

**AUDITED ACCOUNTS 2008/2009 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 2009. The audited accounts incorporating the audit certificate and the external audit report for 2008-2009 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 2008-09 audit are attached.
- 3.2 The accounts were completed and submitted by the statutory date of 30 June 2009. The audit has been completed within the timescale of 30 September 2009, set by Audit Scotland.
- 3.3 The audit certificate on the Council's accounts for the year ended 31 March 2009 contains no qualification. External audit are able to conclude that the Council's accounts present a true and fair view of its financial position as at 31 March 2009.
- 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 25 June 2009 regarding the unaudited accounts drew members' attention to the failure to achieve the breakeven position for the above trading account. It should be noted that in 2008-09 the catering and cleaning trading account achieved a surplus of £0.97m.
- 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 2008-09 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:

- During 2007-08, the Council implemented a new Pay and Grading Model and also revised staff terms and conditions. A provision was created to meet the costs of the new pay and grading model approved by Council and this provision was fully released during 2008-09 following implementation of the model. Some 580 staff have, however, appealed the determination of their allocated grade under single status arrangements. If an appeal is successful then any pay differential will be backdated to 1<sup>st</sup> April 2006. A new provision for £0.768m has been created to reflect the additional costs up to 31<sup>st</sup> March 2009 for successful appeals. This reduces the surplus on the Income and Expenditure Account and General Fund Balance by £0.768m.
- The draft accounts accrued grant income in respect of Oban Airport's running costs. £0.267m was reversed back out as the associated costs are not recoverable under the grant's terms and conditions. This reduces the surplus on the Income and Expenditure Account and General Fund Balance by £0.267m.
- An adjustment for £0.112m was made to correct the amount of requisition actually paid to Strathclyde Joint Police Board. This reduces the surplus on the Income and Expenditure Account and General Fund Balance by £0.112m.

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	9,149	33,774
Single Status Appeals Provision	(768)	(768)
Reversal of Depreciation on Investment Properties	233	
Deferred Government Grant Correction of Amortisation	(68)	
Oban Airport Income Accrual Reversal	(267)	(267)
Correction of Strathclyde Joint Police Board Requisition	(112)	(112)
<b>Audited Accounts</b>	<b>8,167</b>	<b>32,627</b>

3.10 The committed funds within the General Fund Balance were £28.015m per the unaudited accounts. This figure remains unchanged in the audited accounts. This leaves a free General Fund Balance of £4.612m. From this the Council has already approved the supplementary estimate to be funded from General Fund Balance of £216,000; this is to cover estimated additional costs for the implementation of the Council's "process for change" programme. In addition, a supplementary estimate of £70,000 was approved by Council on 1 October for the review of Community Councils. The resulting net balance is £4.326m. This compares to £3.908m being the agreed 1.5% contingency level approved as part of the 2009-10 to 2011-12 budget process. The level of General Fund Balance and contingency will require to be considered during the 2010-11 to 2012-13 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 1.65% of the Council's budgeted net expenditure for 2009-10 and will require to be considered during the budget process.
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

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 5 November 2009