the level of reserves held by the Council appear to be relatively low and recommends that reserves be built up.

4.3 Specific Matters

4.3.1 Operating Leases

The Auditor highlights the fact that properties leased by the Council were not included in the register of assets secured under operating leases. This is a matter of definition however which was not an issue for previous auditors. Steps will be taken to include these in the register in future years.

4.3.2 Housing Rent Bad Debt Provision

The Auditor comments on the calculation of the Housing Rent Bad Debt Provision and notes that this should be reviewed taking account of the effects of new debt management arrangements agreed by the Housing Committee in November 2001.

4.3.3 Galleon Leisure Centre

The Auditor expresses concern over the Council's unlimited liability in relation to any losses which may be incurred by the Galleon Leisure Centre and recommends that options to cap or remove future liabilities be explored. This is currently in progress and a report will be presented to the Community Services Committee in due course with any final decision being taken by the Council thereafter.

4.3.4 Business Control Report

This report is still in draft form awaiting final publication by the auditor. It highlights business risks which have been identified by the auditor for attention following interviews with all departmental directors. The final version of the report will include an action plan to ensure that all areas are appropriately addressed.

4.3.5 Best Value

The Auditor confirms that the Council continues to make progress in developing Best Value goals and objectives for continuous improvement.

4.3.6 Performance Indicators

The Auditor notes that the Council reported on all 65 Statutory Performance Indicators and awarded all of them an "A" rating for reliability.

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. Achievements of these targets will be monitored over the period in question.

5.2 Action plans agreed in previous years were also reviewed and explanations are shown for the small number of actions which the Council has been unable to fully implement.

6 RECOMMENDATIONS

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

Alex McPhee
Director of Finance

AMcP/DMW
27 November 2002
ENC (3)

**LIST OF BACKGROUND PAPERS
NIL**

Any person who wishes any further information on this report should contact Alex McPhee, Director of Finance, Tel 01563 576300.