

# Report

8

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>16 November 2011</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Certified Annual Accounts 2010/2011 and External Auditor's Report to the Council</b>
----------	---

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise that the Council's accounts for 2010/2011 have received a clear audit opinion from the External Auditor, PricewaterhouseCoopers, within the statutory timescale of 30 September 2011.
- ◆ advise that the Auditor has submitted a report for the consideration of Members.
- ◆ advise of the proposed response to the action points (set out in section 6).

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the Accounts be adopted;
- (2) that the policy and strategic implications, in particular the proposed response to the External Auditor's action plan be approved and referred to the Finance and Information Technology Resources Committee for its interest; and
- (3) that it is noted that the Accounts will be advertised as being available to the general public in Finance Services, Floor 4, Council Offices, Almada Street, Hamilton. Copies will also be available in public libraries, Q&A offices and on the internet.

## 3. Background

- 3.1. In summary, the Auditor has provided a clear Audit Certificate with no qualifications on the Council's Accounts.
- 3.2. Copies of the Certified Accounts and the Auditor's Report have already been passed to every Member of the Council.

## 4. Audit Report

4.1. The Audit Report extends across a number of subjects, as follows:-

- ◆ Executive Summary
- ◆ Financial Statement and Audit Opinion
- ◆ 2010/2011 Financial Performance
- ◆ Financial Outlook
- ◆ Governance and Control

4.2. An Executive Summary is provided and the main matters arising are dealt with in an action plan detailed in Appendix 1 to the Auditor's Report.

## **5. Financial Position 2010/11**

- 5.1. The report acknowledges that the Council achieved its main financial target for 2010/11. The increase in the General Fund balance for the year of £2 million, when added to the cumulative surplus brought forward, gives a General Fund balance of £8.476 million.
- 5.2. The Council's General Fund capital expenditure for 2010/11 was £118.285 million in accordance with the Councils' capital plan.

## **6. Action Plan**

- 6.1. The Action Plan attached to the Auditor's report contains a total of 6 points.

### **6.2. Financial Statements Template**

The report recognised work commenced by management on a template to be used in the preparation of the financial statements. This will assist any implementation of changes by enabling the automatic update of notes through linked formula, and improving the efficiency of the financial statement preparation. The template should be complete for the 2011/12 accounts and include inbuilt checks to help ensure notes are cross referenced where applicable and all notes cast.

#### **Proposed Response**

The template will be complete by 31 March 2012 to ensure its use in the production of the 2011/12 Annual Report and Accounts.

### **6.3. Equal Pay Claims**

The report recommended that due to the potential risk to the Council, management should continue to actively manage any developments in respect of equal pay claims. This should include regular briefings to Members.

#### **Proposed Response**

Management will continue to actively manage and report on any developments in respect of these claims.

### **6.4. Valuations**

The Council should ensure all assets are subject to a formal valuation at least every five years. In addition, on an annual basis, the Council should ensure it is satisfied that property, plant and equipment is not materially misstated from its fair value by considering the implications from the valuations performed on other classes of assets by conducting impairment reviews.

#### **Proposed Response**

Management agree to the proposals detailed in the action plan to ensure that all assets are held at the correct value and are formally revalued at least every 5 years.

### **6.5. Revaluation Reserve**

The Council is in the process of liaising with Oracle software developers to try to address the system issues in respect of revaluation reserves. This work should be completed to ensure the Council has a fit for purpose fixed asset module going forward.

#### **Proposed Response**

Management agree to the proposals detailed in the action plan and will work with Oracle to address the system issues.

## 6.6. **Statutory Performance Indicators**

At the time of our work, none of the internal SPI Review Reports produced by the Financial Performance Section had been signed off.

### **Proposed Response**

The Review Reports produced by the Financial Performance Section should be signed off by the appropriate senior manager timeously, in advance of review by external audit.

## 6.7. **Members' Expenses**

The Council should ensure that the agreed action plan is fully implemented for follow up as part of the 2011/12 audit.

### **Proposed Response**

Management agree to the proposals.

6.8. In addition to the Action Plan, the Members' Report makes reference to the former Executive Director of Finance and Information Technology Resources' Retirement Package and the 'Buy now, pay later?' guidance prepared by Audit Scotland in 2003. The Members' Report states that the Council's process is not fully aligned to this guidance in that the authority to approve early retirement or voluntary severance has been delegated to officers. Given that regular monitoring reports are provided to members on severance and retirement packages, the Council is of the view that it complies with the spirit of the guidance. The current arrangements are similar to those practices employed by other councils.

6.9. It should be noted that there is no action being requested by the Auditor however, it is proposed that review of the current arrangements forms part of the overall review of the Council's Scheme of Delegation in preparation for the new Council. This will be co-ordinated by Finance and Corporate Resources.

## 7. **Employee Implications**

7.1. None

## 8. **Other Implications**

8.1. The main risk associated with the Council's Annual Report and Accounts is a qualified audit report. The risk has been assessed as low due to the detailed preparation in relation to the year end process, technical training undertaken by key finance staff and the roll out of this to Resource finance staff as appropriate. Finance and Resources work together to achieve key deadlines and actions set from timetables.

8.2. There are no implications for sustainability in terms of the information contained in this report.

## 9. **Equality Impact Assessment and Consultation Arrangements**

9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.

9.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

25 October 2011

**Link(s) to Council Values/Improvement Themes/Objectives**

- ◆ *Value:* Accountable, Effective and Efficient

**Previous References**

- ◆ None

**List of Background Papers**

- ◆ South Lanarkshire Council Annual Report and Accounts 2010/2011 and External Auditor's Report
- ◆ Financial Ledger 2010/2011 and associated working papers

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Lorraine O'Hagan, Accounting and Budgeting Manager

Ext: 4617 (Tel: 01698 454617)

E-mail: [lorraine.o'hagan@southlanarkshire.gov.uk](mailto:lorraine.o'hagan@southlanarkshire.gov.uk)