



**HENDERSON LOGGIE**  
Chartered Accountants

## **Angus Council**

### **Report to Members and the Controller of Audit**

**External Audit Report No: 2010-04**

**Draft Issued: 19 October 2010**

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### **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
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes



# 1. Executive summary

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## Introduction

1. We are pleased to submit our annual report for the fourth year of our five year appointment as external auditors of the Council.

## Financial statements

2. Our opinion on the financial statements of the Council for the year ended 31 March 2010 is unqualified. The financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 Statement of Recommended Practice (the SORP), of the financial position of the Council and its group and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.
3. We were not obliged to make any adverse comment on the Council and its group's Annual Governance Statement. This confirmed that the content of the Statement was not inconsistent with information arising from our audit work.
4. The Council submitted their draft Whole of Government (WGA) return, based on the draft accounts, to the Scottish Government and to the auditors by the due date, 31 July 2010. The audit certification deadline for submission to the Scottish Government of 1 October 2010 was met.
5. Following a Best Value review of the Waste and Cleaning Operations during 2009/10 the Council determined that the waste element of this operation should not continue to be operated as a trading account and the remaining cleaning element was not significant enough to disclose. The Council's remaining Significant Trading Operations (STO) met their statutory three-year break-even target covering the three years of operation to 31 March 2010, despite both operations making a loss in 2009/10. The Council advised that a further review will be undertaken and completed during 2010/11 to assess whether Grounds Operations and Sports Services continue to meet the STO criteria.
6. We have made three recommendations in relation to the financial statements that we believe need to be addressed for 2010/11 accounts and the comparative figures for 2009/10. These, together with management's responses, are included in an action plan at section 7.

## Use of resources

7. The Council's net operating expenditure of £262.467 million exceeded its income from government grants and local taxation, resulting in an accounting deficit on the Income and Expenditure Account for the year of £11.794 million (2008/09 restated – deficit £1.803 million). However, after the necessary statutory and non-statutory proper practices adjustments to the General Fund movements for the year, this resulted in a deficit of £0.228 million (2008/09 – deficit £1.398 million) on the General Fund (including the Housing Revenue Account (HRA) and other earmarked funds).
8. For statutory accounts purposes the General Fund Balance includes all earmarked funds including the HRA. The Council however treats the General Fund and HRA entirely separately for internal and budget purposes.
9. The General Fund Balance for the year shows a decrease of £0.545 million, compared with a budgeted use of resources of £6.443 million. Details of the significant underspends are given in Table 1.
10. The HRA Income and Expenditure Account reported a surplus of £0.534 million (2008/09 – deficit of £0.118 million). The final outturn for 2009/10, after the necessary adjustments to the HRA movements, resulted in a surplus of £0.304 million against a budgeted breakeven position. The main reason for this variance was lower than budgeted capital financing costs.



## 1. Executive summary

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11. Commitments against the General Fund balance total £12.173 million, leaving £5.344 million of uncommitted funds (including a contingency of £3.250 million) at 31 March 2010.
12. The HRA balance at 31 March 2010 of £1.478 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.
13. The Council's pension liabilities at 31 March 2010, estimated by the Actuary, exceeded its share of pension scheme assets by £186.899 million (2008/09 £81.657 million). The adverse movement of £105.242 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.
14. At 31 March 2009, the Council had a provision within its accounts of £0.630 million 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. During 2009/10 payments of £0.364 million were made from the provision and the balance has been written back as no longer required. The Council has earmarked £1 million within General Fund balances as a safeguard against possible future pay claims.
15. The Council updated its medium term financial strategy for the four year period 2011/12 to 2014/15 in June 2010. It identified a significant shortfall in funding and outlined a programme of service and efficiency reviews intended to help limit the impact of cost savings on service delivery. There has been some slippage in completing the planned reviews and we have made a further recommendation that these reviews should be completed within a reasonable timescale as we believe savings and efficiencies arising from them will be increasingly important in this period of financial constraint.
16. Along with other councils Angus Council is facing up to the prospect of having to make significant budget savings. At the same time as the Council aims to support the local economy and provide best value services, it is likely to face a severe reduction in resources. The Council needs to continue to implement its strategy and plans for reduced resources over the medium term and make decisions to deliver cost reductions in a managed way.

## Governance and accountability

17. Angus Council was selected by the Accounts Commission as one of five authorities where a Best Value (BV2) Pathfinder audit would be undertaken. The fieldwork was undertaken in September 2009 and the BV2 report was issued on 12 May 2010.
18. The BV2 Improvement plan (BVIP) that has been agreed set many of the timescales for implementing the actions by October 2010. We have therefore included an update of progress made to date by the Council at Appendix I. This is based on the Corporate Improvement Plan quarterly update and review that was submitted to the Scrutiny and Audit Sub-Committee on 21 September 2010 and updated by the responsible officer for progress since then, where appropriate. This quarterly update will also be submitted to the Strategic Policy Committee later this month.
19. One of the key findings of the BV2 report was the need to improve governance arrangements by ensuring that all political groupings can work better together to improve outcomes for the people of Angus and establishing arrangements for more robust scrutiny and challenge.
20. From our attendance at Council and committee meetings since the issue of the BV2 report, we believe there remains scope for improvement in the working relationship between the Administration and the Opposition Groups. While we recognise that there will be different political perspectives and differences of view on many matters we would encourage members to take on board the comments of the Accounts Commission and the Standards Commission regarding leadership, respect, and inter-councillor working.



## 1. Executive summary

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21. In September 2010, the Council reviewed the chairing arrangements for the Scrutiny and Audit sub-committee and agreed to appoint as chair the only member of the Council who is not allied with either the Angus Alliance administration or the Scottish National Party (SNP) opposition.
22. To minimise audit duplication we agreed to place reliance on a number of internal audit's reviews. Our review of internal audit reports and working paper files allowed us to place reliance on their work.
23. We are required to have arrangements in place to be notified of all frauds over £5,000 and to submit reports to Audit Scotland. No frauds were reported during 2009/10 other than those identified through the National Fraud Initiative (NFI) and fraud specific to housing and council tax benefit.
24. During 2009/10 we continued to monitor the Council's participation in the NFI 2008/09. In February 2010 we submitted an NFI return for the Council to Audit Scotland, which summarised the progress made by the Council in relation to the NFI 2008/09 exercise and assessed whether the approach adopted was in line with the NFI Handbook for Scotland issued in June 2008. Our return confirmed that there were no issues arising from our review of the Council in relation to the NFI 2008/09 exercise and concluded that overall the Council's arrangements for NFI were adequate.
25. The Council is required to make adequate arrangements for the upload of the specified data for the 2010/11 NFI exercise. We have obtained assurances from the Council's nominated NFI contact that arrangements are in place to provide the necessary data in line with the guidance issued by Audit Scotland.

### Performance management and improvement

26. One of the key findings of the BV2 report was the need to have more comprehensive performance management arrangements with a particular focus on the need for improvement in the following areas: self-evaluation, good performance information, which includes the views of customers and local people and analysis of comments and complaints, training and support for members and officers on performance management and a clearer link between corporate priorities, resource management, priorities for improvement and review activity.
27. A recent update on progress in this area stated that a performance review group has been established and that, with work progressing with self assessments, the rollout of the Public Sector Improvement Framework (PSIF) across the Council is continuing in line with the programme agreed by the Council's Chief Officers Management Team (COMT).
28. No errors were identified in the draft Statutory Performance Indicators (SPI) proforma prepared for submission to Audit Scotland. The final version of the proforma was submitted to Audit Scotland before the 30 August 2010 deadline. We concluded that the Council's arrangements for identifying, defining, checking and recording the 2009/10 SPIs are robust. In addition the Council's processes are sufficient to meet the Council's statutory duties to collect record and publish a range of information which fulfils the requirements set out in the Accounts Commission's 2008 Direction.
29. The 2009/10 performance report for the Single Outcome Agreement (SOA) 2009-12 was submitted to the Strategic Policy Committee on 7 September, the Scrutiny and Audit Sub Committee on 21 September and the Angus Community Planning Partnership on 22 September prior to submission to the Scottish Government at the end of September 2010. Overall the performance reported was positive with almost 70% of the indicators meeting or exceeding targets.
30. A summary of National Studies issued by Audit Scotland together with the Council's action to date is included Appendix II.

# 1. Executive summary

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## Outlook

31. A number of changes in financial reporting are expected to apply from 2010/11 including full compliance with International Financial Reporting Standard (IFRS) and the need for a Council decision around trust fund disclosures.
32. The most significant challenge facing the Council is the identified funding shortfall for the financial year 2011/12 onwards. Although the precise scale of the cuts in funding from the Scottish Government will not become clear until late November 2010 the Council will inevitably face some difficult choices on how to manage the impending cuts in its budget. The Council believes it is already well advanced in identifying the scale of the problem and options to address this.
33. The Assurance and Improvement Plan (AIP) and the BV2 report were considered at a special meeting of the Council on 10 June 2010. The AIP noted that we would keep progress with the BVIP under review.
34. The introduction of the mandatory Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) is a potentially significant new area of cost for the Council and carries reputational risks which will require to be managed. The Council has advised that arrangements to address this are largely now being put in place.

## Acknowledgements

35. Our audit for this year has brought us in contact with a wide range of Council officers 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 officers and members in the discharge of our duties.



## 2. Introduction

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### Introduction

36. We are pleased to submit our fourth annual report, covering significant matters arising during the course of our audit of Angus Council for the year ended 31 March 2010.
37. The framework under which we operate under appointment by Audit Scotland and our audit approach are as outlined in our Annual Plan (report 2010-01: Risk Assessment, Annual Audit Plan and Fee Proposal for 2009/10) issued on 12 February 2010. The respective responsibilities of Council members, officers and auditors were set out in an Appendix to our Report to those charged with Governance on the Audit of Angus Council (ISA 260 report 2010-03 issued on 29 September 2010).
38. 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
  - review and report on whether the Council has made adequate arrangements for collecting, recording and publishing prescribed performance information
39. Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Council.

### Audit activity and reporting

40. 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 meetings and minutes and discussions with officers. The main risks were reported in our Annual Plan 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.
41. In accordance with our Annual Plan we reviewed the Council's key internal controls for the main financial systems that are used to produce the Council's financial statements. We have raised some issues and made recommendations to address weaknesses found during the course of the audit in our Financial Statements Audit Plan, Report 2010-02, issued on 8 June 2010 with an action plan agreed for addressing all of these by 30 June 2010. Our ISA 260 Report included matters highlighted during our year-end audit. We also plan to issue a detailed Management Letter covering specific issues relating to the financial statements.
42. 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.



### 3. Financial statements

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#### Audit opinion

43. We are pleased to report that the target date of 30 September 2010 for the audit completion and certification of the annual accounts was met. Our opinion on the financial statements of the Council for the year ended 31 March 2010 is unqualified.
44. In accordance with International Standard on Auditing (ISA) 260 we issued our ISA 260 Report on 29 September 2010. We had previously met with the Head of Finance and the Leader of the Council and the new Convenor of the Scrutiny and Audit Sub-Committee to discuss the draft report and to agree the final audit adjustments to the draft accounts. Details of the potential audit adjustments, together with comments on the Council's accounting practices and policies and accounting and internal controls are included in the report. The report also summarises our findings in relation to the material risks and exposures previously identified in our Annual Plan and Financial Statements Audit Plan.
45. Some of the issues raised in our ISA 260 Report need to be addressed by management. An action plan will be drawn up and agreed with the Finance Team as part of our debrief process.
46. 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 2009 SORP, of the financial position at 31 March 2010 and the income and expenditure for the year then ended
  - the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973
  - the Council's Significant Trading Operations (STO) met their statutory three-year break-even target
  - the Annual Governance Statement 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

#### Material risks and exposures

47. Our Financial Statements Audit Plan identified a number of material risks and exposures faced by the Council that we assessed might impact on the Council's accounts. Our ISA 260 Report provided a summary of the issues along with how they had been resolved. The following paragraphs provide a further update on some of these issues.

#### Financial Reporting Standard (FRS) 17 pension costs

48. The Council included the appropriate disclosures in the accounts for FRS 17 pension fund liabilities including a non-adjusting post balance sheet event note to the accounts which reported the move from the retail to consumer price index as a basis for future public pension increases announced in the Emergency Budget in June 2010. This is expected to result in reduced pension liabilities in future years.

#### Equal pay and single status

49. Appropriate disclosure was included in the notes to the Council's accounts in relation to the provisions and earmarked reserves for Equal Pay and Single Status.

#### Non domestic rates (NDR)

50. Appropriate entries were included in the Council's accounts for the changes in accounting for NDR income and debts, including revision of prior year's debtors and bad debt provisions.



### 3. Financial statements

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#### Whole of Government Accounts (WGA)

51. The legislative authority for WGA is contained in the Government Resources and Accounts Act 2000, which sets out a formal designation process. The Commencement Order for the publication of the WGA has been laid before parliament and therefore 2009/10 is the first year that a full set of WGA accounts will be published. Although the Act is not applicable in Scotland, the Scottish Government has agreed to provide the Treasury with equivalent information.
52. The UK Government's aim in respect of WGA is to develop a fully audited set of accounts covering virtually all of the UK public sector. WGA treats Government as if it were a single consolidated entity by eliminating all significant transactions and amounts owed between public sector bodies and harmonising accounting policies. WGA is intended to present a true and fair view of Government activities.
53. The Council submitted their draft WGA return, based on the draft accounts, to the Scottish Government and to auditors by the due date, 31 July 2010. The audit certification deadline for submission to the Scottish Government of 1 October 2010 was met.

#### International Financial Reporting Standards (IFRS)

54. 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 Public Finance Initiative (PFI) / Public Private Partnership (PPP) schemes from 2009/10. This required a restatement of the 2008/09 figures in relation to PFI/PPP projects bringing these back onto the Council's Balance Sheet.
55. An IFRS-based Code of Practice on Local Authority Accounting has been prepared which replaces the SORP from 2010/11, when local authorities and joint boards are required to fully adopt IFRS. The Code applies from 1 April 2010 and will bring about numerous significant changes to the Council's 2010/11 accounts. The Head of Finance and his team will need to put in place the necessary arrangements to ensure full compliance with the new Code. We have been advised that these preparations are well underway and the scale of the challenge is accepted as being significant.

**R1 The Head of Finance and his team should continue to put the necessary arrangements in place to ensure full compliance with the IFRS-based Code of Practice on Local Authority Accounting, which replaces the SORP and applies from 1 April 2010.**

56. Authorities will need to restate 2009/10 comparative information onto an IFRS basis, and disclose a restated 1 April 2009 IFRS-based Balance Sheet. The Finance Team had completed the work for a restated opening Balance Sheet at 1 April 2009 in June 2010, however a few of the agreed audit adjustments to the draft accounts will impact on the restated figures. The team is in the process of restating the 2008/09 Balance Sheet and the 2009/10 accounts which they hope to complete by the end of December. We will review the restatement work in due course and report our findings at an early stage.

#### PFI/PPP

57. Our audit testing confirmed that the Council's accounts included the appropriate SORP disclosures for PFI/PPP projects and had taken into account the 2009 SORP changes. Some audit adjustments impacting on the 2008/09 and 2009/10 draft accounts figures were agreed and the final accounts were adjusted for them. Further details are included in our ISA 260 Report.

### 3. Financial statements

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#### Valuation of council dwellings

58. The IFRS-based Code of Practice requires council dwellings to be valued according to Existing Use Value for Social Housing (EUV-SH) as defined by the Royal Institution of Chartered Surveyors (RICS). RICS do not specify or recommend any one particular valuation to achieve a EUV-SH valuation. Generally two particular methodologies appear to be adopted in practice, Discounted Cash Flow (Income stream) and Beacon Approach (Adjusted vacant possession). Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued mandatory guidance on the valuation methodology for council dwellings in October 2010 advising that all councils should adopt the Beacon Approach. The Council's dwellings are currently valued on an EUV-SH basis using the Beacon Approach method.
59. The Council also currently apply a significant Right-To-Buy discount to this valuation to arrive at the current value of council dwellings in the accounts. In July 2009, LASAAC issued guidance which states that this treatment will not be acceptable under IFRS which apply for the 2010/11 accounts. The basis for valuing these assets for 2010/11 will need to be revised to produce IFRS compliant accounts and will necessitate restatement of the March 2009 and 2010 council dwellings valuations for comparative purposes.

**R2 The Finance Team should continue to work towards putting the necessary arrangements in place to ensure compliance with the LASAAC Guidance and the IFRS-based Code of Practice on Local Authority Accounting, which does not accept that the Right-To-Buy discount should be deducted from the council dwellings current value within the accounts.**

#### Review of significant trading operations (STOs)

60. Following a Best Value review of the Waste and Cleaning Operations during 2009/10 the Council determined that the waste element of this operation should not continue to be operated as a trading account and the remaining cleaning element was not significant enough to disclose. The previous years' results for this STO have therefore been excluded from the accounts.
61. The Council's two remaining STOs met their statutory three-year break-even target covering the three years of operation to 31 March 2010, despite both operations making an accounting loss in 2009/10 after taking cognisance of statutory accounting adjustments. This is the second year that Sports Services has made a loss and it will be increasingly difficult in the current economic climate to bring this operation back into profit.
62. The Council advised that a further review will be undertaken and completed during 2010/11 to assess whether Grounds Operations and Sports Services continue to meet the STO criteria. The outcome of this review will be reported to members in due course. We will monitor progress with this review next year.

#### Other gains/losses

63. The final accounts include other gains of £2.111 million within the Statement of Total Recognised Gains and Losses (STRGL) for 2009/10 (loss of £0.438 million in 2008/09). This may indicate that there are accounting errors in the Council's treatment of transfers between statutory reserves balances, including interest, or capital accounting entries such as capital from current revenue (CFCR). Although it is unlikely that this would impact on the reported Income and Expenditure deficits or the total net worth reported in the Balance Sheets as any adjustment is likely to be between reserves we believe that the Finance Team should look into this with a view to amending the restated accounts.

**R3 We recommend that the Finance Team continue to investigate why these other gains and losses are occurring and if possible put through the required adjustments to write these out of the restated accounts for 2009/10.**



### 3. Financial statements

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#### Landfill site

64. The Council has a landfill site that is included in operational land within the fixed assets. This means that no depreciation has been charged on this asset within the Council's accounts although it is currently in use. Land itself is not depreciated. We believe that part of this asset, reflecting development expenditure undertaken on the site, should be depreciated to the extent that the site is in use. We also believe that on an ongoing basis the Council should be providing for the costs of reinstatement of the land at the end of its useful life. In this way the cost associated with the operation of the site will be expensed over its economic life.
65. We discussed this issue with the Finance Team and have accepted their assurances that they will investigate how this asset should be recorded and properly accounted for 2010/11.

#### Financial instruments

66. In accordance with the requirements of the 2009 SORP the Council made the appropriate accounting entries and disclosure notes in the accounts relating to financial instruments. Further details of all of the disclosures for the Council's financial instruments are included in note 32 to the accounts.
67. 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.
68. 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 063/10 for fixed rates as at 31 March 2010. The PWLB has also provided figures, calculated by reference to the 'premature repayment' set of rates at 31 March 2010. This is significantly different from the Sector figures as follows:

Sector (as disclosed in the accounts)	£133.342 million
PWLB	£140.080 million
Difference	£6.738 million

The carrying value of these loans on the Balance Sheet is £125.721 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.

#### Group Accounts

69. 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 notes to the Group Accounts provide full details of their interests in other entities and the basis of consolidating the results.
70. The Group's net operating expenditure of £281.476 million exceeded the income from government grants and local taxation, resulting in a deficit for the year ending 31 March 2010 of £20.365 million.
71. The Group Balance Sheet shows the Total Assets less Liabilities to be £31.305 million at 31 March 2010 compared with the Council's single entity Balance Sheet total of £234.000 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. These have been accounted for under FRS 17 'Retirement Benefits' in accordance with the SORP.
72. 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. Financial statements

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#### Trust Funds

73. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities (Scotland) regulations 2006. In effect this means a full set of financial statements is required for each trust fund. However the Office of the Scottish Charities Regulator (OSCR) has deferred the date of full implementation until 2010/11. For 2009/10 the existing disclosure for Trust Funds is sufficient.

#### Common Good Funds

74. LASAAC guidance issued in December 2007 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.
75. In October 2009, the Council announced that it would carry out a burgh by burgh audit of common good assets. The timescale for this work slipped due to other commitments, but a review of the Arbroath common good assets has now commenced.

#### Legality

76. Throughout our planned audit work we consider the legality of the Council's financial transactions. In addition the Head of Finance confirmed that, to the best of his knowledge and belief, having made appropriate enquiries of the Council's management team, the financial transactions of the Council are in accordance with relevant legislation and regulations. Other than the matter regarding standard security for the development land at Orchardbank reported in our ISA260 Report we are not aware of any other additional legality issues arising from our audit work which should be brought to the attention of members.

#### Financial reporting outlook

77. A number of changes in financial reporting are expected to apply from 2010/11 and beyond:
- Full compliance with IFRS will be required
  - Charity accounts. Pending conclusion of discussions with OSCR, the Council will need to make a choice between making the appropriate trust fund disclosures in the 2010/11 accounts and making arrangements for the separate audit of these funds
  - Valuation of Council dwellings. LASAAC has issued mandatory guidance requiring the use of a Beacon approach by 2015/16 at the latest. As the Council currently uses this approach this should not unduly impact on the accounts. However the write back of the Right-To-Buy discount is likely to have a significant impact on the value of council dwellings included in the accounts.

## 4. Use of resources

### Financial position and performance

78. The Council's net operating expenditure of £262.467 million exceeded its income from government grants and local taxation, resulting in a deficit on the Income and Expenditure Account for the year of £11.794 million (2008/09 restated – deficit £1.803 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 £0.228 million (2008/09 – deficit £1.398 million) on the General Fund (including the HRA and other earmarked funds).
79. 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 2010, the closing balance on the total General Fund, including the HRA balance (£1.478 million) and other earmarked funds (£0.755 million) is £19.750 million.
80. The HRA Income and Expenditure Account reported a surplus of £0.534 million (2008/09 – deficit £0.118 million). The final outturn for 2009/10, after the necessary adjustments to the HRA movements, was a surplus of £0.304 million, resulting in an increase on the HRA balance from £1.174 million at 31 March 2009 to £1.478 million at 31 March 2010.
81. Financial performance can be measured against the financial budget set by the Council in February 2009 (and subsequent approved amendments) for 2009/10. For budget monitoring purposes, the HRA balance is accounted for separately and is not included in the General Fund figures.

#### General Fund

82. The balance on the General Fund at 31 March 2010 was £0.545 million lower than at 31 March 2009. This is a favourable movement of £5.898 million against a budgeted use of resources of £6.443 million. Significant factors contributing to the variance are shown in Table 1.

**Table 1– Financial Performance against 2009/10 budget**

<b>General Fund balance</b>	<b>£m</b>	<b>£m</b>
Budgeted General Fund movement		(6.443)
<b>Significant factors</b>		
Underspends on departmental budgets	5.013	
Reduction in loan charges	0.406	
Reduction in interest income	(0.186)	
Additional Council Tax income	0.420	
Additional Surplus from Tayside Contracts	0.104	
Miscellaneous Others	0.141	
<b>Overall variance</b>		<b>5.898</b>
<b>General Fund balance reduction</b>		<b>0.545</b>
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#### Housing Revenue Account

83. The HRA budget was set to break even. The actual figures resulted in a surplus of £0.304 million. The main reason for this variance was lower than budgeted capital financing costs.
84. The HRA balance at 31 March 2010 of £1.478 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.

## 4. Use of resources

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### Medium Term Financial Strategy

85. In June 2009, the Council approved a medium term financial strategy, covering the period 2010/11 to 2013/14. The covering report noted the intention to update the strategy on an annual basis. In June 2010, the updated strategy, for 2011/12 to 2014/15 was approved. The strategy projects a funding shortfall of £11.600 million in 2011/12 and a total shortfall of £31 million over the four year period covered by the review.
86. In approving the revised strategy, the Council agreed that departments should, in the 2010/11 financial year, be asked to identify additional on-going savings to the value of £0.750 million in a full financial year, in order to give the Council a head start towards addressing the projected funding shortfall for 2011/12.
87. The strategy outlines a programme of service and efficiency reviews intended to help limit the impact of cost savings on service delivery. The Council has been successful in delivering efficiency savings in excess of those targeted. The 2010/11 programme of reviews sets out a further 10 areas for review, six of which have been deferred from 2009/10 into 2010/11. Since the start of our audit appointment, there have been a number of examples of reviews taking much longer to conclude than had originally been anticipated. Given the financial challenges ahead, we believe that it is important that the reviews should be completed within a reasonable timescale and that the Council should seek to avoid any further slippage.

**R4 We recommend that the Council should seek to ensure that these reviews are carried out within a reasonable timescale as they may highlight efficiencies and savings that will help deliver services during this period of financial constraint.**

88. A briefing session for members on the strategy was held in June 2010 which was well attended. A clear report was presented by the Head of Finance identifying significant challenges ahead and the difficult decisions that will have to be made, even though at that time the extent of the pressures on the budget were not quantifiable. Some members were keen to involve Council employees and the public in any decisions that might impact on cuts in service delivery. Further debate was delayed until all members were fully briefed and the actual outcome of the Government's spending review is published.

### Efficient Government

89. All public sector bodies in Scotland are involved with the Scottish Government's Efficient Government initiative. The initiative is designed to achieve cash and time-releasing savings through elimination of waste, bureaucracy and duplication.
90. For 2008/09 to 2010/11, no specific targets have been set for individual authorities, but the Scottish Government identified a target for efficiency savings of 2% across the public sector. The Council's medium term financial strategy suggests that the Council seek to make annual efficiency savings of up to 1% on core revenue expenditure excluding Joint Boards (which will have their own efficiency savings programmes), capital financing costs and PPP commitments. This would imply an annual efficiency requirement of approximately £2.2 million. There is a further suggestion that this target should be split over a cashable savings of £1.9 million and non-cashable savings of £0.3 million.
91. The Council's 2009/10 Efficiency Statement was submitted to COSLA by the 16 August 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.
92. The Council delivered cashable efficiency savings of £3.098 million in 2009/10, together with non-cash gains of £0.005 million. The cashable savings exceed the Council's own in-year target of £1.800 million and the level of savings achieved in 2008/09 of £2.862 million. Cashable Savings are summarised in Table 2. Savings of £1.112 million from asset management and £0.140 million from local efficiency themes are non-recurring.

## 4. Use of resources

**Table 2 – Cashable Efficiency Gains 2009/10**

	£m
Vacancy / Absence Management	0.746
Procurement	0.617
Shared Services	0.014
Streamlining Bureaucracy	0.004
Asset Management	1.259
Local Efficiency themes	0.458
	-----
Total	3.098
	=====

### Reserves and balances

93. 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 2010 the "cash-backed" fund balances and reserves held by the Council totalled £27.797 million. Table 3 details the balances and movements on these reserves. The Revaluation Reserve, Capital Adjustment Account, Financial Instruments Adjustment Account and the Pensions Reserve 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	2009/10	2008/09	Movement
	£m	£m	£m
General Fund	17.517	18.062	-0.545
Housing Revenue Account	1.478	1.174	0.304
Other Funds	0.755	0.742	0.013
	-----	-----	-----
Total General Fund	19.750	19.978	-0.228
Capital Fund	1.747	1.961	-0.214
Renewal and Repair Fund	3.391	3.348	0.043
Insurance Fund	0.732	0.955	-0.223
Usable Capital Receipts	2.177	2.492	-0.315
	-----	-----	-----
<b>At 31 March</b>	<b>27.797</b>	<b>28.734</b>	<b>-0.937</b>
	=====	=====	=====

94. Commitments of £12.173 million (including Devolved School Management but excluding £3.250 contingency) against the General Fund balance of £17.517 million are detailed in Note 28 to the accounts. The commitments include the use of £3.608 million agreed as part of the 2010/11 budget-setting process. The uncommitted General Fund balance of £5.344 million includes a contingency of £3.250 million.
95. At 31 March 2010 there was also a balance on the Useable Capital Receipts Reserve of £2.177 million which has been earmarked to take forward capital developments within the Council's Financial Plan.

### Treasury management

96. The Local Government Investments (Scotland) Regulations 2010 were approved by the Scottish Parliament on 10 March 2010 and came into force on 1 April 2010. The Regulations permit local authorities to make investments subject to them obtaining the consent of Scottish Ministers.

## 4. Use of resources

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97. Finance Circular 5/2010, issued by the Scottish Government on 1 April 2010, provides the general consent of Scottish Ministers and sets out the requirements attached to the consent and requires authorities to invest in a way that minimises the risk to the capital sum and optimises the return on the investment consistent with those risks.
98. Authorities are required to prepare an Annual Investment Strategy (the Strategy) before the start of the financial year and an Annual Investment Report (the Report) within six months of the financial year end. The consent specifies minimum requirements for these two documents. There should also be a mid-year review.
99. In the event that an authority makes an investment which is not listed as a permitted investment in their Annual Investment Strategy, that investment will not be made in accordance with the Consent and as such will be *ultra vires*.
100. The Council's Investment Strategy for 2010/11 was approved by the full Council at its meeting on 25 March 2010.
101. Under the Local Government (Scotland) Act 1973, an authority is permitted to delegate functions to committees, with the exception of setting the council tax and borrowing money. The Investment Regulations extend these exemptions to include the approval of the Strategy and Report.
102. Scottish Ministers recommend that the Strategy and Report are also considered by an appropriate committee / scrutiny body. The Council has agreed that scrutiny of treasury management decisions and performance should be undertaken by the Scrutiny and Audit sub-committee. The Treasury Management Annual Report for 2009/10 and mid-year report for 2010/11 are due to be considered by the Council at its meeting of 4 November 2010.

### People management

103. The Council's services have a history of managing their cash limited budgets. Although there is a low turnover of staff, management have been actively managing vacancies to ensure that they continue to deliver high quality services within cash limited budgets.
104. The Council recognise that, in light of the financial constraints which they face, it is essential to reduce staff numbers and that this must be undertaken in a planned and managed way. To that end, the Council have put, or are putting, in place a set of measures to help them achieve the necessary reduction in workforce. These measures include: natural wastage and management of vacancies; voluntary redundancy and early retirement (where it makes financial sense); redeployment; flexible working; temporary and fixed term appointments.

### Asset management

105. 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.
106. 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 Corporate Asset Management Group (CAMG). The key components of the action plan have been discussed by the group, and a finalised plan was presented to the CAMG in June 2009. A phased programme of geographical area reviews of Council assets involving local elected members has commenced. A review of the Carnoustie district and Monifieth and Sidlaw wards is complete and actions are underway. Additionally, the Arbroath wards and Forfar and district areas are being reviewed and these wards encompass the main property and land portfolios held by the Council. This review is timetabled to be completed by March 2011.
107. We plan to follow up progress made by the Council in implementing this plan in 2010/11.



## 4. Use of resources

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### Capital expenditure and capital accounting

108. Gross capital expenditure on the Council's fixed assets for 2009/10 amounted to £33.510 million of which £9.621 million was on the Housing Programme. Further detail of the split of capital expenditure across the services, together with an analysis of how the expenditure was financed, is included in Statement 9 within the annual accounts.
109. The gross capital budget for 2009/10 of £36.993 million was underspent by £3.483 million, due mainly to slippage in the capital programme. This was largely as a consequence of a major contractor going into administration and the impact of the severe winter weather on the works programme.
110. The 2009 SORP required councils to account for PFI/PPP projects on an IFRS basis for the first time. The assets and liabilities are now brought back onto the Council's Balance Sheet for all three projects. This required a restatement of the 2008/09 figures in relation to PPP/PFI projects. Our audit testing confirmed that the Council's accounts comply with the SORP in this respect. Some adjustments were required to the restated 2008/09 figures included in the draft accounts. Further details are included in our ISA 260 report.

### Procurement

111. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement and to deliver value for money and increased efficiency through improved structures, capability and processes. In 2009, the Scottish Government promoted the use of an annual procurement capability assessment (PCA) to assess procurement performance in public sector bodies and as a basis for the sharing of best practice and continuous improvement. The PCA assesses procurement arrangements for the organisation as a whole not the corporate procurement team itself.
112. In late 2009, all 32 Scottish councils took part in the first round of PCA assessments to determine capability against the pre-determined criteria. The assessments were conducted and carried out by Scotland Excel. Each council was scored and placed in one of four clearly defined performance bands, in line with the recommendations in the McClelland report. These performance bands were 0 – Non-conformance, 1 – Conformance, 2 – Improved performance and 3 – Superior performance. These assessments assessed the procurement activities across each organisation.
113. The overall procurement status assessment by Scotland Excel scored the local government sector in Scotland as non-conformant with an average compliance score of 22.6%. This places Scottish local government, as a whole, near the top of the 0 – Non-Conformance band. The average score for the 3 councils within the Tayside Procurement Consortium (TPC) was slightly higher than the national local government average at 23%. The overall score for Angus Council was slightly higher than the TPC average at 24% compliance just outside the conformance banding. In this regard, non-conformance does not mean that the Council is doing many things seriously wrong. It simply means the Council has more work to do to bring all aspects of its procurement practice up to the standards set down in the McClelland Report. Further explanation in this regard was provided to members in June 2010 (Report 485/10 refers).
114. In December 2009 the Council agreed to take part, along with all other Scottish councils, in a procurement improvement programme designed around the outcomes from the PCA assessment. This improvement programme focuses on 5 key work streams:
- The role of procurement in the organisation
  - Getting the right people doing the right things
  - Adoption of a strategic approach to sourcing
  - Embedding new systems and processes
  - Conformance

## 4. Use of resources

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115. The Procurement Programme Annual Report for 2009/10 was submitted to the June 2010 meeting of the Council. This report highlighted the progress made by the organisations within TPC in taking forward the five programme objectives contained within the Tayside Procurement Strategy 2008 – 2011. The next PCA assessment is scheduled to take place in October 2010 and this will provide confirmation of the progress made by the Council and by TPC collectively to improve compliance since the initial PCA assessment in 2009.

### Pensions

116. 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 (FRS) 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.
117. 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.
118. 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.
119. The Council's pension liabilities at 31 March 2009, estimated by the Actuary, exceeded its share of pension scheme assets by £186.899 million (2008/09 – £81.657 million). The adverse movement of £105.242 million has arisen because the corporate bond rate of 1.5% used as the discount factor as at 31 March 2010 is significantly lower than the 3.6% used at 31 March 2009. This has contributed to a significant increase in the estimated current value of the pension liability.
120. The calculation of current service cost for pension benefits earned is based on the discount rate at the start of the year. Therefore current service costs in 2009/10 have not been affected by the change, at 31 March 2010, in the corporate bond rates used to estimate the current value of pension liabilities. The change in rate will however affect the reported current service costs of pensions in 2010/11 which are therefore likely to be higher than those reported for 2009/10.

### Single status and equal pay

121. At 31 March 2009, the Council had a provision within its accounts of £0.630 million 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. During 2009/10 payments of £0.364 million (£0.92 million Council / £0.272 million Tayside Contracts) were made from the provision and the balance has been written back as no longer required.
122. The Council has two outstanding equal pay claims which have been sisted by the Employment Tribunal. It has earmarked £1 million within General Fund balances as a safeguard against possible future pay claims.

## 4. Use of resources

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### Shared services

123. The Council is a member of the Tayside Public Services Strategy Group which is actively looking at a number of shared services projects across Tayside in conjunction with public sector partners. These include a Best Value Review of Tayside Contracts which includes investigating the use of Tayside Contracts as a vehicle for enhancing shared service delivery in Tayside.

### Outlook

124. Along with other councils Angus Council is facing up to the prospect of having to make significant budget savings. At the same time as the Council aims to support the local economy and provide best value services, it is likely to face a severe reduction in resources. The Council needs to continue to plan for reduced resources over the medium term and make decisions to deliver cost reductions in a managed way.

## 5. Governance

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### Best value 2 (BV2) and shared risk assessment

125. Angus Council was selected by the Accounts Commission as one of five authorities where a BV2 Pathfinder audit would be undertaken. The fieldwork was undertaken in September 2009 and the BV2 report was issued on 12 May 2010.
126. The audit was carried out by a team from Audit Scotland, with input from us as the local external auditors. The BV2 team worked closely with inspectorates to undertake a shared risk assessment (SRA) of the Council in June and July 2009. This approach was designed to ensure that the audit approach was proportionate and risk based.
127. The SRA was revisited early in 2010 as part of the roll out of the process to all 32 councils in Scotland. The Assurance and Improvement Plan (AIP) was completed in April 2010. It sets out which inspectorates will scrutinise the Council in the three years from April 2010, and when they will scrutinise the Council. The AIP and the BV2 report were considered at a special meeting of the Council on 10 June 2010. The Council agreed that a revised Corporate Improvement Plan, updated in response to the BV2 report and the AIP, would form the response to the BV2 report.
128. The BV2 Improvement plan (BVIP) that has been agreed set many of the timescales for implementing the actions by the end of October 2010. We have therefore included an update of progress made to date by the Council at Appendix I. This is based on the Corporate Improvement Plan quarterly update and review that was submitted to the Scrutiny and Audit Sub-Committee on 21 September 2010 and updated by the responsible officer for progress since then, where appropriate.
129. Although the first year of the AIP relates to the 2010/11 audit year, we have been gathering information during the 2009/10 audit to inform our 2010/11 work and to help update the AIP for the following year. The AIP noted that we would keep progress with the BV2 Improvement Plan under review. A number of governance areas identified for improvement are discussed further in the following paragraphs. Further comment on performance is included in Section 6 of this report.

### Corporate governance

130. One of the key findings of the BV2 report was the need to improve governance arrangements by:
  - ensuring that all political groupings can work better together to improve outcomes for the people of Angus
  - establishing arrangements for more robust scrutiny and challenge

#### **Leadership and culture**

131. The BV2 report included the following observation: "Relations between the administration and the opposition are not good. There are instances of discordant and antagonistic council meetings and standing orders are sometimes used in a way that inhibits open, transparent and inclusive democratic debate. While there is no evidence that this has had a direct bearing on the quality of services the council provides, it is difficult to see how the council is meeting its obligations in the *Code of Conduct for Councillors*, particularly in relation to leadership and respect."

## 5. Governance

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132. Between August 2009 and August 2010, the Standards Commission for Scotland published six reports on complaints against Angus councillors. In four cases, the complaints were lodged by other councillors. Whilst none of the complaints was upheld, the most recent reports, issued in August 2010, included the following comments from the Commissioner:

“I endorse and support the Findings of the Accounts Commission and the Audit Scotland Best Value 2 Audit Report regarding the current poor political relationships within Angus Council and the assessment that there is a specific need to improve the Council’s governance by ensuring that all political groupings can work better together to improve outcomes for the people of Angus’. I consider this to be a matter of some urgency.”

133. In relation to the Standards Commission’s encouragement to all councils to adopt and operate local arrangements or protocols for inter-councillor working, the Commissioner notes:

“it will not be sufficient simply for such a document to be adopted by the members of Angus Council. The Council then requires to implement and apply its terms. I strongly urge all councillors, particularly senior councillors comprising the leadership in both the Angus Alliance Administration and the SNP Opposition Group, now to rise to this challenge.”

The Council meeting of 4 November 2010 will be considering a report in this regard.

134. From our attendance at Council and committee meetings in the period since the issue of the BV2 report, we have observed that there remains scope for improvement in the working relationship between the Administration and the Opposition Groups. While we recognise that there will be different political perspectives and differences of view on many matters we would encourage members to take on board the comments of the Accounts Commission and the Standards Commission regarding leadership, respect, and inter-councillor working. Given the current financial climate and the significant challenges which lie ahead, it is imperative that all councillors demonstrate a commitment to working together to improve outcomes for the people of Angus.

### Scrutiny arrangements

135. The BV2 report considered that the Council’s approach to scrutiny was weak. We had previously advised the Council that the charring arrangements did not comply with recommended best practice and similar comment was included in the BV2 report.
136. In June 2009, the Council’s Audit sub-committee was replaced by the Scrutiny and Audit sub-committee, following a review of scrutiny arrangements by the Strategic Policy committee. The sub-committee has seven members, reflecting the political balance of the Council, and was chaired by the Leader of the Council.
137. In September 2010, the Council reviewed the charring arrangements for the sub-committee and agreed to appoint as chair the only member of the Council who is not allied with either the Angus Alliance administration or the SNP opposition.
138. From our attendance at the Scrutiny and Audit sub-committee and other meetings of the Council and its committees, we have observed that some members are demonstrating an improved understanding of scrutiny, but in our opinion there is room for further improvement. We have observed that some members have commented at committee meetings that some reports do not provide sufficient detail for effective scrutiny and some of the papers presented to members for scrutiny had only asked members to note the contents of reports. Whilst officers have responded to this and recently clarified the sub-committee’s remit, it is noted that this remit has only recently been updated and may need some time to be fully embraced.

## 5. Governance

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### **Standing orders and financial regulations**

139. In our 2009-10 Financial Statements Audit Plan we reported that standing orders had not been updated to reflect the remit of the Scrutiny and Audit sub-committee. We also reported that financial regulations had not been updated for the changes identified in our previous year's Financial Statements Audit Plan.
140. Updates to both standing orders and financial regulations were agreed by the Council in June 2010 and incorporate all of the changes we had previously recommended.

### **Members' training**

141. During year 2009/10, members undertook a total of 593 hours of training and development. This included formal training courses, conferences, seminars, distance learning, vocational education, briefings, workshops and e-learning packages. Training courses for all members were run on the topics of governance and effective scrutiny, media training and determining planning applications. Personal Development Plans remain in place and are under review. These will be updated over the course of the next few months to ensure that all members receive training and support tailored to their particular personal needs.
142. The Corporate Improvement Plan includes an action to develop a training programme for members on performance management and scrutiny and progress to date notes that initial consideration is now underway. This further training should improve members understanding of their role in these areas.
143. In total remuneration, allowances and expenses payments to Councillors of £610,816 were made in financial year 2009/10 whereof £12,631 was paid by other bodies or organisations.

### **Annual governance statement**

144. In accordance with best practice the 2009/10 annual accounts included an Annual Governance Statement. We were not obliged to make any adverse comment on the Council and its group's Annual Governance Statement. This confirmed that the content of the Statement was not inconsistent with information arising from our audit work.
145. During our audit we discussed some minor presentational improvements with management who agreed to provide more detail in future on areas identified for improvement and management actions taken to address these issues going forward.

### **Reliance on internal audit**

146. Audit Scotland's Code of Audit Practice directs us to maintain effective co-ordination with internal audit and place the maximum possible reliance on their work. In accordance with ISA 610 – Considering the Work of Internal Audit, we have reviewed the framework for the provision of internal audit services. Our review included consideration of compliance with CIPFA's 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom. We concluded that the Council's Internal Audit Services adhere to the standards set down in the CIPFA Code and that we can continue to place reliance on the work of internal audit..
147. We liaise with internal audit during our planning to identify areas of their work that we can place reliance on. For 2009/10 we agreed to place reliance on work covering a number of areas, as detailed in paragraph 42 of our Risk Assessment, Audit Plan and Fee Proposal for 2009/10 (report 2010-01 issued on 12 February 2010).

## 5. Governance

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148. 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.

### Prevention and detection of fraud

149. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.
150. At a corporate level, the Council has appropriate arrangements in place to help prevent and detect fraud and irregularity. These arrangements include, for example, an anti-fraud and corruption strategy, whistle blowing policies and codes of conduct for elected members and staff. Overall we concluded that arrangements for the prevention and detection of fraud and other irregularities were generally satisfactory.
151. We are required to have arrangements in place to be notified of all frauds over £5,000 and to submit reports to Audit Scotland. No frauds were reported during 2009/10 other than those identified through the National Fraud Initiative (NFI) and fraud specific to housing and council tax benefit.

### National Fraud Initiative

152. During 2009/10 we continued to monitor the Council's participation in the NFI 2008/09. 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, including occupational pension fraud and payroll fraud. Almost all of the data matches uploaded to the NFI secure website in February 2009 have been investigated and the outcomes recorded on the NFI web application. Only 13 of the 960 matches processed are still classified as in progress. A total of 5 frauds and 107 errors were identified with a combined value of £47,661 and the Council is taking steps to recover a total of £44,553 of this amount covering 13 cases. The Council was one of 14 Scottish local authorities which took the decision not to provide the necessary information to enable participation in the mid-cycle Council Tax matches in March 2010. The Council did, however, undertake its own data matching exercises in 2009/10 and 2010/11 and this has resulted in £249,000 of cancelled discounts (Report 684/10 to the Scrutiny and Audit Sub-Committee of 21 September 2010 refers).
153. In February 2010 we submitted an NFI return for the Council to Audit Scotland, which summarised the progress made by the Council in relation to the NFI 2008/09 exercise and assessed whether the approach adopted was in line with the NFI Handbook for Scotland issued in June 2008. Our return confirmed that there were no issues arising from our review of the Council in relation to the NFI 2008/09 exercise and concluded that overall the Council's arrangements for NFI were adequate.
154. The information on the return was used by Audit Scotland to inform the national report for the Auditor General and the Accounts Commission on the National Fraud Initiative in Scotland 2008/09 which was published in May 2010. (see Appendix II)
155. We have obtained assurances from the Council's nominated NFI contact that arrangements are in place to provide the necessary data for the 2010/11 NFI exercise in line with the guidance issued by Audit Scotland.



## 5. Governance

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### Outlook

156. Maintaining effective governance arrangements in a period of potential significant change will be a challenge which we will monitor as part of our 2010/11 audit. We will also continue to review the Council's progress in implementing the agreed actions arising from the BV2 report.
157. The Council is required to make adequate arrangements for the upload of the specified data for the 2010/11 NFI exercise in October 2010 and we will continue to monitor the steps taken by the Council as the 2010/11 NFI exercise develops as part of our 2010/11 audit work.



## 6. Performance management and improvement HENDERSON LOGGIE

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### BV2

158. As noted in paragraphs 125 to 129 in section 5, the Council's Corporate Improvement Plan has been revised in response to the BV2 report issued in May 2010 and was approved by the Council in June 2010 as its BVIP. A progress report was submitted to the Scrutiny and Audit Sub-committee in September 2010 and Appendix I summarises the Council's current position in relation to those actions that were expected to be complete by October 2010. Further comment on some of the performance areas is provided below.

### Performance management

159. The BV2 pathfinder report highlighted the need for more comprehensive performance management arrangements with a particular focus on the need for improvement in the following areas:
- self-evaluation
  - good performance information, which includes the views of customers and local people and analysis of comments and complaints
  - training and support for members and officers on performance management
  - a clearer link between corporate priorities, resource management, priorities for improvement and review activity
160. The need for significant improvement in the Council's performance management arrangements was also highlighted in the SRA - AIP 2010-13. This report also highlighted that ongoing work would include monitoring progress against outcomes in the SOA by the LAN. As part of the agreed scrutiny work plan we will continue to monitor progress in taking forward the agreed BVIP throughout 2010/11 in order to track improvements in the performance management arrangements.
161. A recent update on progress in this area stated that a performance review group has been established and that, with work progressing with self assessments the rollout of the Public Sector Improvement Framework (PSIF) across the Council is continuing in line with the programme agreed by the Council's COMT.
162. The Council is procuring a new performance software solution to replace the existing Excelsis PMF software; tenders have been returned and are currently being evaluated. This should provide improved access to performance information, for both chief officers and elected members, in order to inform the decision making process and drive improvements in service delivery.

### Statutory Performance Indicators (SPIs) and performance reporting

163. The SPIs for audit year 2009/10 are defined in the 2008 Direction, (the Direction) given by the Accounts Commission for Scotland under section 1(1)(a) of the Local Government Act 1992. This Direction takes a significant shift in approach from previous years in that the number of specified indicators has been reduced dramatically.
164. The revised Direction places the onus on individual Councils to collect, record and publish a range of information, including 25 specified indicators, sufficient to demonstrate that it is delivering Best Value in relation to the corporate management and service performance headings set out in SPI1 and SPI2 in the Direction. Only the 25 specified indicators needed to be submitted to Audit Scotland by 31 August 2010, prior to publication of all the information required by the Direction by 30 September 2010. The change in approach recognises the changing environment in which local authorities are operating including the development of SOAs, increased self-evaluation and an agenda to reduce the overall volume of scrutiny.

## 6. Performance management and improvement HENDERSON LOGGIE

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165. In addition, in accordance with section 13 of the Local Government in Scotland Act 2003 and associated regulations and guidance from Scottish Ministers the Council must:
- publish the information specified in the schedule to the Direction for all those activities which are carried out by the body
  - ensure that publication facilitates the making of comparisons where appropriate and possible with performance in 2008/09
166. As set out under the Local Government (Scotland) Act 1973 our duty as auditors of the Council is to be satisfied that the Council *“has made adequate arrangements for collecting and recording information, and for publishing it, as are required for the performance of their duties.”*
167. We have placed reliance on the outcome of Internal Audit work included in the 2009/10 plan following discussion and agreement with the Chief Internal Auditor. The work was reported in internal audit report 09/15b – Statutory Performance Indicators, in June 2010.
168. The objectives of the internal audit exercise were to ensure that systems and procedures were in place to gather the required information, to ensure that management checks were in place to ensure that information submitted is accurate and complete and to ensure that working papers are retained to provide an audit trail. Internal audit concluded that *“the audit objectives have, essentially, been met”*. The report made two recommendations in relation to the preparation of formal written procedures for those indicators included as SPIs for the first time and also the need for full reporting of SPI information in the mid-term performance reports.
169. Auditors are no longer required to formally ‘sign off’ on the reliability, or otherwise, of SPI information but do retain the option to conduct sample testing on individual indicators. Our review of the draft SPI proforma containing the 25 specified SPIs prepared by the Council took the form of an analytical review designed to highlight year on year variations in reported performance. Our review identified a few areas where additional information was required in order to fully explain year on year variances. However, explanations for the vast majority of variances identified were provided in the comprehensive analytical report sections within the SPI proformas prepared by services, or by the Corporate Co-ordinating Officer in the Performance Team in the Chief Executive’s Department who collates the departmental information and conducts an internal analytical review.
170. No errors were identified in the draft SPI proforma prepared for submission to Audit Scotland. The final version of the proforma was submitted to Audit Scotland before the 30 August 2010 deadline.
171. The Council has a statutory duty to publish a range of performance information, sufficient to meet the requirements of the relevant SPI Direction, within 6 months of the end of the reporting period, together with prior year information where this is available. A wide range of performance information was made available in the Departmental Annual Reports 2009/10. For the second year these individual departmental reports were supplemented by a Corporate Annual Report 2009/10. Both the departmental and corporate annual reports were submitted to the Scrutiny and Audit sub-committee. In addition, the full range of SPI information agreed at the Strategic Policy Committee on 5 May 2009 was published on the Council’s website before 30 September. The suite of information selected is aligned to the headings laid down in the SPI 1 and SPI 2 headings in order to ensure full coverage.
172. From discussion with management, review of internal audit report 09/15b – Statutory Performance Indicators, and review of various reports and publications we have concluded that the Council’s arrangements for identifying, defining, checking and recording the 2009/10 SPIs are robust. In addition the Council’s processes are sufficient to meet the Council’s statutory duties to collect, record and publish a range of information which fulfils the requirements set out in the Accounts Commission’s 2008 Direction.

## 6. Performance management and improvement HENDERSON LOGGIE

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### Equality and diversity

173. The Council's BVIP included improvements to this area and agreement to prepare a single equality scheme and revise its equality impact assessment guidance by December 2010. Progress noted in the progress report in September stated that a first draft of the new scheme has been prepared and that the revised guidance was being progressed. The Council has only two outstanding equal pay claims which have been sisted by the Employment Tribunal

### Sustainability

174. The BV2 audit found that "the council has a good record of working towards sustainability". Sustainability is one of the priority outcome areas identified in the area's community plan. The Angus Rural and Environment Partnership (AREP) published a progress report in June 2010 that provided an update of progress made in 2009/10 in three separate single outcome agreement sustainability outcomes; 10, 12 and 14. In summary out of 32 indicators 15 exceeded or met the target with only two indicators reported that were below the target set. Of the 12 actions listed five are noted to be completed with a further 6 reported as being on schedule. There is a high degree of customer satisfaction with their access to amenities and services within Angus. In Angus both the natural and built environments are considered to be well protected and enhanced and there are a number of initiatives in place aimed at reducing the carbon and ecological footprints in Angus.
175. The recently updated corporate risk register identified a significant risk for the Council is that the arrangements are not sufficiently developed to meet legislative obligations for carbon reductions. The Council had identified that a number of actions had been taken to help mitigate this risk including conducting the first phase of carbon trading simulation and preparation underway for phase two.

### Single outcome agreement (SOA)

176. 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.
177. The 2009/10 performance report for the SOA 2009-12 was submitted to the Strategic Policy Committee on 7 September, the Scrutiny and Audit Sub-Committee on 21 September and the Angus Community Planning Partnership on 22 September prior to submission to the Scottish Government at the end of September 2010.
178. Overall the performance reported was positive with almost 70% of the indicators meeting or exceeding targets. The report summarised achievements to date and gives an explanation of why some indicators fell short of target and highlights ongoing areas of work for the future.
179. The AIP notes ongoing work to include annual monitoring of progress against outcomes in SOA by the LAN.

### Risk management

180. A recent report on the Council's corporate risk register was submitted to the Scrutiny and Audit Sub-Committee meeting of 21 September 2010. This report asked members to determine whether the scope and coverage of the risk register (which had been updated by the COMT) was sufficient prior to its submission to the Strategic Policy Committee. This Committee has overall responsibility for the risk management strategy arrangements.

## 6. Performance management and improvement HENDERSON LOGGIE

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181. The most significant risk identified within the corporate risk register was that it is not in a position to deliver its existing range and level of services due to funding constraints. The key actions taken by the Council to help mitigate this risk are updating its Medium Term Financial Strategy and the establishment of an efficiency programme. Each department has also drafted three forward years' budget savings proposals.

### National studies

182. A summary of national studies issued by Audit Scotland together with the Council's action to date is included at Appendix II.

### Outlook

183. Delivery of high quality performance information to members and the public will continue to be a key challenge for the Council and we plan to follow up progress made in this area again next year.
184. Continuing to improve services will be a key challenge in the current economic climate.
185. Specific scrutiny interventions included in the AIP are on-going and this includes the BVIP which is noted to be subject to external audit review on an annual basis and ongoing monitoring of progress against outcomes in the SOA by the LAN.
186. Carbon trading. As part of the mandatory CRCEES the Council is obliged to purchase Carbon Certificates, from April 2011 onwards, based on the predicted total carbon weight of emissions for the Council for 2011/12. This will be calculated using a standard government formula to calculate the carbon emissions associated with the Council's electricity and other energy usage (excluding transport). Incentives and penalties will be built into the system to encourage a reduction in carbon emissions. This is a potentially significant new area of cost for the Council, in terms of allowances to be bought, the administration required to draw together all relevant data and the potential civil and criminal penalties in the event of non-compliance. The Council should also take cognisance of the reputational risks associated with the publication of league tables which will show the relative performance of public bodies under CRCEES.



## 7. Action Plan

Para Ref	Observation and Risk	Recommendation	Management Response		
55	IFRS-based Code of Practice on Local Authority Accounting has been prepared which replaces the SORP from 2010/11, when local authorities and joint boards are required to fully adopt IFRS. The Code applies from 1 April 2010 and will bring about numerous significant changes to the Council's 2010/11 accounts. The Head of Finance and his team will need to put in place the necessary arrangements to ensure to full compliance with the new Code.	<b>R1</b> The Head of Finance and his team should continue to put the necessary arrangements in place to ensure full compliance with the IFRS-based Code of Practice on Local Authority Accounting, which replaces the SORP and applies from 1 April 2010.	<p>Activity to transfer annual accounts preparation to the IFRS Code of Practice is continuing. This process will not ultimately be concluded until the draft 2010/11 financial statements are submitted to Audit Scotland in June 2011.</p> <p><b>To be actioned by: Head Of Finance</b></p> <p><b>No later than: 30 June 2011</b></p> <table border="1"> <tr> <td><b>Grade</b></td> <td><b>B</b></td> </tr> </table>	<b>Grade</b>	<b>B</b>
<b>Grade</b>	<b>B</b>				
59	The Council also currently apply a significant Right-To-Buy discount to this valuation to arrive at the current value of council dwellings in the accounts. In July 2009, LASAAC issued guidance which states that this treatment will not be acceptable under IFRS which apply for the 2010/11 accounts. The basis for valuing these assets for 2010/11 will need to be revised to produce IFRS compliant accounts and will necessitate restatement of the March 2009 and 2010 council dwellings valuations for comparative purposes.	<b>R2</b> The Finance Team should continue to work towards putting the necessary arrangements in place to ensure compliance with the LASAAC Guidance and the IFRS-based Code of Practice on Local Authority Accounting, which does not accept that the Right-To-Buy discount should be deducted from the council dwellings current value within the accounts.	<p>The Council's retained valuers have been requested to undertake valuations of the Council's housing stock on an IFRS compliant basis. Valuations to permit restatement at March 2009 and March 2010 are anticipated to be provided in November 2010.</p> <p><b>To be actioned by: Senior Service Manager (Finance Services)</b></p> <p><b>No later than: November 2010</b></p> <table border="1"> <tr> <td><b>Grade</b></td> <td><b>B</b></td> </tr> </table>	<b>Grade</b>	<b>B</b>
<b>Grade</b>	<b>B</b>				



## 7. Action Plan

Para Ref	Observation and Risk	Recommendation	Management Response		
63	The final accounts include other gains of £2.111 million within the Statement of Total Recognised Gains and Losses (STRGL) for 2009/10 (loss of £0.438 million in 2008/09). This may indicate that there are accounting errors in the Council's treatment of transfers between statutory reserves, including interest, or capital accounting entries such as capital from current revenue (CFCR). Although it is unlikely that this would impact on the reported Income and Expenditure deficits or the total net worth reported in the Balance Sheets as any adjustment is likely to be between reserves we believe that the Finance Team should look into this with a view to amending the restated accounts.	<b>R3</b> We recommend that the Finance Team continue to investigate why these other gains and losses are occurring and if possible put through the required adjustments to write these out of the restated accounts for 2009/10.	<p>The amounts in question will be reviewed to identify the correct position and undertaken any necessary amendments.</p> <p><b>To be actioned by: Senior Service Manager (Finance Services)</b></p> <p><b>No later than: 31 January 2011</b></p> <table border="1"> <tr> <td><b>Grade</b></td> <td><b>B</b></td> </tr> </table>	<b>Grade</b>	<b>B</b>
<b>Grade</b>	<b>B</b>				
87	The strategy outlines a programme of service and efficiency reviews intended to help limit the impact of cost savings on service delivery. The 2010/11 programme of reviews sets out a further 10 areas for review, six of which have been deferred from 2009/10 into 2010/11. Since the start of our audit appointment, there have been a number of examples of reviews taking much longer to conclude than had originally been anticipated. Given the financial challenges ahead, we believe that it is important that the reviews should be completed within a reasonable timescale and that the Council should seek to avoid any further slippage.	<b>R4</b> We recommend that the Council should seek to ensure that these reviews are carried out within a reasonable timescale as they may highlight efficiencies and savings that may help deliver services during this period of financial constraint.	<p>Progress is now being monitored by the new Performance Review Group and officers are required to provide formal updates on all reviews for which they are responsible.</p> <p><b>To be actioned by: Chief Executive</b></p> <p><b>No later than: 31 January 2011</b></p> <table border="1"> <tr> <td><b>Grade</b></td> <td><b>A</b></td> </tr> </table>	<b>Grade</b>	<b>A</b>
<b>Grade</b>	<b>A</b>				

The grading helps management assess the significance of the issues raised and prioritise the action required to address them. The grading structure is summarised as follows:

<b>Grade</b>	<b>Definition</b>
A	Fundamental issues which require the urgent consideration of senior management
B	Significant matters which require the attention of line management
C	Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale



## Appendix I BV2 Improvement Plan

Area for Improvement	Action	Timescale	Progress at October 2010 Comments below are based on report 673/10 – and updated by management where appropriate.
Leadership and Culture	Hold elected member planning day to inform next corporate plan.	September 2010	The Planning Day will be held on 17 November 2010
	Introduce joint meetings between Chief Executive and Leader of Council and Leader of Opposition	August 2010	Completed – meetings are now being held on this basis with the initial one taking place 17 September 2010
	Start submitting six month and annual SOA reports to Scrutiny and Audit Sub Committee.	September 2010	2009/10 SOA Progress Report submitted to September 2010 meeting of Scrutiny and Audit Sub Committee
Partnership Working and Community Leadership	Support Angus Association of Voluntary Organisations and Voluntary and Community Organisations in the development of a third sector forum.	June 2010	Support provided but Angus Association of Voluntary Organisations and Voluntary and Community Organisations have asked for delay
Community Engagement	Develop local community plans	October 2010	Local Community Plans are being drafted and will be submitted to the Angus Community Planning Partnership
Governance and Accountability	Consider current arrangements for chairing Scrutiny and Audit Sub Committee	September 2010	Completed - Revised arrangements agreed at the Council meeting in September 2010. See paragraph 138 of main report
	Consider current arrangements on quasi judicial committees	September 2010	Completed – status quo to remain



## Appendix I BV2 Improvement Plan

Area for Improvement	Action	Timescale	Progress at October 2010 Comments below are based on report 673/10 – and updated by management where appropriate.
Performance Management	Establish revised performance monitoring arrangements at chief officer level	August 2010	Completed. Performance Review Group established.
Efficiency	Align timetable for agreeing forthcoming year's corporate and service reviews with budget and service planning timetable.	August 2010	Completed – Report aligning timetable agreed by Performance Review Group 16 August 2010
Competitiveness	Introduce monitoring of progress re corporate and service reviews.	October 2010	First report to be submitted to Scrutiny and Audit Sub Committee in November 2010
Financial Management	Update medium term financial strategy	June 2010	Completed. See paragraphs 86 to 88 of main report.
	Review the Capital Project Appraisal guidance	August 2010	Completed. Amendments agreed by Capital Budget Sub-Group in August 2010.
Asset Management	Review use of whole life costing across option appraisal exercises	August 2010	Report agreed at Capital Budget Sub-Group 13 August and Capital Project Appraisal guidance to be revised to reflect this.
Managing People	Review guidance on cascade briefing acknowledging organisational barriers to the traditional oral form.	August 2010	Completed





## Appendix II

### Audit Scotland National Studies

Report	Publication Date	Summary of Findings	Angus Council Action
<b>Improving Civil Contingencies Planning</b>	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 Chief Executive submitted the Civil Contingencies Annual Report for financial year 2009/10 to the 15 June 2010 meeting of the Strategic Policy Committee. This annual report advised that the 16 recommendations from the national report had been discussed by the Tayside Strategic Planning Group and an action plan had been agreed.
<b>Making an Impact: Overview of the Best Value audits 2004-09</b>	October 2009	This report draws from the 32 full BV audit reports, plus the 11 formal BV progress reports that the Commission has published. It summarises the impact of Best Value and presents the main issues that arose from those audit reports.	As the publication of this report coincided with the BV2 audit within the Council it was considered appropriate to give prominence to the outcome of that audit.
<b>Scotland's public finances: preparing for the future</b>	November 2009	This report contains an overview of the financial environment in Scotland and the pressures and challenges facing the public sector. The report also looks at the Scottish Government's financial management arrangements. It suggests some key questions for the Scottish Government, the Parliament and the wider public sector to consider when planning the delivery of public services in a time of severe resource constraints.	The Head of Finance submitted a report to the 12 January 2010 meeting of the Scrutiny and Audit Sub-Committee which highlighted the key issues for the Council arising from the report and provided elected members with a brief commentary on the steps being taken to respond to the future financial challenges.



## Appendix II

### Audit Scotland National Studies

Report	Publication Date	Summary of Findings	Angus Council Action
<b>Protecting and improving Scotland's environment</b>	January 2010	<p>This report identifies that Scotland has made mixed progress against environmental targets. Specific issues highlighted in the report were as follows:</p> <ul style="list-style-type: none"><li>• Road transport is the main cause of Scotland's remaining air quality problems</li><li>• Meeting European targets for improving the water environment will require different approaches</li><li>• There has been mixed progress in protecting and improving Scotland's biodiversity</li><li>• Councils do not have sufficient plans to meet landfill and recycling targets beyond 2010</li></ul>	Presently being considered by officers.
<b>Improving public sector efficiency</b>	February 2010	<p>This report provides a position statement on the first year (2008/09) of the Efficient Government Programme, which aims to deliver £1.6 billion efficiency savings over the three years to 2010/11. It also gives an update on how the Scottish Government and public bodies have addressed the recommendations made in Audit Scotland's progress report on the previous efficiency programme, published in December 2006.</p>	<p>The Chief Executive and the Head of Finance submitted a joint report to the 10 August 2010 meeting of the Scrutiny and Audit Sub-committee which contained commentary against each of the recommendations contained in the national report and agreed actions where further work was required by the Council. The report also outlined the Council's self-assessment against the checklist provided.</p>



## Appendix II

### Audit Scotland National Studies

Report	Publication Date	Summary of Findings	Angus Council Action
<b>The National Fraud Initiative in Scotland</b>	May 2010	This report sets out the results of the 2008/09 NFI exercise, which involved 74 bodies, including councils, police forces, fire and rescue services, health boards, the Scottish Public Pension Agency and the Student Award Agency for Scotland.	The Head of Finance submitted a report to the 21 September 2010 meeting of the Scrutiny and Audit Subcommittee which summarises the results of the 2008/09 NFI exercise, from a national and a local perspective, and looks ahead to the future work on NFI in 2010/11.
<b>How councils work: an improvement series for councillors and officers – Roles and working relationships: are you getting it right?</b>	August 2010	This report examines how well councillors and officers work together in local government and in particular how well councillors and officers understand their respective roles and responsibilities. It also examines how roles, responsibilities and relationships between councillors and officers contribute to achieving best value (improving services, better outcomes for local people and value for money).	The report was submitted to the Scrutiny and Audit Subcommittee in September 2010.
<b>Getting it right for children in residential care</b>	September 2010	This reports examines how effectively councils use their resources on residential placements for their looked after children and identifies areas for improvement. This work complements the Scottish Government's strategic review of residential child care services in Scotland, conducted by the National Residential Child Care Initiative.	Given the timing of publication, progress in addressing the issues raised in this report will be followed up as part of the 2010/11 audit.



## Appendix III Acronyms

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AIP	Assurance and Improvement Plan	NFI	National Fraud Initiative
AREP	Angus Rural and Environment Partnership	OSCR	Office of the Scottish Charities Regulator
BV/BV2	Best Value reviews	PCA	Procurement Capability Assessment
BVIP	Best Value Improvement Plan	PFI/PPP	Public Finance Initiative / Public Private Partnership
CIPFA	Chartered Institute of Public Finance and Accountancy	PSIF	Public Sector Improvement Framework
COMT	Chief Officers Management Team	PWLB	Public Works Loan Board
COSLA	Convention of Scottish Local Authorities	RICS	Royal Institution of Chartered Surveyors
CRCEES	Carbon Reduction Commitment Energy Efficiency Scheme	SNP	Scottish National Party
EUV-SH	Existing Use Value for Social Housing	SOA	Single Outcome Agreement
FRS	Financial Reporting Standard	SORP	Statement of Recommended Practice
HRA	Housing Revenue Account	SPI	Statutory Performance Indicators
IFRS	International Financial Reporting Standard	SRA	Shared Risk Assessment
ISA	International Standard on Auditing	STO	Significant Trading Organisation
LASAAC	Local Authority (Scotland) Accounts Advisory Committee	STRGL	Statement of Total Recognised Gains and Losses
LGPS	Local Government Pension Scheme	TPC	Tayside Procurement Consortium
NDR	Non Domestic Rates	WGA	Whole of Government Accounts