

Scrutiny Committee
26 September 2011

IRVINE, 26 September 2011 - At a Meeting of the Scrutiny Committee of North Ayrshire Council at 1.30 p.m.

Present

John Hunter, Anthea Dickson, Matthew Brown, Anthony Gurney, Pat McPhee, Jim Montgomerie and Alan Munro.

In Attendance

A. Herbert, Corporate Director, L. Friel, Corporate Director Designate, Y. Baulk, Head of Finance (Finance and Infrastructure); J. Montgomery, General Manager and A. Little, Committee Services Officer (Chief Executive's Service).

Also In Attendance

P. Tait and A. Hasseb, Audit Scotland.

Chair

Councillor Hunter in the Chair.

Apologies for Absence

Jean Highgate and Margaret McDougall.

1. Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 16.

2. Minutes

The Minutes of the previous meeting of the Committee held on 12 September 2011 were signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3. Report on Annual Accounts by External Auditor

Submitted report by the Corporate Director (Finance and Infrastructure) on matters arising from the audit of the Council's accounts for the year to 31 March 2011.

The External Auditor reported on the 2010/11 audit of the Council, setting out the main findings and key outcomes from the 2010/11 audit, and the outlook for the period ahead.

The Auditor's report, a copy of which was appended to the report, gave an "unqualified" opinion on the financial statement of the Council for 2010/11 and concluded that the financial statements give a true and fair view of the financial position of the Council for the year to 31 March 2011.

The audit report highlighted issues identified during the audit of the accounts in relation to:-

- Ordering and certification of goods and services;
- General Fund earmarked reserves;
- Termination benefits provision;
- Accrual of European grant income;
- PPP adjustments;
- International Financial Reporting Standards (IFRS) Compliance;
- Icelandic Banks; and
- An objection to the accounts under section 101(2)(a) of the Local Government (Scotland) Act 1973.

The issues identified will continue to be monitored and major issues that arise will be reported back to the Committee for further consideration.

Members asked questions and were provided with further information in relation to:-

- a reduction by £0.167m in the Council's uncommitted reserves as a result of adjustments made to the draft accounts;
- the identification of two instances of non-compliance with financial regulations in respect of ordering and certification of goods and services by Human Resources;
- the provision of financial regulations training to over 400 staff to reinforce the requirement for compliance with Standing Orders relating to Contracts and Codes of Financial Practice;
- a refund of over £800,000, received in 2 instalments, in respect of PPP adjustments;
- an objection to the financial statements relating to Largs Common Good and Trust Funds in relation to income and expenditure charged to North Ayrshire Leisure Ltd for the tennis courts and pavilion at Douglas Park, Largs that was upheld;
- earmarked reserves for the Change and Reform Programme that incorporates the funding of the Council's strategic partner;
- the provision of a report on the Council's Aggregate Business Case to the Executive in November 2011, outlining the overall financial implications of the Change and Reform Programme and the balances held in the Change Fund and the Service Re-Design Fund that will be required in future years;
- the provision of further information to Members on the current level of expenditure from the Change and Reform Programme;

- accrual of European grant income as a result of a project underspend where entitlement had been based on a specified percentage against the forecast project costs;
- current legal advice in relation to Icelandic bank preferential creditor status and the write-off to income and expenditure in the 2010/11 financial statements of the total deferred balance of £1.315m; and
- matters on which the Auditor is required to report by exception.

The Committee agreed to note (a) the issues identified in the External Auditor's report on the Annual Accounts; and (b) that the issues identified will continue to be monitored and major issues reported back to Committee for further consideration.

The meeting ended at 2.05 p.m.