

## **AGENDA ITEM 4**

### **FALKIRK COUNCIL**

**Subject :** **ANNUAL REPORT ON 2012/13 AUDIT**  
**Meeting :** **AUDIT COMMITTEE**  
**Date:** **16 December 2013**  
**Author :** **CHIEF FINANCE OFFICER**

#### **1. INTRODUCTION**

1.1 Members will be aware that the appointed auditors, Audit Scotland, are required to produce an annual report on matters of significance that have arisen out of the audit process and this is attached as Appendix 1. Fiona Mitchell-Knight, the Assistant Director responsible for the audit and Jim Rundell, the Senior Audit Manager involved in the audit, will be in attendance to present the annual report. My comments on the Auditor's Report are detailed below.

#### **2. 2012/13 AUDIT**

##### **2.1 Audit Opinion**

The unaudited accounts were issued on 28 June 2013 and the audited accounts were authorised for issue on 23 September 2013, both dates in compliance with legislative requirements. The Auditor's certificate is free from qualification. Copies of the accounts have been sent to interested parties, their availability advertised in the local press and they have been posted on the Council's website.

##### **2.2 Audit Report**

The Report highlights a number of points, the most significant of which are detailed below:-

- the Council achieved a General Fund surplus of £5.194m which increased the total General Fund Reserve to £37.428m. Of this total, £23.311m is earmarked, leaving an Uncommitted General Fund Reserve of £14.117m as at 31 March 2013. The Council plans to use £2.281m of this total to balance the 2013/14 budget, leaving a balance of £11.836m.
- although there was an overall underspend in the General Fund of c£11m, the underspend in HRA accounted for £3.3m of this total, which along with revenue grants received in advance of £2.1m and the return of Police and Fire Reserves of £0.8m left an Uncommitted General Fund underspend of c£4.8m which was previously reported to Members (See Action Point 3)
- in conjunction with Services, Finance Officers are carrying out a review of base budgets so that budgets are more properly aligned with future spending requirements (See Action Point 3)
- the auditor notes that overall, the Council's governance arrangements in 2012/13 were adequate and no material weaknesses were identified in the accounting and internal control systems
- the Council acknowledges that its performance management arrangements require further development and whilst it has put some revisions in place it is too early to determine if they will be effective, although it is a move in the right direction (See Action Point 12)
- the auditor acknowledges that the Council recognises the financial challenges which lie ahead and the need to identify recurring savings to balance the budget rather than short-term fixes such as the use of reserves, which are not sustainable (See Action Point 5)

- the auditor recognises the challenges that Welfare Reform will bring including expected increases in rent and council tax arrears (See Action Point 11)
- the auditor notes the significant risk that the TIF project may not generate the expected Non-Domestic Rates income necessary to finance the project (See Action Point 6)

### **3. ACTION PLAN**

3.1 Also included in the Audit Scotland report are 13 agreed action points. Progress on implementing the agreed actions will be reported to the Audit Committee in due course.

### **4. CONCLUSION**

4.1 The audit of the Council's accounts for 2012/13 has now been formally concluded. The action plan arising from the audit process has been agreed and will be monitored to ensure completion within the agreed timescales.

### **5. RECOMMENDATION**

5.1 **Members are invited to note the Annual Report on the 2012/13 Audit**

**Chief Finance Officer**

**Date : 31 October 2013**

### **BACKGROUND PAPERS**

Nil