1. **SUMMARY**

The external auditors, Audit Scotland, have completed their audit of the Council’s Accounts for the year to 31 March 2004 and the Audit Certificate, Certified Accounts and Report to Members are attached. The Audit Certificate contains no qualifications. However, a comment is made regarding the failure to comply with a statutory requirement for Supporting People grant. This comment applies to the Accounts of all councils for 2003-04.

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 the agreed timescales.

2. **RECOMMENDATION**

   - The Certified Accounts and the terms of the Audit Certificate and Report to Members are noted.
   - 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 2004 and the audit has been completed within the timescale of 30 September 2004, set by Audit Scotland.

   3.3 Members’ attention is drawn to the Action Plan on 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 during 2005.
3.4 The Auditors’ Certificate on the Council’s financial statements for the year ended 31 March 2004 contains no qualification in that he is able to conclude that the Council’s financial statements present fairly its financial position as at 31 March 2004. All of the significant trading organisations have achieved at least the minimum breakeven position required. However a comment is made regarding the failure to comply with a statutory requirement for Supporting People grant. This comment applies to the Accounts of all councils for 2003-04.

3.5 The Auditors’ Executive Summary provides comments on the following –

- Financial Accounts and Related Matters
- Governance
- Performance Management

It is important that Members consider the detailed comments within the Auditors’ report and do not rely solely on the Executive Summary.

3.6 The surplus for the year has increased by £412,000 from £6.074m to £6.486m. This results in a balance carried forward on the General Fund Reserve of £12.193m, an increase of £412,000. The committed sums included in the General Fund Reserve have increased by £586,000 from £5.758m to £6.344m. This leaves a free balance on the General Fund Reserve of £5.949m, compared to £6.023m per the unaudited accounts.

The increase in the surplus for the year of £412,000 can be analysed as follows:

a) Cash impact of teachers early retirement provision deferred until post-April 2004 £586,000

b) Adjustment to estimates of debtors, creditors and accruals as at 31 March 2004. These include under accrual of the audit fee, the settlement of a dispute on residential care charges after the year end and adjusting early retirement costs for teachers to a gross basis i.e. excluding estimated savings in future years £174,000
   £412,000

The increase in sums committed from the General Fund Reserve is due to the reclassification of the provision for teachers’ early retirement costs as per a) above.
The change in the free General Fund Reserve can be accounted for by item b) in the table above.

The most significant changes arise from the revision of the presentation of the amounts included in the accounts and related notes in respect of the application of Financial Reporting Standard (FRS) 17 (Retirement Benefits). This is the first year FRS17 has been applied fully to local authorities and the audit has clarified the position on a number of the disclosure issues. It should be noted that none of the changes affect the bottom-line in terms of the balance on the General Fund Reserve and therefore have no impact on council tax. This arises from the transfers to and from the Pension Fund Reserve. Note 17 to the Consolidated Revenue Account and Note 14 to the Consolidated Balance Sheet have been re-written in the light of the FRS17 changes. It should be noted that other than the adjustment in respect of the provision for teachers pension early retirement costs the basic figures and the financial position remains as was previously stated in the unaudited Accounts.

Annex 1 to this report lists the changes between unaudited and audited accounts.

3.7 The completion of the audit of Accounts for the year 2003/2004 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 and significant trading organisations have achieved their financial objective.

3.8 The free General Fund Reserve stands at £5.849m. This is in excess of the proposals for 2% general contingency and 0.5% each departmental contingency and Spend to Save Fund identified at the budget meeting on February 2004. The excess is £949,000. The Council will need to consider proposals to utilise this as part of the coming budget process.

5. IMPLICATIONS

5.1 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.

5.2 Financial: The external auditors independent examination of the Council’s financial records has resulted in the issue of 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.
5.3 Legal: The Accounts have been completed in accordance with all legislative and Code of Practice requirements.

5.4. Personal: None

5.5 Equal Opportunities: None

Bruce West
Head of Strategic Finance
17 November 2004
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ANNEX 1 – CHANGES BETWEEN UNAUDITED AND AUDITED ACCOUNTS

A number of presentational changes have been made to the various accounting statements and related notes.

CONSOLIDATED REVENUE ACCOUNT AND NOTES
- Separate disclosure of Police Board and Fire Board requisitions on the face of the Consolidated Revenue Account
- Minor changes to the asset management revenue account and contribution to capital financing reserve notes 2 and 3 to the Consolidated Revenue Account – due to changes in finance leases and corrections to fixed assets.
- Separate identification and accounting for finance leases which has amended note 5 to the Consolidated Revenue Account.
- Correction of figures in respect of the Roads and Lighting Trading Account per note 6 to the Consolidated Revenue Account.
- Correction to income and expenditure related to work done for the Fire Board in respect of Local Authority Goods and Services Act 1970 per note 9 to the Consolidated Revenue Account
- Correction to contribution rates and amount paid over in respect of teachers pensions administered by Scottish Public Pensions Agency per note 11 to the Consolidated Revenue Account

HOUSING REVENUE ACCOUNT
- Net increase of £4,000 in the HRA balance due to knock-on effect of FRS 17 changes.

CONSOLIDATED BALANCE SHEET AND NOTES
- Minor changes to amounts disclosed for fixed assets and related notes 1 to 3 of the Consolidated Balance Sheet due to verification work on the fixed asset register and the change in treatment of finance leases.
- Minor corrections to debtors and creditors of around £25,000 that offset each other. This is also reflected in note 6 of the Consolidated Balance Sheet.
- Inclusion of a deferred liability for finance leases to offset the treatment of finance leases as an asset.
- Changes to provisions, deferred pension liability and pension reserve to reflect teachers early retirement costs and FRS17 changes – see also note 8 and note 14 to the Consolidated Balance Sheet.

MOVEMENT ON RESERVES AND CASHFLOW
Changes to reserves as a consequence of all other changes outlined above. These follow through to the statement of total movement on reserves and the cash flow statement.