

EAST AYRSHIRE COUNCIL
COUNCIL MEETING – 2 MAY 2002
AUDITED ACCOUNTS 2000/2001

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 Competitive Services Annual Report and Accounts for 2000/01 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 2000/01 were submitted to the Controller of Audit on 28 June 2001 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.
- (d) The performance of particular services.
- (e) The effectiveness of overall management arrangements.

- 2.3 The Council's External Auditors, Audit Scotland, have now submitted their Report in respect of the year ended 31 March 2001 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.

- 3.2** The Report would normally have been expected before the turn of the calendar year, however the Auditor spent some time investigating the accounting treatment of the income received in respect of the sale of part of the Burns Mall development as the Accounting Code of Practice gave no definitive guidance on this. She has concluded that the Council's treatment of the transaction was reasonable and consistent with normal accounting practices.

4 FINANCIAL ACCOUNTS AND RELATED MATTERS

4.1 Overview

The general tone of the Report is a positive one which acknowledges the commitment of the Council to continuous improvement. All of the issues raised have previously been recognised by the Council and the actions identified in the Action Plan are already well advanced.

4.2 Overall Financial Performance

The Accounts show that a cumulative surplus balance at 31 March 2001 of £1m was achieved. All areas of the Accounts - General Services, Housing Revenue Account and DLO/DSOs - were in surplus. The Auditor notes in her report however, that in her view, continued efforts should be made to generate good reserves to build a buffer to cater for any unforeseen contingencies that may occur. The Report also notes that the Council operated within the capital expenditure limits prescribed by the Scottish Executive for the year.

4.3 Specific Matters

4.3.1 SPTA Balances

The Auditor notes that the balances inherited by the Council at reorganisation included loans associated with the Strathclyde Passenger Transport Authority (SPTA). Early in April 2000 this matter was resolved by the SPTA making cash advances which matched the disaggregated loans to the twelve Authorities involved. There was no effect on the Revenue Account and this was simply a transaction to achieve a more orderly accounting arrangement.

4.3.2 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.

4.3.3 Capital Accounting

The Report highlights that further work has been done to ensure that asset registers are complete, up to date and reconciled to title deeds. Work is continuing within Legal Services on some residual issues.

4.3.4 Stores

The Auditor found that progress has been made in improving controls in Building and Works stores and stresses the importance of continuing to make improvements in this area.

4.3.5 Housing Voids

The Auditor notes continuing difficulties with Council house voids and that Members have been made aware of the issues. Action taken by the Director of Homes and Technical Services is acknowledged and the need for continued monitoring of the position is recommended. Members will be aware that this difficulty is not unique to East Ayrshire Council and that an Action Plan is in place to tackle the issue.

4.3.6 Burns Mall – Accelerated Rent Income

As indicated earlier in this Report the Auditor took some time to consider the accounting treatment chosen and has concluded that it was consistent and appropriate.

4.3.7 New SAP Ledger System

Progress on the implementation of the new Financial Information System is noted. The system went live on 2 April 2002 and the full functionality is currently being rolled out to departments. It is anticipated that development of the system will continue into the future.

4.3.8 Kilmarnock Leisure Centre Trust

The Auditor notes the Council's legal commitment to underwrite any loss incurred by the Galleon Centre and the intention to review this following the final installment of the loan which was raised to build the centre,

4.3.9 Council Tax Benefit Subsidy Claim 1998/99

The Auditor confirms that outstanding Council Tax Benefit subsidy due from the Department of Work and Pensions has now been received.

4.3.10 East Ayrshire Housing Partnership

The decision to withdraw from East Ayrshire Housing Partnership and the Exit Strategy which was approved by the Council is noted by the Auditor.

5 MATTERS ARISING FROM THE AUDIT

5.1 Corporate Governance

The Report notes that Corporate Governance is assuming a higher profile in both Public and Private Sectors. An Officer Working Group is currently developing procedures which will take account of all current guidance on Corporate Governance to ensure that the Council is observing the best practice in this area.

5.2 Commercial Operations Deficit

The significant action taken by the Council to address weaknesses identified by the Controller of Audit following the Commercial Operations deficit in 1997/98 is noted. The beneficial impact of these on the financial performance of Building and Works and the fact that the Section 19(b) Restriction Notice was lifted in August 2001 is also recognised.

5.3 Housing Rent Arrears

The Auditor notes the increasing level of rent arrears and the actions taken to tackle this issue. Members will be aware that some progress has been made recently on this and that the Action Plan put in place appears to be achieving results.

5.4 Housing and Council Tax Benefit

The Auditor identifies the importance of completing the Subsidy Return accurately and in accordance with relevant Legislation. This has been accepted and Members may wish to note that a detailed procedure document and check list to assist in this has been developed in conjunction with Internal Audit. The Auditor notes that at the time of the Audit there were 3,700 items awaiting processing and is of the view that this represents a reasonable level for mail awaiting processing. At the end of March 2002 this had reduced to 2,300. There is a recognition that further processing improvements are required and again the latest figures show continued progress. Additional initiatives are on hand to improve performance further over the next few months although it has been recognised that the inherited IT system is a barrier to significant improvement. The system will be replaced during the current year.

5.5 Internal Audit

The review of Internal Audit notes that the national study by Audit Scotland found that this Council's Internal Audit service has well developed procedures and performance in the areas covered by the study. Members will recall that the Report cited the Council's Internal Audit section as being in the top four in Scotland in terms of compliance with Best Practice.

5.6 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.

6 ECONOMY, EFFICIENCY AND EFFECTIVENESS

6.1 Best Value and Management Arrangements

The Performance Management and Planning Audit covered the arrangements for Roads contracts and Operations, Home Care Services and Information Technology, examination of the overall co-ordinating arrangements for Best Value and a follow-up of previous years work. The Auditors conclusion is that the Council is demonstrating clear commitment and good progress and agreed actions for further improvements have been noted.

6.2 Collection of Local Taxes

The Report notes that studies carried out in 1996/97 and 1998/99 confirmed that the Council's cost of collecting Council Tax were below the relevant benchmark and that collection rates were similarly below the benchmarks for semi urban Councils. The Council has consistently argued, however, that the semi urban Council benchmarks are inappropriate since they take little account of the level of deprivation in the Council groupings. A recent study by the Council's Internal Audit team confirmed that the performance of the Council in this regard is comparable to those Councils of similar deprivation levels. Collection levels have, however, increased from 78% in 1998/99 to 85% in 2000/01. There is an intention that performance in this area will continue to improve.

6.3 Refuse Collection

The Report acknowledges continued improvement action in the areas of costing systems, absence management and response to the Government's Recycling targets.

6.4 DLO/DSO Management Information

The Auditor refers to the Accounts Commission Report on the importance of management information in the successful management of DLOs and DSOs. The Council has implemented a new performance management system for the Building and Works DLO and is in the process of implementing a new corporate financial management system. The development of key business ratios and service quality measures are also noted together with implementation of findings of the Best Value Review of the Repairs Service.

6.5 Schools Administration

The Accounts Commission's study entitled "Time for Teaching – Improving Administration in Scottish Schools" aimed to provide a framework within which Councils could assess their School's approaches to handling administrative work. A number of Action Points were agreed with the Director of Education and follow-up work by the Auditor indicated that good progress had been made, with work continuing in certain areas.

6.6 Property Risk Management in Schools

A national follow-up study on Councils' response to the Accounts Commission Report on Property Risk Management in Schools published in January 1997 was carried out. A local Report showing this Council's performance against national findings has been progressed through to an Action Plan and the draft conclusions and plan are currently being considered by the Director of Educational and Social Services.

7 ACTION PLAN

7.1 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.

8 RECOMMENDATIONS

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

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Director of Finance

AMcP/JP
04.04.02
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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.

AGENDA