

**AUDIT OF ACCOUNTS 2005/2006 – 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 2006 and the Audit Certificate, Certified Accounts and Report to Members are attached. The Audit Certificate contains no qualifications.
- 1.2 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.
- 2.2 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 2006 and the audit has been completed within the timescale of 30 September 2006, 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.

3.4 The Auditors' Certificate on the Council's financial statements for the year ended 31 March 2006 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 2006. However, she has noted that the Council have failed to comply with the statutory requirement that the income from trading operations is not less than expenditure over a three-year period. This is in respect of Leisure Trading Service and the Catering and Cleaning Service.

3.5 The Auditors' Report provides comments on the following:

- Performance
- Financial Position
- Governance
- Financial Statements

3.6 The deficit for the year has decreased by £0.136 from £0.503m to £0.367. This results in a balance carried forward on the General Fund Reserve of £14.753m, an increase of £0.136. The committed sums included in the General Fund Reserve have increased by £0.067m from £8.878m to £8.945m. This leaves a free balance on the General Fund Reserve of £5.808m, compared to £5.739m per the unaudited accounts.

The decrease in the deficit for the year of £0.136m can be analysed as follows:

▪ Housing Benefits Overpayments Debtor	£0.174
▪ Understated Prepayment	-£0.011
▪ Other minor adjustments to debtors	-£0.027
▪ Total	£0.136

3.7 The completion of the audit of Accounts for the year 2005/06 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 £5.808m. This is in excess of the proposals for 2% general contingency. The excess is £1.808m, however it should be noted that the Council, at its meeting on 28 June 2006, agreed to release £0.700m of the General Fund Reserve for elderly care. The Council will need to consider proposals to utilise the remaining part of the reserve at 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
1 November 2006

ANNEX 1 – CHANGES BETWEEN UNAUDITED AND AUDITED ACCOUNTS

CONSOLIDATED REVENUE ACCOUNT AND NOTES

- On the face of the CRA, the figure for Housing Service has reduced by £0.163m to £2.552m. This is a result of the inclusion of Housing Benefits Overpayments debtors and the correction of a prepayment which was understated.
- On the face of the CRA, the figure for Other Operating Income and Expenditure has increased by £0.027m to £2.126m. This is a result of other minor adjustments made in relation to debtor payments.
- Within Note 4 General Fund Balance Carried Forward, an additional line has been added for Grant Funded Local Action Fund monies to be carried forward amounting to £0.067m.

CONSOLIDATED BALANCE SHEET AND NOTES

- On the face of the Balance Sheet, the figure for Council Dwellings has reduced by £28,379 to reflect the amount that will be repaid by the Scottish Executive at Housing Stock Transfer. There is a corresponding decrease in the Financed By Section under Fixed Asset Restatement Account. This is also reflected within Note 2.3 Valuation of Operational Fixed Assets.
- On the face of the Balance Sheet, the figure for Debtors has increased by £0.136m. This relates to the inclusion of Housing Benefits Overpayment debtors and other minor debtors. This is also reflected within Note 7 Debtors.
- As a result of the above two points, Note 10 Analysis of Net Assets Employed has been amended.

STATEMENT OF MOVEMENT ON RESERVES

- The figures in Note 1 Fixed Asset Restatement Account have been amended to reflect the amount that will be repaid for Council Housings by the Scottish Executive at Housing Stock Transfer.