

EAST AYRSHIRE COUNCIL

COUNCIL MEETING - 3 MAY 2001

OVERVIEW REPORT ON 1999/00 AUDITS OF LOCAL AUTHORITIES

Report by Director of Finance

1 PURPOSE OF REPORT

- 1.1** The purpose of this Report is to present to Members the Report by the Controller of Audit giving his overview on the 1999/00 audits of all Scottish Local Authorities.

2 BACKGROUND

- 2.1** Section 102 of the Local Government (Scotland) Act 1973 requires the Controller of Audit to make such Reports as the Accounts Commission may require with respect to the Accounts of Scottish Local Authorities. This Report satisfies the request made by Members of the Accounts Commission under this Section of the Act.
- 2.2** The Report was received by the Council on 2 April 2001 and a copy is appended to this Report. The Controller's Report includes a seven page executive summary which highlights the main the points raised in the Report.

3 COMMENTS ON THE REPORT

As indicated above the Report is a summary of the results of the audits carried out on all Scottish Local Authorities on the Accounts for the year ended 31 March 2000. This Council's performance in relation to the main areas of the Report is shown below:-

3.1 Completion of Accounts and Audit

The Controller's Report confirms that all Councils submitted their Accounts by the statutory date of 30 June 2000.

3.2 Corporate Governance

The Report identifies the three core principles of corporate governance as openness, integrity and accountability. The Report concludes that most Councils are taking steps to assess and develop their corporate governance arrangements. Members will be aware of the review of democratic structures which has been undertaken and submitted to the Leadership Advisory Panel which takes this into account. The Controller of Audit encourages the establishment of audit committees as a component of good governance. Members will be aware that an annual audit plan is presented to the Policy and Resources Committee at the start of the financial year and a Report on activity is made following the end of the year.

With regard to Internal Audit the Report comments on the need for Councils to secure specialist internal computer audit expertise. This Council appointed a full-time computer auditor in June 1997.

3.3 Financial Control

Auditors appear to have highlighted instances of a lack of timely accounting reconciliations in a number of Councils. There is an appreciation of the difficulties which were apparent in most Councils in the years immediately following reorganisation. For this council the auditor noted in his letter to Members in November 2000 that further improvements had been made to the procedures in place to reconcile transactions in subsidiary financial systems to enhance financial control.

3.4 Financial Position

The Report confirms that twenty Councils had in-year deficits on the general fund for 1999/00 with two Councils having relatively small cumulative deficits (East Ayrshire and North Ayrshire). In our own case this was due entirely to a technical legal difficulty which caused a delay in settlement of the sale of our interest in a retail development which had been included in the budget estimates for that year. This led to a view being taken by the Auditor that the income relating to the sale should be taken into the 2000/01 accounts rather than 1999/00. The effect, taken over the two years, is neutral. This was therefore a timing issue and Members will be aware that current projections indicate that the Council will be in surplus in-year and cumulatively at 31 March 2001.

3.5 DLO/DSO Performance

All of the Council's DLOs and DSOs achieved or bettered the statutory financial target for 1999/2000. This was also the case in twenty other Councils. The Report highlights the need in many Councils for improvement in the quality or performance information which is essential for the effective management of DLO and DSO activities. Much work has been done in East Ayrshire Council on this and new systems have been and continue to be implemented which will produce the kind of information required to assist in the continuous improvement in performance required.

3.6 Housing and Council Tax Benefit

The Controller's Report comments that Benefits legislation is complex and subject to frequent modification. As a result the benefits system is susceptible to claimant fraud. There is an observation of a rising trend of fraud related overpayments and Members will be aware that the Policy and Resources Committee recently approved a fraud and security strategy aimed at minimising and detecting fraudulent claims in this Authority. The Report notes that a number of Authorities have not yet fully implemented the Verification Framework (VF). It is the case, however, that the experience of those who have is that the additional time and effort required to process claims can lead to backlogs and that the additional administration costs arising are often not fully covered by the additional resources provided by DSS. The Policy and Resources Committee agreed recently that whilst quality improvements in line with VF requirements should continue a formal sign-up should only be made when we are in a position to comply without compromising service levels.

3.7 Financial Relationships With External Parties

Auditors have reported generally that there is a need for Councils to ensure compliance with the Code of Guidance on Funding External Bodies which sets out best practice where a partnership arrangement includes substantial Local Authority funding. The Council is involved in a number of such arrangements and observes the principals of the Code in each case. Appropriate financial procedures are in place and professional financial management guidance is also available to officers involved.

3.8 Value for Money Studies

National Value for Money Studies were carried out in respect of refuse collection benchmarking, community safety partnerships and managing rent arrears. The published reports are being used by relevant departments to review current procedures and compare these with recommended Best Practice.

3.9 Best Value

Auditors have a duty to assess the progress made by Councils in terms of meeting the expectations set out in the Performance Management and Planning (PMP) framework. For 1999/00 each Council in consultation with its Auditors selected three services for review. For this Council the services were Grounds Maintenance, Criminal Justice services and the Housing and Property Repairs Service. The Auditor concluded that the three services reviewed had demonstrated their support for continuous improvement in service delivery.

4 RECOMMENDATIONS

4.1 It is recommended that Members note the contents of this Report.

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17.04.01
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LIST OF BACKGROUND PAPERS NIL

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

AGENDA