

AUDITED ACCOUNTS 2009/2010 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 2010. The audited accounts incorporating the audit certificate and the external audit report for 2009-2010 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 2009-10 audit are attached.
- 3.2 The accounts were completed and submitted by the statutory date of 30 June 2010. The audit has been completed within the timescale of 30 September 2010, set by Audit Scotland.
- 3.3 The audit certificate on the Council's accounts for the year ended 31 March 2010 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 2010.
- 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 findings identified by external audit in the audit report on the 2009-10 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 Position
- Financial Statements Audit
- Governance
- Performance

3.8 Appendix 1 is a schedule of the significant changes to the accounts. The 2 most significant adjustments to the accounts were as follows:

- Reversal of roads repair contingency due to there being no present obligation arising from the repair work. This adjustment resulted in £900,000 being included in the overall surplus for the year and increased the General Fund Balance by £900,000. This amount has been ring fenced to be spent on road maintenance during 2010-11.
- The second significant adjustment was to the accounting entries for the schools NPDO, this corrected two errors in the split of liabilities between short term and long term and the amount used as the unitary charge to split between repayment of finance lease liability and payment of interest. This increased the surplus in the Income and Expenditure Account by £530,000 but this amount was reversed out through the Statement of Movement in General Fund Balance and therefore had no impact on the General Fund Balance.

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.

	Surplus (Deficit) £000	General Fund Balance £000
Unaudited Accounts	1,705	32,167
Adjustment to Schools Finance Lease Creditor	530	
Correction to Single Status Accrual	21	21
Reduction of Strathclyde Insurance Claim Provision	4	4
Write-off of Irrecoverable Debtor Balance	(72)	(72)
Reversal of Roads Contingency	900	900
Audited Accounts	3,088	33,020

3.10 The committed funds within the General Fund Balance were £27.638m per the unaudited accounts. This figure has changed by £0.9m to £28.538m in the audited accounts. This leaves a free General Fund Balance of £4.482m. This compares to £3.955m being the agreed 1.5% contingency level approved as part of the 2010-11 to 2012-13 budget process. The level of General Fund Balance and contingency will require to be considered during the 2011-12 to 2013-14 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 1.7% of the Council's budgeted net expenditure for 2010-11 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

Bruce West
 Head of Strategic Finance
 11 November 2010

APPENDIX 1 - SUMMARY OF MAIN CHANGES TO FINANCIAL STATEMENTS ARISING FROM AUDIT

Section of Accounts Changed	Audited Accounts £000s	Unaudited Accounts £000s	Change £000s	Comment/Explanation
Income & Expenditure Account (Page 18)				
Net Cost of Services	239,617	241,108	1,491 (Cr)	Adjustment to NPDO Schools Finance Lease Creditor for adjustment to unitary charge - £530,000 Cr. Transfer to Interest Payable and Similar Charges for additional finance lease interest arising from change to unitary charge - £108,000 Cr. Reversal of single status accrual processed in error - £21,000 Cr. Reduction of Provision for SRC Insurance Claims - £4,000 Cr. Write of irrecoverable debtor balance - £72,000 Dr. Reversal of Roads Contingency – £900,000 Cr.
Interest Payable and Similar Charges	18,608	17,846	762 (Dr)	Transfer from Net Cost of Services for additional finance lease interest arising from change to unitary charge - £108,000 Cr.
Interest and Investment Income	(787)	(133)	654(Cr)	Adjustment for internal interest payable on other balances £654,000 Dr.
Surplus/(Deficit) for the year	3,088	1,705	1,383(Cr)	Adjustment for internal interest payable on other balances £654,000 Cr, reflecting actual external interest received during the year. Due to the net impact of the above changes.
Statement of Movement on the General Fund Balance (Pages 19-20)				
Surplus/(Deficit) for the year	3,088	1,705	1,383(Cr)	See Income and Expenditure Account above.
Net Additional Amount to be debited or credited to the General Fund for the year	(2,695)	(2,165)	530(Dr)	Reversal of adjustment to NPDO Schools Finance Lease Creditor for adjustment to unitary charge - £530,000 Dr.
Increase/(Decrease) in General Fund Balance for the Year	393	(460)	853(Cr)	Due to the net impact of the various changes to the Income and Expenditure Account less the reversals out through the Statement of Movement on the General Fund Balance.
Balance on General Fund Carried Forward	33,020	32,167	853(Cr)	As above.

Section of Accounts Changed	Audited Accounts £000s	Unaudited Accounts £000s	Change £000s	Comment/Explanation
Balance Sheet (Page 22)				
Debtors	17,522	17,594	72(Cr)	Write off of irrecoverable debtor.
Deferred Liabilities Payable within 12 months	(1,385)	(2,878)	1,493(Dr)	Correction of split between short term and long term liabilities and adjustment to unitary charge split between repayment of finance lease liability and interest payments – prior year adjustment processed as well - £1,493,000 Dr.
Creditors	(33,178)	(34,099)	921(Dr)	Reversal of road repair contingency – £900,000 Dr Part reversal of single status accrual - £21,000 Dr
Provisions	(1,941)	(1,945)	4(Dr)	Part reversal of SRC Insurance Claims Provision £4,000 Dr
Deferred Liabilities Payable in a Period in Excess of 12 months	(84,950)	(84,217)	733(Cr)	Correction of split between short term and long term liabilities and adjustment to unitary charge split between repayment of finance lease liability and interest payments – prior year adjustment processed as well - £730,000 Dr.
Capital Adjustment Account	(80,297)	(79,537)	760(Cr)	Reversal of adjustment to NPDO Schools Finance Lease Creditor for adjustment to unitary charge - £530,000 Cr for 2009-10, £230,000 Cr for 2008-09.
General Fund Balance	(33,020)	(32,167)	853(Cr)	As above, per Statement of movement in General Fund Balance

Appendix 2 – Paper to follow

Appendix 3 – Paper to follow