

**AUDITED ACCOUNTS 2007/2008 AND EXTERNAL AUDIT REPORT**

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**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 2008. The audited accounts incorporating the audit certificate and the external audit report for 2007-2008 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 2007-08 audit are attached.
- 3.2 The accounts were completed and submitted by the statutory date of 30 June 2008. The audit has been completed within the timescale of 30 September 2008, set by Audit Scotland.
- 3.3 The audit certificate on the Council's accounts for the year ended 31 March 2008 contains no qualification. External audit are able to conclude that the Council's accounts present fairly its financial position as at 31 March 2008.
- 3.4 The audit certificate notes that the Council has failed to comply with the statutory requirement that the income from the Catering and Cleaning Trading Account is not less than expenditure over a three-year period. The report to the Council of 26 June 2008 regarding the unaudited accounts drew members' attention to the failure to achieve the breakeven position for the above trading account.
- 3.5 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.

3.6 A summary of the key points identified by external audit in the audit report on the 2007-08 Accounts have 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.

3.7 The external audit report provides comments on the following:

- Financial Statements
- Governance
- Performance

3.8 Appendix 1 is a schedule of the significant changes to the accounts. The 3 most significant adjustments to the accounts were as follows:

- An adjustment was made to ensure the Council fully complied with the 2007 SORP in relation to financial instruments. Borrowings were increased by £0.363m to adjust for the effective interest rate calculation and the premiums and discounts figure of £7.528m, previously recorded as long term debtors, was transferred to the new financial instrument adjustment account. There is no impact on the general fund balance from these changes as all financial instrument adjustments are processed by statutory adjustments through the Statement of Movement on the General Fund Balance.
- £1.3m of deferred government grants held by the Council could not be matched to individual assets on the Council's fixed asset register. The grants mainly related to infrastructure assets transferred from Strathclyde Regional Council following local government reorganisation in 1996. An adjustment was processed to de-recognise these grants by transferring the outstanding balance to the capital adjustment account in the opening 2006-07 balance sheet.
- Accounting treatment for PFI schemes require the Council to recognise the assets it will acquire in 2029 when the schools built under the NPDO project revert back to the Council's control for nil consideration. Accordingly, the Council deducts the proportion of residual value that it builds up each year from the service charge in the I&E account and recognises a long term debtor. Our initial calculation of the long term debtor was adjusted from £3.575m down to £0.65m as a result of further work in conjunction with CIPFA.

3.9 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	8,424	31,213
Re-calculation of residual value of NPDO schools	(2,925)	
Adjustment to Housing Benefit overpayment debtor and bad debt provision	95	95
Deferred Government Grant write back	(157)	
Clearance of election control account expenditure	(133)	(133)
Transfer of Youth ASBO funding from earmarked balance to creditor balance	(160)	(160)
Other	(79)	(9)
<b>Audited Accounts</b>	<b>5,065</b>	<b>31,006</b>

3.10 The committed funds within the General Fund Balance were £26.077m per the unaudited accounts. Following the audit the committed funds stand at £26.098m. This leaves a free General Fund Balance of £4.908m. From this the Council has already approved the supplementary estimate to be funded from General Fund Balance of £86,000; this is to cover the loss of income after removing the charges for home care meal preparation. In addition, a supplementary estimate of £221,000 was approved by Council on 2 October for the Shared Services Diagnostic project. The resulting net balance is £4.602m. This compares to £3.980m being the agreed 1.5% contingency level approved as part of the 2008-09 to 2010-11 budget process. The level of General Fund Balance and contingency will require to be considered during the 2009-10 to 2011-12 budget process.

3.11 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 sits at 1.95% of the Council's budgeted net expenditure for 2008-09 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  
4 November 2008