

**AUDITED ACCOUNTS 2006/2007 AND EXTERNAL AUDIT REPORT**

---

**1 INTRODUCTION**

- 1.1 The external auditors, Grant Thornton UK LLP, have completed their audit of the Council's accounts for the year to 31 March 2007. The audited accounts incorporating the audit certificate and the external audit report for 2006-2007 are attached. The audit certificate contains no qualifications. The external audit report highlights key issues for attention of members.

**2 RECOMMENDATION**

- 2.1 The audited accounts, the terms of the audit certificate and the external audit report are noted.
- 2.2 To note the Audit Committee will monitor the action plans agreed in response to individual audit reports that have been issued during the year.

**3. DETAILS**

- 3.1 The audited accounts including the audit certificate and the external audit report for the 2006-07 audit are attached.
- 3.2 The accounts were completed and submitted by the statutory date of 30 June 2007. The audit has been completed within the timescale of 30 September 2007, set by Audit Scotland.
- 3.3 The audit certificate on the Council's accounts for the year ended 31 March 2007 contains no qualification. External audit are able to conclude that the Council's accounts present fairly its financial position as at 31 March 2007.
- 3.4 The audit certificate notes that the Council has 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 the Leisure Trading Account, the Catering and Cleaning Trading Account and Building Maintenance Trading Account. The report to the Council of 20 June 2007 regarding the unaudited accounts drew members attention to the failure to achieve the breakeven position for the above trading accounts.
- 3.5 It was also reported to the Council on 20 June 2007 that in respect of Leisure and Building Maintenance these would no longer be classified as trading accounts. The report recognised the need for the Council to demonstrate that services no longer classified as trading accounts delivered best value and that where trading accounts had failed to achieve a breakeven position it would be necessary to review the cost and price base and charging regime in addition to being able to demonstrate best

value was being achieved.

- 3.6 The external audit report outlines the scope of the audit and identifies the key issues that require to be brought to members attention. No action plan is attached to the report as all of the points raised have been drawn from individual audit reports issued during the year and action plans have been prepared for each of these to address the matters raised by external audit.
- 3.7 A summary of the key points identified by external audit in the audit report on the 2006-07 has been attached as Appendix 2. Included with this are details of the action the Council has already agreed to take in relation to each point.
- 3.8 The external audit report provides comments on the following:
- Financial Statements
  - Governance
  - Performance
- 3.9 Appendix 1 is a schedule of the significant changes to the accounts. The 2 most significant adjustments to the accounts arise from housing stock transfer:
- The first is merely a change in presentation of the transfer of the housing stock, its value and the redemption of debt on our behalf by the Scottish Executive. This has no impact on the Council's General Fund Balance but the off setting adjustments against net cost of services, gain/loss on disposal of assets and loans fund principal repayments are in the order of £38m.
  - The second relates to land the Council is committed to purchase and transfer at nil cost to ACHA as part of the transfer agreement. These transactions were not concluded during 2006-07 and as a result the estimated cost of £1.040m has been moved from expenditure and is referred to as a contingent liability in the notes to the accounts.
- 3.10 The table below reconciles the changes from unaudited accounts to audited accounts for surplus/ (deficit) on the Income and Expenditure Account on the General Fund Balance.

	<b>Surplus (Deficit) £000</b>	<b>General Fund Balance £000</b>
Unaudited Accounts	(686)	24,957
Increased provision for single status based on revised offer	(468)	(468)
Corrections to renewal & repair fund contributions	(230)	
Reversal of accrual for private sector housing grant expenditure	200	200

Classify commitment to purchase land and transfer to ACHA as contingent liability.	1040	
Corrections to leasing charges from processing both leasing payments and depreciation	363	
Other	<u>166</u>	<u>109</u>
Audited Accounts	<u>385</u>	24,798

3.11 The committed funds within the General Fund Balance were £20.283m per the unaudited accounts. Following the audit the committed funds stand at £20.547m. This leaves a free General Fund Balance of £4.351m. From this the Council has already approved the supplementary estimates to be funded from General Fund Balance of £271,000. The resulting net balance is £3.980m. This compares to £3.999m being the agreed 1.9% contingency level approved as part of the 2007-08 budget. The level of General Fund Balance and contingency will require to be considered during the annual budget process.

3.12 The full text of the external audit report is attached as Appendix 3.

#### **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 auditor's independent examination of the Councils financial records had resulted in a clear audit certificate. The level of free General Fund Balance is close to the 1.9% contingency level and will require to be considered during the budget process. |
| 4.3 | Legal               | The Accounts have been completed in accordance withal legislative and Code of Practice requirements.   |
| 4.4 | Personnel           | None   |
| 4.5 | Equal Opportunities | None   |

Bruce West  
Head of Strategic Finance  
22 November 2007