

**AUDIT OF ACCOUNTS 2004/2005 – REPORT TO MEMBERS, AUDIT
CERTIFICATE AND CERTIFIED ACCOUNTS**

1. INTRODUCTION

- 1.1 The external auditors, Audit Scotland, have completed their audit of the Council's Accounts for the year to 31 March 2005 and the Audit Certificate, Certified Accounts and Report to Members are attached. The Audit Certificate contains no qualifications.

An action plan covering the external auditors recommendations is attached as Appendix A to the Report to Members, together with the proposed responses to the Action Points. The Audit Committee's remit includes monitoring of action within agreed timescales.

2. RECOMMENDATION

- 2.1
- The Certified Accounts and the terms of the Audit Certificate and report to Members are noted.
 - To refer to the Audit Committee monitoring of the external auditors recommendations contained in the action plan.

3. DETAIL

- 3.1 The Certified Accounts, the Audit Certificate and the Report to Members are attached.
- 3.2 The Accounts were completed and submitted to Audit Scotland by the statutory date of 30 June 2005 and the audit has been completed within the timescale of 30 September 2005, set by Audit Scotland.
- 3.3 Member's attention is drawn to the Action Plan in Appendix A of the report to Members. Monitoring of action required will be carried out by Internal Audit and regular updates on compliance with the agreed points will be reported to the Audit Committee during 2006.
- 3.4 The Auditors' Certificate on the Council's financial statements for the year ended 31 March 2005 contains no qualification in that she is able to conclude that the Council's financial

statements present fairly its financial position as at 31 March 2005.

3.5 The Auditors' Executive Summary provides comments on the following –

- Financial Statements
- Corporate Governance
- Performance Management

It is important that Members consider the detailed comments within the Auditors' report and do not rely solely on the Executive Summary.

3.6 The surplus for the year has increased by £0.872 from £2.055m to £2.927. This results in a balance carried forward on the General Fund Reserve of £15.120m, an increase of £0.872. The committed sums included in the General Fund Reserve have increased by £0.153m from £6.941m to £7.094m. This leaves a free balance on the General Fund Reserve of £8.026m, compared to £7.307m per the unaudited accounts.

The increase in the surplus for the year of £0.872m can be analysed as follows:

| | |
|---|---------------|
| ▪ Correction to write-off of Deferred Charges | £0.559 |
| ▪ Adjustments in respect of Capital Financed from Current Revenue | £0.274 |
| ▪ Other minor adjustments | £0.039 |
| ▪ Total | £0.872 |

3.7 The completion of the audit of Accounts for the year 2004/05 within the timescale set by Audit Scotland means that the Council continues to be completely up-to-date in completion and audit of Accounts. In addition, there are no qualifications on the Audit Certificate.

3.8 The free General Fund Reserve stands at £8.026m. This is in excess of the proposals for 2% general contingency. The excess is £4.079m. The Council will need to consider proposals to utilise this as part of the upcoming budget process.

4. IMPLICATIONS

4.1 Policy: The completion of the accounts and the audit within set timescales complies with the Council's objectives on providing timeous and accurate information to the public.

- 4.2 Financial: The external auditors independent examination of the Council's financial records has resulted in a clear Audit Certificate. Surplus balances are held on both the General Fund and in the Housing Revenue Account. The Council should continue with prudent financial management.
- 4.3 Legal: The Accounts have been completed in accordance with all legislative and Code of Practice requirements.
- 4.4 Personnel: None
- 4.5 Equal Opportunities: None

Bruce West
Head of Strategic Finance
3 November 2005

ANNEX 1 – CHANGES BETWEEN UNAUDITED AND AUDITED ACCOUNTS

CONSOLIDATED REVENUE ACCOUNT AND NOTES

- The General Fund Services sub-total is no longer required, therefore Housing Revenue Account has been moved to beside Housing Services non-HRA and included in Net Cost of Service total.
- Interest and Investment Income is no longer included within the Net Cost of Services and is now disclosed separately.
- The capital element of finance lease payments has been included within Note 2 Asset Management Revenue Account and Note 3 Contributions to Capital Financing Account.
- The analysis of future payments for finance and operating leases has been removed and included within the notes to the balance sheet.
- Within Note 16 Related Party Transaction, Grants categorised as other government grants have reduced.

HOUSING REVENUE ACCOUNT

- A presentational change in relation to the contribution to the Capital Financing Account.
- A recalculation for the Housing Revenue Account share of FRS 17 costs.

CONSOLIDATED BALANCE SHEET AND NOTES

- On the face of the Balance Sheet, Intangible Assets has been moved above Tangible assets and this change has resulted in the Intangible Assets note changing to Note 1 which has a knock-on effect of the numbering of subsequent notes.
- Valuations 2.3 and 2.4 – “1999/2000” and “Valuations Inherited” inserted to show complete picture of valuations.
- The Summary of Capital Expenditure and Financing note was revised in line with the Statement of Recommended Practice (SORP).
- Inclusion of notes in relation to finance and operating leases.
- Long Term Debtors have been reduced with the exclusion of the loans early repayment figure.
- The Analysis of Net Assets Employed has been split to reflect the share between the general fund and the HRA.
- Loans Early Repayment Premium, previously included within Long Term Debtors has been moved to Capital Reserves with the Statement of Total Movement on Reserves.

MOVEMENT ON RESERVES AND CASH FLOW

- Due to Loans Early Repayment Premium being included within Capital Reserves, an additional note was required.
- The term “Earmarked Reserves” is no longer used and reserves previously termed as Capital Reserves and Earmarked Reserves have now been renamed Revenue Funds.
- Deferred Government grants figure changed, transfer from capital financing accounts of government grants wrongly categorised – Note 3 to reserves.
- As a result of the changes within the other primary statements, the Cash Flow has been amended to reflect these.