

THE HIGHLAND COUNCIL

17th December 2009

Agenda Item	10
Report No	HC/36/09

Report to Members and the Controller of Audit on the 2008/09 Audit

Report by Depute Chief Executive & Director of Finance

SUMMARY

The purpose of this report is to introduce and comment on the External Audit Report to Members, in respect of the Final Accounts, for financial year ended 31st March 2009.

1. Introduction

- 1.1 The Council's audited accounts for the year ended 31st March 2009 are attached to this report.
- 1.2 This report responds to the findings of the Auditor on the final accounts and any recommendations made.

2. Auditors Report

- 2.1 The Auditor has issued an unqualified opinion on the accounts for 2008/09, which is welcomed.

3. Financial Position

The final audited position for 2008/09 is as follows:

	Results	Balances
	£M	£M
	(Deficit) / Surplus	
General Fund	(0.665)	28.944
Housing Revenue Account	0.000	8.804

- 3.1 The current General Fund balance of £28.944m is clearly well in excess of the sum of £17m (3% of the revenue budget) agreed by the Council as an appropriate level of balances to be held for contingent purposes. However it should be noted that £15.955m of the total is earmarked for specific purposes and therefore the unallocated balance of £12.989m is below the budget strategy target.

- 3.2 As in recent years the amount of Council Tax collected exceeded the budgeted amount and when combined with an underspend on service provision against budget this would have generated a reasonable surplus for the General Fund. However once various provisions and transfers from earmarked funds have been made (in particular the provision for potential costs arising from the Council's support of Caithness Heat and Power Ltd) there is a small reduction of £0.665m (0.1% of the budget) on the Councils General Fund balance
- 3.3 Capital expenditure in 2008/09 was programmed at £67.566m. Actual expenditure incurred was £73.270m which represents a significant increase in spend levels achieved in recent financial years.
- 3.4 The Council's significant trading operations (STOs) are required to break even over three year rolling periods. All the Council's STOs achieved the necessary break even position.

4. Financial Statements for the year to 31st March 2009

- 4.1 The Council is required to submit unaudited financial statements by the 30th of June to the Controller of Audit. The target date for the issue of the audit certificate is 30th September. Both deadlines were achieved for 2008/09.
- 4.2 During the audit period adjustments were deemed necessary to take account of the carry forward position on the Public Sector Housing Grant Subsidy and a late accrual of expenditure on the JCCYP. The net result of these adjustments was to increase the deficit to £0.665m from the unaudited deficit position of £0.002m
- 4.3 A number of accounting adjustments were also required during the audit process The most significant related to three schools which had been demolished as part of the PPP2 schools contract and it was necessary to record these demolitions as reductions in Balance Sheet value. The Aquadome was originally recognised in the asset register at the transfer value however it was later accepted that a revaluation adjustment should be incorporated in the Accounts.
All adjustments made to Fixed Asset values do not impact on the Council's bottom line as they are subject to a statutory reversal to ensure there is no impact on the local taxpayer.

5. Key Risk Areas and Planned Management Actions

- 5.1 Audit Scotland as the audit progresses identify perceived key risk areas and these are highlighted in the report for the attention of Members
- 5.2 The report has identified the following eight areas as key risks:
- Reconciliations
 - National Fraud Initiative
 - Common Good Funds
 - Reserves

- Financial Pressures
- Information handling and security
- Electronic personnel system
- Caithness Heat and Power

5.3 Council officials have agreed an action plan with the External Auditor to address the areas identified as key risks. This plan is included in the Report to Members and the Controller of Audit attached to this report.

6. Additional Information on Key Risk Areas

6.1 Reconciliations

Reconciliations with information held by the Assessor were completed by June 2009 for Council Tax and November 2009 for Non Domestic Rates

6.2 Common Good Funds

An Asset Register for Common Good Assets does currently exist, however it has been derived in the main from accounting information held by previous District Councils in the Highland area. An exercise is underway to update the information held and a progress report was presented to the Resources Committee on the 2nd December 2009.

6.3 Reserves and Financial Pressures

The level of non-earmarked reserves and financial pressures will be considered as part of the Council's budget process.

7. Conclusions

7.1 The Council's unaudited accounts for 2008/09 were submitted by the prescribed date and an unqualified audit opinion was received by the target date.

7.2 The Auditor has prepared an Action Plan on areas requiring attention and the Council's response is attached.

RECOMMENDATIONS

Members are asked to:

1. Note the External Auditors Report for the year ended 31st March 2009.
2. Agree the Council's response to the findings of the Auditor and the completed Action Plan.
3. Agree the Audited Accounts for the year ended 31st March 2009

Signature:

Designation: Depute Chief Executive & Director of Finance

Date: 30th November 2009

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