

FALKIRK COUNCIL

Subject : ANNUAL REPORT ON 2011/12 AUDIT
Meeting : AUDIT COMMITTEE
Date: 29 October 2012
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 (to follow). A copy of the audited accounts is attached as Appendix 2 for review and recommended approval to the Council. Fiona Mitchell-Knight, the Assistant Director responsible for the audit and Alasdair Craik, 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. 2011/12 AUDIT

2.1 Audit Opinion

The unaudited accounts were issued on 29 June 2012 and the audited accounts were authorised for issue on 25 September, 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 surplus of £4.227m within the Uncommitted General Fund creating year-end reserves of £15.557m which is in excess of the target range of £6.9m to £9.9m set out in the Council's reserves strategy. Spending within the HRA was £2.244m less than planned with year-end reserves amounting to £7.712m. There are other earmarked elements of the General Fund amounting to £8.965m as at March 2012, of which £7.390m is in respect of the Education Devolved Schools Management Fund
- the auditor recognises that whilst the Council still has usable Reserves in excess of its target, over the longer term the use of reserves to support expenditure is not sustainable and the Council must ensure its medium term financial plans reflect this. The Council needs to ensure its level of Reserves strikes a balance between meeting current legislation and preparing for future commitments or reductions in funding
- the auditor notes that overall, the Council's governance arrangements in 2011/12 were sound and operated effectively. No material weaknesses in the accounting and internal control systems were identified during the audit
- the auditor recognises that whilst new structures are in place to support its challenge and improvement agenda, the Council now needs to demonstrate that these arrangements are effective

- the auditor acknowledges that the Council is showing a good awareness and understanding of the financial challenges it faces and has made progress in addressing them however difficult decisions lie ahead in addressing the forecast spending gaps
- the auditor recognises the challenges that will be thrown up by Welfare Reform including maintaining service delivery and performance around housing benefit claims

3. ACTION PLAN

3.1 Also included in the Audit Scotland report are eight 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 2011/12 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:**

- (i) **note the Annual Report to Members on the 2011/12 Audit**
- (ii) **review and recommend approval to the Council of the Annual Accounts**

Chief Finance Officer

Date : 15 October 2012

BACKGROUND PAPERS

Nil