HENDERSON LOGGIE

Angus Council

Report to Members and the Controller of Audit

2008/2009

External Audit Report No: 2009/05

Draft Issued: **23 October 2009**

Final Issued: **30 October 2009**

Contents

Restriction on Use

This report has been prepared in accordance with our responsibilities under International Standards on Auditing and Audit Scotland's *Code of Audit Practice* for the audit of Angus Council's financial statements. Our audit does not necessarily disclose every weakness and for this reason the matters referred to in this report may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Angus Council and the Scrutiny and Audit Sub-Committee and will be shared with the Accounts Commission and Audit Scotland; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

Executive Summary

1.1 Introduction (Section 2, page 6)

1.1.1 We are pleased to submit our annual report for the third year of our five year appointment as external auditors of the Council. The report highlights key issues grouped under three distinct headings of finance, governance and performance.

1.1.2 Members will be aware that Angus Council is one of the five BV2 Pathfinder audits which are currently being undertaken by Audit Scotland on behalf of the Accounts Commission. A number of governance and performance issues covered in this report to members will be more fully addressed in the BV2 Pathfinder audit report which is due to be issued to the Council in early 2010.

1.2 Finance (Section 3, page 8)

1.2.1 The Council achieved the statutory deadline for the submission of its accounts for audit. The audit was completed with the issue of an unqualified audit opinion on 29 September 2009.

1.2.2 Our audit report no. 2009/04, ***Report to those charged with Governance on the Audit of Angus Council*** was discussed at the meeting of the Scrutiny and Audit Sub-Committee on 29 September 2009. The report provides audit comment on the key issues and audit opinion arising from the audit of the financial statements and of the systems of financial internal control. It also details the final audit adjustments to the draft accounts.

1.2.3 We were not obliged to make any adverse comment on the Council and its group's Statement on the System of Internal Financial Control. This confirmed that the content of the Statement was not inconsistent with information arising from our audit work.

1.2.4 The financial statements presented for audit had been prepared incorporating the requirements of the 2008 Statement of Recommended Practice (SORP).

1.2.5 One material and several significant and trivial audit adjustments were identified during the course of our audit and were discussed with the Finance Team. The majority of the proposed audit adjustments were agreed and the financial statements amended. Definitions of material, significant and trivial are provided at Appendix III.

1.2.6 The Council's Significant Trading Operations (STO) met their statutory three-year break-even target covering the three years of operation to 31 March 2009.

1.2.7 The Council's Phase II of its full Best Value review of the Waste and Cleaning Operations STO will be submitted to the Council Meeting on 5 November 2009. Following on from the review, a formal review of the Council's three STOs will be concluded during 2009/10.

1.2 Finance (Section 3, page 8) (Cont'd)

1.2.8 The Council's income from government grants and local taxation exceeded its net operating expenditure of £237.211 million, resulting in a surplus on the Income and Expenditure Account for the year of £1.042 million (2007/08 – Deficit of £0.118 million). After the necessary adjustments to the General Fund movements for the year this resulted in an overall deficit of £1.398 million on the General Fund (including HRA and other earmarked funds) (2007/08 – Surplus of £0.721 million). For statutory accounts purposes the General Fund Balance includes all earmarked funds including the Housing Revenue Account (HRA).

1.2.9 The Council however treats the General Fund and HRA entirely separately for internal and budget purposes. The General Fund Balance for the year shows an increase of £0.586 million against a budgeted use of resources of £6.005 million, resulting in a favourable movement on the General Fund for the year of £6.591 million. Details of the significant underspends are given in Table 2.

1.2.10 The Housing Revenue Account (HRA) Income and Expenditure Account reported a deficit of £0.118 million (2007/08 – Surplus of £0.863 million). The final outturn for 2008/09, after the necessary adjustments to the HRA movements, resulted in a deficit of £2.007 million against a budgeted deficit of £0.100 million. This variance was mainly due to an approved additional CFCR contribution to fund the overall Housing Capital Programme improvements.

1.2.11 Commitments against the General Fund balance total £15.318 million, leaving £2.744 million of uncommitted funds at 31 March 2009. The HRA balance at 31 March 2009 of £1.174 million is over the policy minimum level of £0.500 million. This will be taken into account in the ongoing commitment and review of programmes of property improvements for the Council's housing stock required to meet the Scottish Housing Quality Standard as early as possible.

1.2.12 The Council's pension liabilities at 31 March 2009, estimated by the Actuary, exceeded its share of pension scheme assets by £81.657 million (2007/08 - £39.046 million). The adverse movement of £42.611 million is mainly as a result of changes in the financial assumptions underlying the present value of the scheme's liabilities and the discount rates used.

1.2.13 In accordance with the 2008 SORP which adopted an amendment to FRS17 Retirement Benefits the Pension Fund's quoted security assets are now valued at bid price. On the grounds of materiality no Prior Year Adjustment was made.

1.2.14 The Council carried out a job evaluation exercise as part of Single Status and implemented the new rates and conditions on 1 April 2008. At 31 March 2009 there was £2.227 million earmarked within the General Fund to help with costs of job evaluation and equal pay in future years.

1.2 Finance (Section 3, page 8) (Cont'd)

1.2.15 At 31 March 2009 the Council had a provision within its accounts of £0.630 million for settlement of equal pay claims; £0.304 million in respect of the Council's employees up to 31 March 2009 and £0.326 million in respect of its share of claims for Tayside Contracts' employees. The Council recognises that it may have further liabilities beyond the amount provided for, but due to the uncertainties around the legal position are unable to determine the probable outcome. A prudent approach has been adopted by the Council with an amount currently being earmarked within the General Fund balance. Further details are provided in the accounts in note 27.

1.2.16 Other significant cost pressures include increasing waste and recycling costs, and the costs for the redesign of Older Peoples Services which are being contained within the existing available resources. Use of balances and budgets from previous years, approved for carry forward under the budget flexibility scheme, are helping to smooth the budgetary impact of such pressures.

1.2.17 In December 2007, Local Authority Scotland Accounts Advisory Committee (LASAAC) issued *"Accounting for the Common Good Fund: A Guidance Note for Practitioners"*. The paper, which recognises the legislative distinction of the Common Good as a managed fund, requires disclosure of these funds within the local authority financial statements and that Common Good asset registers be put in place by March 2009. The Council maintains an asset register that identifies Common Good assets and it is not aware of any significant assets in the Council's own register that should be transferred to the Common Good. The Council recently announced that it is to carry out a burgh by burgh audit of common good assets.

1.2.18 The Council currently uses an average discounted right to buy sales price to value council dwellings in the Council's accounts. In July 2009, LASAAC issued guidance which states that this treatment will not be acceptable under International Financial Reporting Standards (IFRS). The Finance Team has agreed that a review of the methodology for valuing and recording council dwellings will be undertaken during 2009/10.

1.3 Governance (Section 4, page 20)

1.3.1 We have included comment on general governance in other reports during the year. We would normally include an update on relevant issues here. However, governance is a key area covered by the BV2 audit, the report for which is due for publication in early 2010. Therefore we have limited our governance comments in this report.

1.3.2 Both the Chief Executive and the Chief Internal Auditor carry out an annual review of compliance with the Local Code of Corporate Governance (the Local Code). These reviews form the basis of the annual corporate governance statement included in the Council's annual report and accounts document. The 2008/09 reviews concluded that the core governance arrangements are sound, but further work is required to ensure full compliance with the Local Code.

1.3.3 We are satisfied that the Statement on the System of Internal Financial Control, included in the annual accounts, complies with the 2008 SORP.

1.3 Governance (Section 4, page 20) (Cont'd)

1.3.4 In June 2007, CIPFA/SOLACE published a revised framework – ***Delivering Good Governance in Local Authorities.*** A guidance note for Scottish authorities was issued in May 2008. The Council put in place arrangements to revise the Local Code; and the revised code was agreed for adoption in March 2009. It will be operative from 1 April 2009.

1.3.5 The revised framework recommends that an annual review of internal controls should be carried out and reported in an Annual Governance Statement. We understand that an annual governance statement will be incorporated in the 2009/10 annual accounts.

1.3.6 To minimise audit duplication we agreed to place reliance on a number of internal audit's reviews. Our review of their reports and working paper files allowed us to place reliance on the work of internal audit.

1.3.7 During 2008/09 the latest National Fraud Initiative (NFI) in Scotland began. Arrangements for the exercise were completed in good time and good progress has been made in reviewing and investigating matches. A very low level of overpayments has been found to date. This is not a reflection on the Council's commitment to the exercise, which has generally been good, rather it gives some assurance that systems are in place to minimise fraud, particularly around the Benefits system.

1.3.8 In June 2009, Scrutiny arrangements within the Council were reviewed by the Strategic Policy Committee which approved the establishment of a Scrutiny and Audit Sub-Committee, with seven members, reflecting the political balance of the Council. The Council decided that the Convenor should be the Convenor of the Strategic Policy Committee rather than the Leader of the Opposition. We have previously advised the Council that this does not comply with Accounts Commission recommended good practice which is that an opposition member should chair Scrutiny and Audit committees.

1.4 Performance (Section 5, page 24)

1.4.1 We have included comment on general performance matters in other reports during the year setting out where we believe further improvements are required, notably in relation to the council's approach to performance management. We would normally include an update on relevant issues here. However, as performance management and public performance reporting are key areas covered by the BV2 audit, the report for which is due for publication in early 2010, we have limited comments on this area in this report.

1.4.2 The 2009-2012 Single Outcome Agreement (SOA) for Angus was approved by the Strategic Policy Committee in May 2009 and signed on behalf of the Scottish Government and the Angus Community Planning Partnership on 11 August 2009. A progress report on the 2008/09 SOA, showing progress on indicators and actions, was submitted to the Scottish Government by the deadline of 30 September 2009.

1.4 Performance (Section 5, page 24) (Cont'd)

1.4.3 The Council's 2008/09 Efficiency Statement was submitted to the Scottish Government by the 31 July deadline. The Council delivered cashable efficiency savings of £2.862 million in 2008/09, together with non-cash gains of £0.038 million. For the three year period 2008-2011, the Scottish Government has set a target of 2% per annum efficiency savings across the public sector. Targets have not been set for individual councils. A high level Efficient Government Action Plan is included within the Council's Medium Term Financial Strategy, approved by the Council in June 2009.

1.4.4 The 2008/09 Statutory Performance Indicators (SPIs) were published before the statutory 30 September deadline. We concluded that the systems in operation for the production and publication of the SPIs were reliable for all of the indicators reported.

1.4.5 The ratio of indicators that have improved by more than 5% since the previous year to those that have deteriorated by more than 5% improved significantly to 1.82 from 0.76 in 2007/08. This compares with a national average in 2007/08 of 1.7.

1.4.6 The Accounts Commission's 2008 Direction (dealing with 2009/10) sets out a very different approach to statutory performance information, allowing councils to select the most appropriate indicators to demonstrate Best Value and including fewer mandatory indicators. The Council has selected their indicators for 2009/10.

1.4.7 A summary of National Studies issued by Audit Scotland together with the Council's action to date is included at Section 5 and Appendix II.

Introduction

2.1 Introduction

2.1.1 We are pleased to submit our third annual report, covering significant matters arising during the course of our audit of Angus Council for the year ended 31 March 2009.

2.1.2 The framework under which we operate under appointment by Audit Scotland and our audit approach are as outlined in our report 2009/01: ***Risk Assessment, Annual Audit Plan and Fee Proposal for 2008/09*** issued on 12 February 2009. The respective responsibilities of Council members, officers and auditors are set out in Appendix I to this report.

2.1.3 Broadly the scope of our audit was to:

- provide an opinion on the financial statements in accordance with relevant legal and regulatory requirements and international standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission;
- review and report on the Council and its group's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and the Council's financial position;
- review and report on the Council's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value; and
- review and report on whether the Council has made adequate arrangements for collecting, recording and publishing prescribed performance information.

2.1.4 Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Council.

2.2 Audit Activity and Reporting

2.2.1 As part of our overall planning approach to the Council's annual audit we carried out a review of the key risks, national and local, facing the Council and reported how we would continue to monitor them during the year through attendance and review of Council and community planning partnership meetings and minutes and discussions with officers. The main risks were reported in our ***Priorities and Risks Framework Report*** issued on 16 April 2009 and where appropriate we have included an update on these risks in this report. To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff at the Council. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.

2.2.2 In accordance with our ***Risk Assessment, Annual Audit Plan and Fee Proposal for 2008/09***, Report 2009/01, issued on 12 February 2009 we reviewed the Council's key controls. We have raised some issues during the course of the audit including matters highlighted in our ***Financial Statements Audit Plan***, Report 2009/03, issued on 26 June 2009 and our ***Report to those charged with Governance on the Audit of Angus Council***, Report 2009/04, issued on 29 September 2009.

2.2.3 We take this opportunity to remind you that external auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used efficiently, economically and effectively.

2.3 Best Value 2 (BV2)

2.3.1 Angus Council was selected by the Accounts Commission as a BV2 Pathfinder audit in March 2009.

2.3.2 In May 2009 a presentation was made to members of the council explaining the important improvements that the Accounts Commission was seeking to achieve through the BV2 audit process. It also highlighted the important role of elected members in relation to the Council's Best Value duty (Community Leadership, Partnership Working, Community Engagement, supporting strategic management and continuous improvement, and providing effective scrutiny and challenge).

2.3.3 The presentation explained that the audit would:

- focus on outcomes as well as corporate management processes
- have a stronger emphasis on community leadership and the effectiveness of local partnership working
- draw heavily on the Council's own self evaluation evidence
- be proportionate and risk based – drawing on existing audit and inspectorate evidence wherever possible founded on a shared risk assessment conducted in partnership with other scrutiny bodies
- involve local government officer and elected member peers
- provide a clear assessment of the Council's overall performance.

2.3.4 The pathfinder audit is helping to test and further develop the Accounts Commission's new approach to BV audits (BV2).

2.3.5 The Controller of Audit's report on the BV audit is due to be issued to the Council in early 2010.

2.4 Acknowledgements

2.4.1 Our audit for this year has brought us in contact with a wide range of Council staff and members. We would like to take this opportunity to place on record our appreciation of the co-operation and assistance extended to us by staff and members in the discharge of our duties.

Finance

3.1 Audit Completion

3.1.1 The target date for submission of the 2008/09 audited accounts of the Council was 30 September 2009. We are pleased to report that the target date for the audit completion and certification of the annual accounts was met.

3.1.2 On 29 September 2009 we issued our ISA 260 report and met with the Head of Finance and the Scrutiny and Audit Sub-Committee to discuss issues arising from the audit and agree the final audit adjustments to the draft accounts.

3.2 Accounts Certification

3.2.1 On 29 September 2009 we issued our audit report expressing an unqualified opinion on the financial statements of the Council for the year ended 31 March 2009. We set out below a summary of the audit certification issues.

- The financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position at 31 March 2009 and the income and expenditure for the year then ended.

- The Council's Significant Trading Operations (STO) met their statutory three-year break-even target.

- The Statement on the System of Internal Financial Control complies with the SORP. We were not required to consider whether the statement covers all risk and controls or form an opinion on the effectiveness of the Council's corporate governance and risk and control procedures.

3.3 Audit Adjustments

3.3.1 In accordance with the 2008 SORP the Council made the appropriate entries and disclosures required in the accounts for pension funds and FRS 17 accounting requirements, capital adjustment account, revaluation reserve and financial instruments. A minor exception is investments of £10,000 recorded at historical cost as agreed in 2007/08.

3.3.2 One material and several significant and trivial audit adjustments were identified during the course of our audit and were discussed with the Finance Team. The majority of the proposed audit adjustments were agreed and the financial statements amended. Full details of all audit adjustments were included in report 2009/04, ***Report to those charged with Governance on the Audit of Angus Council***. Definitions of material, significant and trivial are provided at Appendix III.

3.3.3 The effect of the adjustments on the Income and Expenditure account was to revise a deficit of £0.098 million in the draft accounts to a surplus of £1.042 million. Table 1 summarises the adjustments.

Table 1 – Audit adjustments to the Income and Expenditure Account

	£m	£m
Deficit for year per draft accounts		(0.098)
Audit adjustments		
Landfill tax refund	0.873	
Interest payable / receivable	0.452	
Release from deferred grants	(0.204)	
Gain on disposal of assets	0.019	
		1.140
Surplus for year per final accounts		1.042

3.3.4 Only the landfill tax refund audit adjustment, which arose from a post balance sheet event, has an impact on the General Fund Balance, the other adjustments being book entries which do not affect the General Fund Balance. The decrease on the General Fund Balance for the year of £2.271 million reported in the draft accounts has accordingly been reduced to £1.398 million.

3.3.5 The audit adjustments impacting on the Balance Sheet resulted in an increase to the Total Net Worth of £0.591 million. This was mainly due to the addition of the Landfill Tax refund to debtors, offset by adjustments for deferred grants and revaluation entries.

3.3.6 A small number of presentational changes to the notes to the accounts were required to ensure compliance with the SORP.

3.3.7 The Council's Group Accounts were adjusted to include the final audited results of the Tayside Police, Tayside Fire and Rescue and Tayside Valuation Joint Boards, Tayside Contracts, Charitable Trusts and Common Good Funds, which were not available at 30 June. The Group Accounts were also adjusted for the agreed changes to the Council's single entity accounts. This resulted in a decrease of £1.162 million in the group's deficit for the year and an increase of £0.597 million in the group's Total Net Worth. Appropriate adjustments were also made to the Notes to the Group Accounts.

Finance

3.4 Financial Position

3.4.1 The Council's income from government grants and local taxation exceeded its net operating expenditure of £237.211 million, resulting in a surplus on the Income and Expenditure Account for the year of £1.042 million (2007/08 – Deficit of £0.118 million). After the necessary statutory and non-statutory proper practices adjustments to the General Fund movements for the year this resulted in a deficit of £1.398 million (2007/08 – Surplus of £0.721 million) on the total General Fund (including the HRA and other earmarked funds within the General Fund).

3.4.2 For statutory accounting purposes the HRA balance requires to be included as a ring-fenced amount within the General Fund balance albeit that for internal and budget purposes the Council treats HRA and General Fund entirely separately. At 31 March 2009, the closing balance on the total General Fund, including the HRA balance (£1.174 million) and other earmarked funds (£0.742 million) is £19.978 million.

3.4.3 The HRA Income and Expenditure Account reported a deficit of £0.118 million (2007/08 – Surplus of £0.863 million). The final outturn for 2008/09, after the necessary adjustments to the HRA movements, was a deficit of £2.007 million, resulting in a decrease on the HRA balance from £3.181 million at 31 March 2008 to £1.174 million at 31 March 2009.

3.5 Financial Performance

3.5.1 Financial performance can be measured against the financial budget set by the Council in February 2008 (and subsequent approved amendments) for 2008/09. For budget monitoring purposes, the HRA balance is accounted for separately and is not included in the General Fund figures.

General Fund

3.5.2 The balance on the General Fund at 31 March 2009 was £0.586 million higher than at 31 March 2008. This is a favourable movement of £6.591 million against a budgeted use of resources of £6.005 million. Significant factors contributing to the variance are shown in Table 2.

Table 2 – Financial Performance against 2008/2009 budget

General Fund Balance		
	£m	**£m**
Budgeted General Fund movement		(6.005)
Significant factors		
Underspends on departmental budgets	5.079	
Additional interest on balances held	0.668	
Additional Council Tax income	0.698	
Additional Surplus from Tayside Contracts	0.166	
Miscellaneous Others	(0.020)	
	________	
Overall variance		6.591
		________
General Fund Balance surplus		0.586
		======

3.5 Financial Performance (Cont'd)

Housing Revenue Account

3.5.3 The HRA budget was set to give a small deficit of £0.100 million for the year. The actual figures resulted in a deficit of £2.007 million. The main reason for this variance was an approved additional CFCR contribution of £1.507 million to fund the overall Housing Capital Programme improvements.

3.5.4 The HRA balance at 31 March 2009 of £1.174 million is over the policy minimum level of £0.500 million. This will be taken into account in the ongoing commitment and review of programmes of property improvements for the Council's housing stock required to meet the Scottish Housing Quality Standard as early as possible.

Significant Trading Operations (STO)

3.5.5 In accordance with the requirements of the Local Government in Scotland Act 2003 (the Act) the Council assessed its trading activities and determined that Grounds Operations, Sports Services and Waste and Cleaning Operations were STOs. The results of STOs are disclosed in Statement 8 to the accounts. Each STO met its three-year break-even target.

3.5.6 The Council had budgeted for an overall surplus from trading operations of £0.348 million. The actual results exceeded this target by £0.151 million.

3.5.7 The Council's Phase II of its full best value review of the Waste and Cleaning Operations STO will be submitted to the Council Meeting on 5 November 2009. We have accepted assurances from the Head of Finance that, following on from the review, a formal review of the Council's three STOs will be concluded during 2009/10. This will determine whether they still meet the criteria for significant trading organisations and whether the results should be disclosed separately or included in the Cost of Service figures. Based on work carried out to date the Council expects that Waste & Cleaning Operations will no longer be classed as an STO. At the time of writing this report further work is required to determine whether Grounds Operations and Sports Services will continue as STO's but the Head of Finance advises that this work will be completed before the end of 2009/10.

3.6 Pensions

3.6.1 Accounting for the costs of pensions presents a difficult challenge for local authorities. The amounts involved are large, the timescales long, the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. Financial Reporting Standard 17 (Retirement Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future.

3.6 Pensions (Cont'd)

3.6.2 The Council participates in two pension schemes on behalf of its employees: the Scottish Teachers' Superannuation Scheme (Teachers) administered by the Scottish Government; and the Local Government Pension Scheme (LGPS), the Tayside Superannuation Fund administered by Dundee City Council. Both schemes provide members with defined benefits related to pay and service.

3.6.3 The Council disclosed the FRS 17 requirements for the LGPS. The Teachers' scheme is an unfunded scheme which is excluded from the accounting requirements of FRS 17 as it is a national scheme that cannot separately identify the pension liabilities of the individual contributing bodies. The exception to this is payments in relation to unfunded pension enhancements for teachers as they are administered by the LGPS and taken into consideration for liabilities under FRS 17. The amounts paid in the year have been disclosed in note 8 to the accounts but the estimated cost of future liabilities was not provided by the actuary and therefore has not been disclosed in the 2008/09 accounts.

3.6.4 The Council's pension liabilities at 31 March 2009, estimated by the Actuary, exceeded its share of pension scheme assets by £81.657 million (2007/08 - £39.046 million). The adverse movement of £42.611 million is mainly as a result of changes in the financial assumptions underlying the present value of the scheme's liabilities and the discount rates used.

3.6.5 The 2008 SORP adopted an amendment to FRS17 Retirement Benefits which changed the way quoted security assets are valued from mid-market value to bid price. The effect of this change on the Council's pension liability at 31 March 2008 increases the liability by £3.051million from £39.046million to £42.097million. A corresponding adjustment was also required to the pension reserve. As the Council did not consider the adjustment to be material no prior year adjustment was made, however it was made in this year's accounts. Details are included in the financial statements at Note 8.1 and further explained in the Accounting Policies.

3.6.6 The Tayside Superannuation Fund is subject to a triennial valuation and the last full review was carried out at 31 March 2008. This set the employer contribution rate for the three years 2009/10 to 2011/12 at 18.5% of employees' pensionable pay. For 2008/09, the Council paid employer contributions totalling £12.989m, representing 19.9% of employees' pensionable pay.

3.7 Financial Instruments

3.7.1 In accordance with the requirements of the 2008 SORP the Council made the appropriate accounting entries and disclosure notes in the accounts relating to financial instruments.

3.7.2 Further details of all of the disclosures for the Council's financial instruments are included in note 32 to the accounts. The fair values of all financial instruments have been disclosed in these notes based on information provided by the Council's professional advisers, Sector, with the exception of the Council's investments of £10,000 that are considered to be immaterial and are disclosed at historic cost.

3.7.3 In calculating the fair value of the Public Works Loan Board (PWLB) loans, Sector used the rate for new borrowing as per interest rate notice number 072/09 for fixed rates as at 31 March 2009. The PWLB has also provided figures, calculated by reference to the 'premature repayment' set of rates at 31 March 2009. This is significantly different from the Sector figures as follows:

Sector (as disclosed in the accounts)	£132.892 million
PWLB	£140.931 million
Difference	£8.039 million

The carrying value of these loans on the Balance Sheet is £121.907 million, including accrued interest of £1.186 million. The SORP and statutory guidance do not state which rates are to be used for calculating the fair values of this type of loan, therefore either method is deemed to be acceptable.

3.8 Financial Pressures

Single Status and Equal Pay

3.8.1 The Council carried out a job evaluation exercise as part of Single Status and implemented the new terms and conditions on 1 April 2008. Finance staff estimate that payroll costs have increased by 2.44% as a result. Appeals are currently being processed. Within the reserves over £2 million is earmarked to help meet the future costs of implementation.

3.8.2 A provision of £0.630 million was included in the final accounts for the settlement of equal pay claims: £0.304 million in respect of the Council's employees up to 31 March 2009 and £0.326 million in respect of its share of claims for Tayside Contracts' employees.

3.8.3 The Council recognises that it may have further liabilities beyond the amount provided for within the accounts but due to the uncertainties around the changing legal position is unable to determine the potential financial liability as the outcomes are currently unknown.

3.8.4 The Council has six equal pay claims outstanding. The upper limit of the Council's total liability is £0.060 million.

3.8.5 A prudent approach has been adopted by the Council with £2.227 million earmarked within the General Fund balance at 31 March 2009 as part of an overall Job Evaluation/Equal Pay Funding Strategy.

3.8 Financial Pressures (Cont'd)

Reduction in Income, Charges and Capital Receipts

3.8.6 The Council has experienced a reduction in capital receipts and building warrant/planning fee income during 2008/09 which has continued into 2009/10 and it has seen a slowdown in the growth of the council tax base. Fewer council house sales than anticipated led to greater capital from revenue (CFCR) expenditure in the HRA. However the Council's capital plan is not heavily reliant on funding from capital receipts.

General

3.8.7 The Council recognises that there continues to be a significant cost pressure associated with the delivery of its recycling policy within Waste Management. This has been considered in the Waste Best Value review.

3.8.8 In January 2009 a report summarising the main findings from the Council's Best Value Review of Older People's Services highlighted that the projected growth in this area will mean that expenditure on Older People's Services will need to increase significantly in real terms year on year to ensure that the Council meets its statutory duties. Work is ongoing to fully cost and source funding for the redesign of this service.

3.8.9 Other significant cost pressures, including increased employer pension contributions, are being contained within the existing available resources. In setting the 2009/10 budget, £2.339 million from previous years, approved for carry forward under the budget flexibility scheme, is being used to help smooth the budgetary impact of such pressures. The Council has also approved the use of £2.843 million of balances for this purpose.

3.9 Reserves and Balances

3.9.1 All Councils hold reserves which consist of earmarked amounts set aside to support future years' expenditure and contingencies for unexpected events or emergencies. At 31 March 2009 the "cash-backed" fund balances and reserves held by the Council totalled £28.734 million. Table 3 details the balances and movements on these reserves. The Revaluation Reserve, Capital Adjustment Account, Financial Instruments Adjustment Account and the Pensions Reserves are specific accounting reserves relating to book entries and have been excluded as these are not "cash backed" reserves.

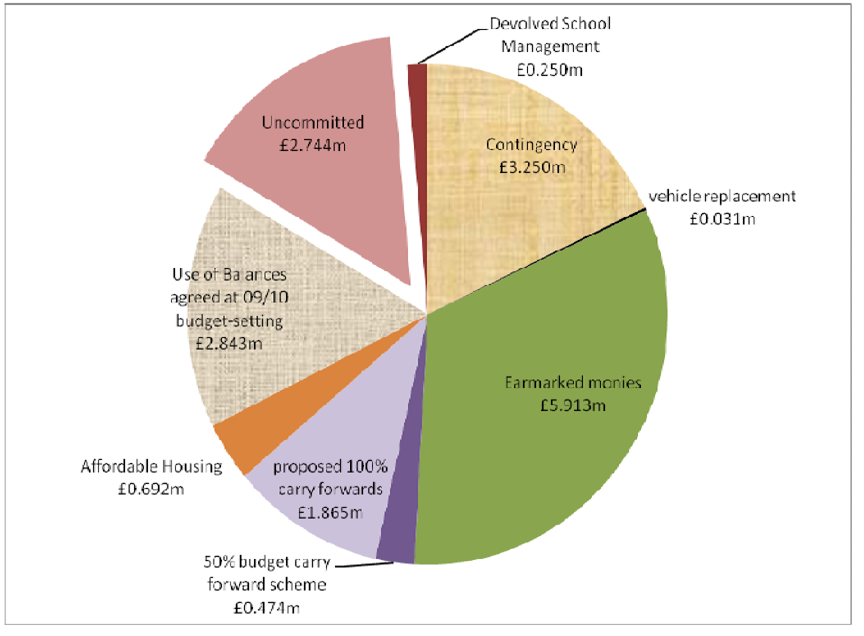
Table 3 – Fund Balances and Reserves

Fund balances & reserves	2008/09 £m	2007/08 £m	Movement £m
General Fund	18.062	17.476	0.586
Housing Revenue Account	1.174	3.181	(2.007)
Other Funds	0.742	0.719	0.023
Total General Fund	19.978	21.376	(1.398)
Capital Fund	1.961	2.567	(0.606)
Renewal and Repair Fund	3.348	3.784	(0.436)
Insurance Fund	0.955	0.985	(0.030)
Usable Capital Receipts	2.492	1.641	0.851
At 31 March	28.734	30.353	(1.619)

3.9 Reserves and Balances (Cont'd)

3.9.2 Total commitments of £15.318 million (including Devolved School management (DSM)) against the General Fund balance of £18.062 million are illustrated in Table 4.

Table 4– General Fund Commitments



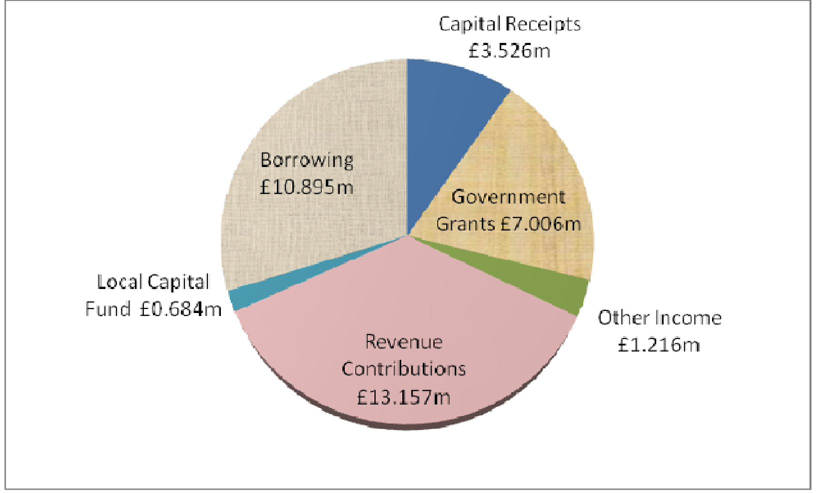
3.9.3 The Council also has significant commitments against both the Capital Fund and Renewal and Repair Fund balances at 31 March 2009 and the approved 2009/10 budget included a further £2.895 million contribution to the Council's Renewal and Repair Funds to ensure that a reasonable level of funding is available to meet unforeseen expenditure on essential and urgent repairs.

3.9.4 At 31 March 2009 there was also a balance on the Useable Capital Receipts Reserve of £2.492 million which has been earmarked for use to take forward capital developments within the Council's Financial Plan.

3.10 Capital Expenditure

3.10.1 Gross capital expenditure on the Council's fixed assets for 2008/09 amounted to £36.484 million of which £9.997 million was on the Housing Programme. The Council also financed advances for home loans of £0.025 million during the year. The total capital expenditure of £36.484 million was financed as follows:

Table 5 – Capital Expenditure Funding



3.10.2 The gross capital budget for 2008/09 of £37.534 million was underspent by £1.050 million, due mainly to slippage in the capital programme.

3.10.3 Further detail of the split of capital expenditure across the services and an analysis of what type of assets the money was spent on is provided in Statement 9 in the notes to the accounts.

3.10.4 As part of a financial stimulus package, the Scottish Government announced the acceleration of £100m of local authority capital expenditure from 2010/11. This is being supported by a £100m increase in capital grant funding (£10m in 2008/09 and £90m in 2009/10) with an equivalent overall reduction in 2010/11.

3.10.5 The total level of capital acceleration support available to Angus Council is £2.371 million. The Capital Budget Sub-Group undertook a review of capital projects contained within the Financial Plan to determine the practicality of these being advanced into 2009/10. A finalised programme submitted to the Corporate Services Committee in September 2009 details the following projects for acceleration;

Table 6 – Capital Acceleration

	£m
Educational Improvements	0.211
Education HE & Science rooms	0.120
Capitalised Property Maintenance	1.475
Roads	0.565
Total Acceleration	2.371

3.11 Capital Accounting

3.11.1 2008/09 was the final year of the Council's five year rolling programme of revaluations. Revaluations resulted in General Fund property increases of £24.497 million which increased the balance on the revaluation reserve. The Council's Valuers identified a small number of General Fund properties whose value had decreased, resulting in a charge of £2.638 million to the Income and Expenditure Account, in accordance with the requirements of the SORP.

3.11.2 The value of Council Dwellings was reduced on revaluation by £16.376 million. This amount was charged to the Revaluation Reserve, against the balance of £17.806 million created as the result of upward revaluation in 2007/08.

3.11.3 The Council correctly accounted for the difference in the depreciation on the revalued assets between the amount charged to the Income and Expenditure account and the amount that would have been charged on an historical cost basis.

3.11.4 There were a small number of fixed assets disposed of that were not on the Fixed Asset Register. The disposal proceeds (£0.136 million) for these assets have therefore been recorded as gains on disposal.

3.11.5 Following the agreed adjustments to the accounts we were satisfied that the Council's capital accounting arrangements for 2008/09 had improved and that the entries for additions, disposals, transfers, revaluations and impairments were not materially misstated.

3.12 Group Accounts

3.12.1 The SORP requires authorities to prepare a full set of group accounts in addition to their single-entity accounts where they have an interest in other entities (excluding the Pension Fund). The Council has prepared group accounts in accordance with these requirements and the following table details their interest in other entities and the basis of consolidating the results within the Council's group accounts.

Table 7 – Group Entities

	Council Control	
	2008/09	**2007/08**
Subsidiaries		
Common Good	100%	100%
Charities	100%	100%
Associates		
Tayside Fire and Rescue Board	19.00%	19.00%
Tayside Joint Police Board	24.40%	24.40%
Tayside Valuation Joint Board	26.71%	26.69%
Joint Arrangement		
Tayside Contracts	31.00%	29.00%

3.12.2 The Group's net operating expenditure of £255.865 million exceeded the income from government grants and local taxation, resulting in a deficit for the year ending 31 March 2009 of £7.030 million.

3.12 Group Accounts (Cont'd)

3.12.3 The Group Balance Sheet shows the Total Assets less Liabilities to be £237.157 million at 31 March 2009 compared with the Council's single entity Balance Sheet total of £357.793 million. This material decrease is mainly due to the Share of the Net Liabilities of Associates including the Council's share of the pension liabilities of the Joint Boards.

3.12.4 These have been accounted for under FRS 17 'Retirement Benefits' in accordance with the SORP.

3.12.5 All of the associates' accounts have been prepared on a going concern basis and have been audited. The Council's group accounts have also been prepared on a going concern basis.

3.12.6 As discussed in note 13 to the Group Accounts, Tayside Fire and Rescue Board and Tayside Joint Police Board had qualified audit opinions due to an issue relating to FRS 17 Retirement Benefits. The issue arose due to an omission in legislation to allow FRS 17 based costs for new pension schemes beginning in April 2006 to be removed from a charge to the General Fund and be replaced by the actual costs.

3.12.7 Notwithstanding the omission in legislation to allow this adjustment the Police and Fire accounts have been adjusted to only include actual costs. This is in line with the treatment of other pension schemes and it is intended to correct the omission in legislation to allow the new schemes to be included in the adjustment in future. The amounts removed from the Police and Fire accounts are £1.992m and £0.937m respectively for 2008/09 and £1.219m and £1.215m respectively for prior years.

3.12.8 The Council has consolidated the Police and Fire accounts figures and has not included its share of the potential correcting adjustment to these accounts to comply with statute. On the grounds of materiality this has not given rise to a qualification in the Council's audit opinion.

3.13 Standard Security and Orchardbank Business Park

3.13.1 As reported by us in our ***2007/08 Report to Members and the Controller of Audit*** (report 2008/07), the Council entered an agreement in 2003 to jointly develop land owned by itself and the developer at Orchardbank, Forfar. To support the arrangement the Council and the developer granted each other security over the land involved in the development. The value of the land in each case was broadly similar (55% Council/45% developer). A substantial part of the development has now been completed and the relevant securities released. Some security granted by both the Council and the developer remains in place, as discussed in Note 33 to the Accounts.

3.13.2 The value of the land in question at the time the arrangement was made was approximately £3.6 million. At 31 March 2009 the Council estimates the value of its land still covered by the security to be approximately £1.200 million. The excess of the value of the Council's assets over its borrowing from external bodies at 31 March 2009 is £438.712 million.

3.14 Common Good Assets

3.14.1 In December 2007, Local Authority Scotland Accounts Advisory Committee (LASAAC) issued ***"Accounting for the Common Good Fund: A Guidance Note for Practitioners".*** The paper, which recognises the legislative distinction of the Common Good as a managed fund, requires disclosure of these funds within the local authority financial statements and that Common Good asset registers be put in place by March 2009.

3.14.2 The guidance states that local authorities should take reasonable steps to ensure that Common Good fixed asset registers support the assets shown in the Common Good Balance Sheet. The Council maintains an asset register identifying Common Good assets and it is not aware of any significant assets in the Council's own register that should be transferred to the Common Good. The Council recently announced that it is to carry out a burgh by burgh audit of common good assets.

3.15 International Financial Reporting Standards

3.15.1 International Financial Reporting Standards (IFRS)-based financial instrument standards were adopted in the 2007 SORP. The 2009 SORP adopts the IFRS based approach to accounting for PFI/PPP schemes from 2009/10. An IFRS-based Code of Practice on Local Authority Accounting is currently being prepared which will replace the SORP from 2010/11, when local authorities are required to fully adopt IFRS.

3.15.2 Authorities will need to restate 2009/10 comparative information onto an IFRS basis, and disclose a restated 1 April 2009 IFRS-based balance sheet. We encourage early completion of the restatement and the review of the accounting treatment of the PFI/PPP schemes**.** Once this work has been completed, we will review the results and report our findings.

3.15.3 Average discounted right to buy sales price is used to value council dwellings in the Council's accounts. In July 2009, LASAAC issued guidance which states that this treatment will not be acceptable under IFRS. The Finance Team has agreed that a review of the methodology for valuing and recording council dwellings will be undertaken during 2009/10.

Governance

4.1 General Governance

4.1.1 We have included comment on general governance in other reports during the year. We would normally include an update on relevant issues here. However, governance is a key area covered by the BV2 audit, the report for which is due for publication in early 2010. Therefore we have limited our governance comments in this report.

4.2 Annual Governance Statement

4.2.1 A guidance note for Scottish authorities was issued by CIPFA/SOLACE in May 2008, to assist authorities in complying with the Delivering Good Governance in Local Government Framework. In March 2009, the Strategic Policy Committee agreed the adoption of a revised Local Code of Corporate Governance, based on the CIPFA/SOLACE guidance. The revised code came into operation on 1 April 2009.

4.2.2 Both the Chief Executive and the Chief Internal Auditor independently carry out an annual review of compliance with the Local Code across the Council and report their findings to the Strategic Policy Committee. These reports form the basis of the annual corporate governance statement included in the Council's annual report and accounts document. For 2008/09, compliance was reviewed against the Council's Local Code, adopted in May 2002.

4.2.3 In June 2009, the Chief Executive reported that *"the Council continued to demonstrate that the governance arrangements framework within which the council operates is sound; albeit there are areas which require further improvement to ensure full compliance with the local code of corporate governance"*.

4.2.4 The Chief Internal Auditor's Statement on the Local Code of Corporate Governance reported *"While it is my overall opinion that the Council was not fully compliant with the extant Local Code of Corporate Governance for the year 2008-09, the foundations of good governance remain in place within the council"*.

4.2.5 Both reports note areas where further work is required: finalisation and implementation of the Performance Management Framework; implementation of the risk management strategy; and completion of work on business continuity plans.

4.2.6 Although we are not required to audit compliance with the Council's Local Code we review these statements and the Council's processes to inform our view of the governance arrangements in place. We are satisfied that the Council has identified key areas where work is still required to ensure full compliance with the Local Code.

4.2.7 In the Statement on the System of Internal Financial Control, included in the Council's annual accounts, the Head of Finance reported that he was satisfied that the Council has in place an adequate and effective system of internal financial controls. We are satisfied that this statement complies with the 2008 SORP.

4.2 Annual Governance Statement (Cont'd)

4.2.8 In our ***Financial Statements Audit Plan 2008/09*** (Report 2009/03 issued on 26 June 2009) we concluded that for the main financial systems reviewed, with the exception of fixed assets and capital accounting, the expected key controls appear to be in place and no material weaknesses were identified that would impact significantly on our year-end audit testing. The key controls for fixed assets and capital accounting are mainly covered by year-end processes and our detailed testing of these areas during our audit of the accounts did not reveal any material errors or control weaknesses. We therefore concur with the Head of Finance's assessment that the systems of internal financial control are sound.

4.2.9 The CIPFA/SOLACE ***Delivering Good Governance in Local Government Framework*** recommends that an annual review of internal controls should be carried out and reported in an Annual Governance Statement. As noted above, the Council already has in place arrangements for an annual review of the Local Code which covers both financial controls and all other governance arrangements, including risk and asset management that would be required for an annual governance statement. We understand that an annual governance statement will be incorporated in the 2009/10 annual accounts.

4.3 Reliance on Internal Audit

4.3.1 At the start of our appointment we reviewed the Council's internal audit provision and determined that we could rely on their work. We reported our findings in our ***2006/07 Financial Statements Audit Plan*** (Report 2007/03 issued on 28 June 2007).

4.3.2 To minimise audit duplication we liaise with internal audit during our planning to identify areas of their work that we can place reliance on. For 2008/09 we agreed to place reliance on work covering a number of areas, as detailed in paragraph 3.3.2 of our ***Risk Assessment, Audit Plan and Fee Proposal for 2008/09*** (report 2009/01 issued on 12 February 2009).

4.3.3 Our review of their reports and working paper files allowed us to place reliance on the work of internal audit. We reviewed the weaknesses identified by internal audit and concluded that these would not have a material effect on the financial statements, allowing us to reduce the level of detailed testing during our year-end audit.

4.4 National Fraud Initiative

4.4.1 During 2008/09 the latest National Fraud Initiative (NFI) in Scotland began and we monitored the Council's participation in it. The exercise is undertaken as part of the audits of the participating bodies. NFI brings together data from Councils, Police and Fire and Rescue Boards, Health Bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£13.8 million from the 2006/07 exercise as at 30 June 2009 and cumulative outcomes of £41 million when previous exercises are included). Where fraud or overpayments are not identified by a body, assurances may be taken about internal arrangements for preventing and detecting fraud.

4.4.2 Arrangements for the exercise were completed in good time. New procedures were put in place for giving data subjects notice of the possibility of their data being matched. This is a 'layered' approach, whereby documents such as benefit application forms have a brief note, but refer to more detailed information on the Council's website, which refers on to further detail provided by Audit Scotland. Data was uploaded to the Audit Commission's secure web application according to the deadlines given.

4.4.3 Work began on the matches shortly after they were available on 11 February. Good progress has been made in reviewing and investigating matches. A very low level of overpayments has been found to date, namely some £12,800, part of which relates to three Housing / Council Tax Benefit frauds, and all of which is being recovered.

4.4.4 The Council did not take part in the council tax match to the electoral register in 2007/08 because of concerns around the legality of supplying the electoral roll. The position has not changed for 2008/09, but as part of the current exercise the Council is required to submit council tax data which will provide matches around discounts other than the single person discount. The Council decided to carry out an in-house matching exercise around single person discounts beginning in late 2008. The initial sample selected highlighted £25,000 in recoverable discounts, and work is progressing on the other cases where further investigation appeared to be warranted.

4.4.5 The low level of recovery from the National Fraud Initiative is not a reflection on the commitment shown by the Council to the exercise, rather it gives some assurance that systems are in place to minimise fraud, particularly around the Benefits system. As in previous years, the Council generally has shown a high level of commitment.

4.5 Audit Sub-Committee

4.5.1 The Audit Sub-Committee met three times in the financial year 2008/09, in June, October and March.

4.5.2 In June 2009, Scrutiny arrangements within the Council were reviewed by the Strategic Policy Committee. Prior to this, the scrutiny responsibilities of the Audit Sub-Committee (a sub-committee of the Strategic Policy Committee) were supplemented by the Monitoring Group, which was not a formal standing committee or sub-committee of the Council.

4.5.3 The Strategic Policy Committee approved the establishment of a Scrutiny and Audit Sub-Committee, with seven members, reflecting the political balance of the Council.

4.5.4 A decision on the convenor of the new Sub-Committee was referred to the full Council in June 2009, where it was decided that the Convenor should be the Convenor of the Strategic Policy Committee rather than the Leader of the Opposition. We have previously advised the Council that this does not comply with Accounts Commission recommended good practice which is that an opposition member should chair the Scrutiny and Audit committees.

4.6 Information Technology (IT)

4.6.1 Internal Audit carried out a review of IT Governance and Strategy. The review focussed on the adequacy of the IT Governance arrangements in place and the IT strategy's ability to respond to demands for the delivery of ongoing efficiency in processes and technology.

4.6.2 Internal Audit report 08/46, issued on 29 May 2009, noted that action is required to improve the general IT control environment within the Council. The report highlighted a number of areas where improvements should be made to strengthen IT governance and strategy arrangements within the Council.

- A formal Corporate IT strategy should be developed to underpin delivery of the Council's corporate objectives. This should be agreed by Council.
- Management should ensure that they define and implement a formal IT governance framework within the Council. This should provide greater transparency over the prioritisation and oversight of IT-related projects.
- IT should develop work programmes to identify the resources required to support the delivery of the IT Service Plan.
- IT Management should develop a formal programme plan to identify the key objectives and milestones for the delivery of the IT Service Review.

4.6.3 An action plan has been agreed with Management and implementation will be followed up by Internal Audit.

Performance

5.1 Performance Management and Reporting

5.1.1 We have included comment on general performance matters in other reports during the year setting out where we believe further improvements are required, notably in relation to the Council's approach to performance management. We would normally include an update on relevant issues here. However, as performance management and public performance reporting is a key area covered by the BV2 audit, the report which is due for publication in early 2010, we have limited comments on this area in this report.

5.2 Single Outcome Agreement

5.2.1 In 2007 national and local government leaders signed a concordat which required each local authority to produce a Single Outcome Agreement (SOA) detailing how it would contribute to national outcomes whilst meeting its own local priorities. In return the Scottish Government pledged to allow councils greater freedom, for example, by removing ring-fencing of funds.

5.2.2 The 2009-2012 Single Outcome Agreement for Angus was approved by the Strategic Policy Committee in May 2009 and signed on behalf of the Scottish Government and the Angus Community Planning Partnership on 11 August 2009.

5.2.3 Progress reports on the 2008/09, showing progress on indicators and actions, were submitted to the Scottish Government by the deadline of 30 September 2009. The Chief Executive reported to the Strategic Policy Committee in September 2009 that 85% of the indicators met or exceeded the target and all of the stated actions were complete or partially complete. Ongoing actions are being monitored through existing thematic partnership delivery plans or business / service plans of the relevant community planning partners.

5.3 Risk Management

5.3.1 We completed our review of the Council's risk management arrangements earlier this year and issued our report ***Corporate Risk Management*** on 31 March 2009. We would normally carry out a follow up within a year. However, we will be working with Audit Scotland and other scrutiny partners later this year to undertake further shared risk assessment activity and develop a three year Assurance and Improvement Plan (AIP) for Angus Council. As part of that process we will therefore be considering whether and if so, when, this issue should be looked at again. The AIP will set out planned audit and inspection activity for the period April 2010 to March 2013.

5.3.2 A revised Risk Management Strategy was approved by the Strategic Policy Committee on 17 March 2009. As noted at paragraph 4.2.5 implementation of the Strategy is a key area identified in the Corporate Governance Statement where work will be progressed in 2009/10.

5.4 Efficient Government

Background

5.4.1 The Scottish Government issued a paper on Efficient Government Reporting, ***Framework for Local Authorities in Scotland*** in 2007 which introduced arrangements for reporting on efficiency savings. Efficiency Statements are compulsory from 2007/08.

Efficiency Statement

5.4.2 The Council's 2008/09 Efficiency Statement was submitted to COSLA by the 31 July deadline, to enable COSLA to prepare a statement on behalf of all councils for submission to the Scottish Government. The statement is available from the Council's website. The 2008/09 Statement is based on revised guidance issued by COSLA in April 2009.

5.4.3 The Council delivered cashable efficiency savings of £2.862 million in 2008/09, together with non-cash gains of £0.038 million. Cashable Savings are summarised in Table 8.

Table 8 – Cashable Efficiency Gains 2008/09

	£m
Management Restructure, phase 2	0.142
Vacancy / Absence Management	0.978
Procurement	0.170
Streamlining Bureaucracy	0.025
Asset Management	1.158
Local Efficiency themes	0.389
Total	2.862

5.4.4 Savings of £0.868 from asset management and £0.201 million from local efficiency themes are non-recurring.

5.4.5 The 2008/09 efficiencies are in addition to cashable efficiency savings in excess of £3.8 million achieved from 2005/06 to 2007/08.

5.4.6 For the three year period 2008-2011, the Scottish Government has set a target of 2% per annum efficiency savings across the public sector. Targets have not been set for individual councils. The Council has in place a planned approach to delivering efficiency savings via Best Value reviews and departmental savings identified as part of the annual revenue budget-setting process. A high level Efficient Government Action Plan is included within the Council's Medium Term Financial Strategy for 2010/11 to 20013/14, approved by the Council in June 2009.

5.6 Statutory Performance Indicators (SPIs)

2008/09 Return

5.6.1 The 2008/09 SPIs were published before the statutory 30 September deadline. We concluded that the systems in operation for the production and publication of the SPIs were reliable for all of the indicators reported.

5.6.2 Reporting for one Social Work indicator related to national targets set by the Scottish Government. However, the Scottish Government withdrew these targets after the Direction was given by the Accounts Commission and therefore this indicator was not reported. The Chief Executive plans to take a detailed report on the 2008/09 SPI performance to the November Scrutiny and Audit sub-committee.

Performance

5.6.3 The SPIs cover a wide variety of council functions and it can be difficult to make comparisons between councils and between the same council's performance across years. Nevertheless, there are some comments which can be made based on the Council's results for 2008/09 and the latest available published cross-council figures for 2007/08. In paragraphs 5.6.6 to 5.6.9 we have concentrated on the areas of relative strengths and weaknesses in performance.

5.6.4 One measure of performance improvement is to consider the ratio of indicators that have improved by more than 5% since the previous year to those that have deteriorated by more than 5%. In 2008/09 the Council's ratio improved significantly to 1.82 from 0.76 in 2007/08. This compares with a national average in 2007/08 of 1.7. This is based on 40 indicators (2007/08 20) improving by more than 5% and 22 (2007/08 26) deteriorating by more than 5%.

5.6.5 In 2008/09 most of the social work indicators improved, with the performance of only a few declining. In the cultural and leisure area, performance was more mixed, as was housing, whereas those indicators relating to children generally improved. Within the protective services area most indicators showed very little change; the same was true for roads. In Corporate Management, Development Services, and Benefits Administration there has been some improvement and in Waste Management performance has deteriorated slightly. The Council's overall service performance will be considered and reported in the BV2 audit.

5.6.6 *Adult Social Work 5: Respite Care*
Results for this indicator have been mixed over time. For older people, the council has been in the second lower quartile for both respite days and nights, but top for those provided outwith care homes and day centres. For younger adults it has been in the lower quartile, but again top for provision outwith care homes and day centres. In 2008/09 the number of respite nights increased by 45% due to increased funding from the Scottish Government, but the number of respite days increased by over 200 percent. This was partly due to the fact that in previous years respite days in a day centre had been omitted in error. Provision for younger adults also grew because of improved funding. This funding is also available to other councils.

5.6 Statutory Performance Indicators (SPIs) (Cont'd)

5.6.7 *Education & Children's Services 8: Children's Respite*
For most of the time since 2005/06 this indicator was in the lower quartile for both respite days and nights, but was in the second upper quartile for provision outwith care homes and day centres. It was well below the Scottish average, and is likely to remain below in 2008/09. However, additional funding from the Scottish Government has meant that daytime hours have improved, and nights provided should also begin to rise, with the full provision being made available in 2010/11.

5.6.8 *Development Services 1: Decision Times for Planning Applications*
Performance relative to other councils was good for both householder and non-householder applications prior to 2007/08, when both declined but still remained above the Scottish average. In 2008/09 the number of applications fell by 15%. Procedures within the Council were streamlined, resulting in a 10% rise in the percentage dealt with inside the target time of two months.

5.6.9 *Cultural and Communities 2: Leisure Centre Attendances*
This indicator has always been in the upper quartile, being well above the Scottish average. In 2008/09 performance improved even further due to improved marketing and membership opportunities, and increases in programmed activities available within the centres.

2008 Direction

5.6.10 The Accounts Commission's 2008 Direction (dealing with 2009/10) sets out a very different approach to statutory performance information. It specifies firstly a range of broad headings, such as sustainable development or the education of children, against which councils must demonstrate that they are achieving Best Value. Secondly, it retains a small number of specified indicators. This represents a move towards allowing councils to determine what performance information they publish, whilst recognising that public performance reporting is not yet fully developed within councils.

5.6.12 It is expected that in 2009/10 local authorities will view the Statutory Performance Indicators as an integral part of the requirement to achieve Best Value. They should also be more closely integrated with councils' Public Performance Reporting. The Council has selected their indicators for next year. A report was approved by the Strategic Policy Committee on 5 May 2009.

5.7 Asset Management

5.7.1 In April 2009 the Corporate Services Committee approved the establishment of the Corporate Asset Management Group (CAMG), a member-officer group. The group met for the first time in June 2009 and has overall responsibility for developing a corporate approach to capital expenditure and the use of assets throughout the Council. It takes a strategic view of the capital programme and asset management and manages the implementation of the agreed asset strategy, capital strategy and asset management plan.

5.7.2 In May 2009, Audit Scotland published a national report ***Asset Management in Local Government.*** They reported that councils could make significant improvements in their asset management arrangements and made a number of recommendations to councils.

5.7.3 The report was discussed by the Monitoring Group in May 2009, when it was agreed that an action plan to address the recommendations would be presented to the CAMG. The key components of the action plan have been discussed by the group, and a finalised plan is scheduled to be presented to the CAMG in December.

5.7.4 Common Good assets are separately identified within the Council's fixed asset register. In October 2009, the Council announced that it will carry out a burgh by burgh audit of common good assets. This is seen as an opportunity to clarify some of the more ambiguous areas, such as the nature of the land, and to review any evidence researched by interested local residents.

5.8 Procurement

5.8.1 The national report ***Improving Public Sector Purchasing*** was published in July 2009. It provides a position statement on the progress and impact of the Public Procurement Reform Programme (the Programme), which aimed at improving purchasing practice and making savings of about three per cent a year.

5.8.2 The report finds that the public sector in Scotland is improving its purchasing and has estimated it has saved a total of £327 million in the first two years of the Programme, which has cost £61 million so far to implement.

5.8.3 The current economic climate means that more than ever, the public sector needs to find cash savings without cutting services or quality. With the public sector's size and combined purchasing power, there is still potential for it to buy goods and services more efficiently and deliver more significant savings through increased collaboration and better management. There has been progress in recent years but it has varied across the country and been slower across Scotland than planned.

5.8.4 The report recommends that the public sector should increase the use of collaborative contracts. These are a key feature of the Programme, but are being developed more slowly than expected. Other high level recommendations were made which highlight the good purchasing practice that public bodies should adopt to demonstrate Best Value.

5.8 Procurement (Cont'd)

5.8.5 The Council is a member of the Tayside Procurement Consortium (TPC) together with Dundee City and Perth & Kinross Councils. In March 2008 the Council approved membership of Scotland Excel for three years from 1 April 2008. The PECOS e-procurement system has been implemented in three departments at 31 March 2009 and will continue to be rolled out across the Council during 2009/10 and 2010/11.

5.8.6 The TPC Annual Report 2008/09 was considered by the Corporate Services Committee in September 2009. The report provides the first formal update on actual performance against the approved Procurement Strategy 2008-2011. It notes that approximately £149k of cashable efficiencies was achieved for Angus Council in 2008/09 by virtue of implementation of the Strategy.

5.8.7 Internal Audit report 08/44 ***Corporate Procurement Follow-Up***, issued on 24 September 2009, reviewed the Council's progress towards implementation of the McClelland Report recommendations. Significant progress was identified, including implementation of a dedicated Procurement Team, joining of TPC, implementation and meetings of the Procurement Improvement Group and production and publication of Procurement Guidance Notes, available to staff via the corporate intranet. The report identified that further work is required in the areas of scrutiny, risk and assurance to enhance the Council's procurement governance. An action plan has been agreed with management and implementation will be followed up by Internal Audit.

5.9 National Studies

5.9.1 A summary of National Studies issued by Audit Scotland together with the Council's action to date is included at Appendix II.

Appendix I - Respective Responsibilities

Respective Responsibilities of Members, Officers and Auditors

Each public sector body is accountable for the way in which it has discharged its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests upon both members and officers of a public sector body.

That responsibility is discharged primarily by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources and by the preparation, maintenance and reporting of accurate and informative accounts.

It is our responsibility to undertake an independent appraisal of the discharge by management of its stewardship responsibilities, to enable us to give an assurance that those responsibilities have been reasonably discharged.

The Council and the Head of Finance's responsibilities for the Financial Statements are set out on page 11 of the Financial Statements. Our responsibility is to form an independent opinion, based on our audit, on the abstract of accounts and report that opinion to you.

We are required to review whether the Council's Statement on the System of Internal Financial Control reflects the Council's and the group's compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Council's and group's corporate governance procedures or its risk and control procedures.

Appendix II – Audit Scotland National Studies

Report	Publication Date	Summary of Findings	Angus Council Action
Impact of the Race Equality Duty on Council Services	November 2008	All councils have now developed policies on race equality but many Councils are unable to show how race equality is systematically and routinely built into the design and delivery of services. The report highlights the need to ensure that race equality is incorporated into existing improvement programmes and the need for improved identification and sharing of good practice.	The report was discussed at the Chief Officers Management Team in March 2009, together with an action plan which identifies actions that are already in place and areas where more could be done. The action plan has been referred to the Corporate Equalities Group for implementation.
Improving Energy Efficiency	December 2008	The report highlights a need for stronger leadership on energy efficiency, from both the Scottish Government and within public bodies themselves, to ensure that they develop and implement good quality energy strategies and make the necessary changes to culture and behaviour.	In December 2008, the Strategic Policy Committee instructed the Director of Corporate Services to establish appropriate management arrangements and proceed to seek accreditation of the Council to the Carbon Trust Standard in 2009/10. In April 2009, the Corporate Services Committee approved the rollout of automatic meter reading for all significant non-housing council buildings. A report to the Council in September 2009 detailed the progress achieved in preparing for the implementation of the Carbon Reduction Commitment obligation and the implication of new and imminent legislation.
Drug and Alcohol Services in Scotland	March 2009	The findings highlight the need for a coordinated effort to ensure that services meet local needs and are delivered to consistent standards across Scotland. The report contains a self-assessment checklist, aimed at helping local partners improve the delivery and impact of drug and alcohol services through a joined-up, consistent approach.	The report was discussed by the Angus Alcohol and Drugs Partnership. While not technically a Council committee the Council is represented at this forum, and it is the main vehicle for commissioning and planning alcohol and drug services in Angus. The Partnership is undertaking a self-assessment against the report's findings, which is expected to be completed in November 2009. The Partnership will be responsible for taking forward any actions identified as a result of the self-assessment.

Appendix II – Audit Scotland National Studies

Report	Publication Date	Summary of Findings	Angus Council Action
Overview of Mental Health Services	May 2009	This report provides an overview of mental health services across Scotland. It highlights significant changes in mental health care in the past decade, with more people receiving treatment in the community and a greater focus on helping people to recover from mental health problems.	The report is currently being considered within the context of the Adult Mental Health planning group
Asset Management in Local Government	May 2009	The study evaluated the extent to which councils manage their assets to ensure effective service provision and achieve value for money, It found that many council buildings are in poor condition and others are unsuitable for the services being delivered from them. In order to address these issues Councils need better strategies and systems for managing their assets.	See comments on Asset Management in section 5.7 of this report.
Improving Public Sector Purchasing	July 2009	The report provides a position statement on the progress made in taking forward the Public Procurement Reform Programme, designed to reform public procurement and deliver savings of about three per cent a year. The study found that although progress has been made this varies across Scotland and has been slower than planned.	See comments on Procurement in section 5.8 of this report.
Improving Civil Contingencies Planning	August 2009	The study looked at the progress made since the Civil Contingencies Act 2004 was passed, assessing the pace of change and identifying ways in which improvements can be made. The report made 16 detailed recommendations where further improvements can be made.	The Council's Civil Contingencies Manager was part of the advisory group for the national study. We will review the Council's progress in addressing the issues raised in the national report as part of our 2009/10 audit.

Appendix III – Definition of Material, Significant and Trivial in Relation to the Audit Adjustments

We are required to express an opinion on whether the accounts give a true and fair view of the financial position of the Council. In arriving at that opinion we need to assess any weaknesses, misstatements and errors discovered during our audit testing. Additional information or events in the period between the balance sheet date and the date we sign our audit report must also be considered.

In order to help us to assess the impact of errors we classify them as material, significant or trivial.

Materiality is set at the start of the audit using statistical formula and following consideration of risk. The value for significant and trivial are set in relation to the materiality figure.

Material misstatement and adjustments

Material misstatements are misstatements that, in our opinion, mean that the accounts do not give a true and fair view. Material misstatements discovered during our audit are discussed with management and agreement reached over the required revision for the final audited accounts. Where no agreement is reached to make a material adjustment we would need to consider qualifying our audit opinion.

Significant misstatements and adjustments

Significant items are lower in value than material items, but still of a size that might give rise to the financial statements not giving a true and fair view, particularly if there are several of them, which in total would become material. The Council has the option of adjusting for significant misstatements or not. The impact of any significant misstatements not adjusted for in the final audited accounts would need to be considered and where the combined impact of non-adjusted items was material, this could lead to a qualified opinion. Reasons for non adjustment of significant misstatements are required to be reported to the members.

Trivial errors and adjustments

Trivial errors are those with a fairly low value, and which do not affect the true and fair view of the financial statements. These are recorded and summarised during the audit and the overall total net impact is considered. Individual trivial errors would not require adjustment. If the net total of trivial errors becomes significant or material then there will be an issue to be considered for our report unless the Council agrees to adjust the errors.