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Chartered Accountants

Perth & Kinross Council

**Report to Members and the
Controller of Audit 2009/10**

External Audit Report No: 2010/04

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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 Perth & Kinross 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 Perth & Kinross Council and the 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

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 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 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.
5. Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance on Common Good funds recommended a Common Good asset register should be in place by 31 March 2009. The status of the LASAAC guidance is that it is best practice and as such the Council is expected to comply with it. At the current rate of progress the work required for the Council to fully comply will take a significant amount of time.

Use of resources

6. The General Fund balance for the year at 31 March 2010 was £0.991 million more than at 31 March 2009. This is a favourable movement of £3.084 million compared with a budgeted use of resources.
7. The Housing Revenue Account (HRA) balance for the year at 31 March 2010 was £0.251 million less than at 31 March 2009. The HRA forecast for 2009/10 was to breakeven.
8. Commitments against the General Fund balance, excluding HRA, total £21.248 million leaving an uncommitted balance at 31 March 2010 of £8.973 million. Commitments against the HRA balance total £0.136 million leaving an uncommitted balance of £0.643 million. The overall total uncommitted balance is £9.616 million which is within the Council's approved range.
9. The Group Balance Sheet shows the Total Assets less Liabilities to be a net liability position of £226.923 million at 31 March 2010. All group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.
10. The Council's pension liabilities at 31 March 2010, estimated by the Actuary, exceeded its share of pension scheme assets by £234.344 million (2008/09 - £108.921 million). The adverse movement of £125.423 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. Future indexing changes from Retail Price Index to Consumer Price Index are expected to result in reduced pension liabilities in future years.
11. The key risk for the Council for future years will be to manage within the available budget. For financial planning purposes a reduction in funding in 2010/11 of approximately £4.000 million was anticipated and an extra £2.000 million was targeted from efficiency / shared services savings.

1. Executive summary

12. The Council's Medium Term Financial Plan was approved at a Council meeting on 30 June 2010. This includes a corporate savings target of £38.000 million phased in over 2011/12 to 2013/14. A range of other measures are also being considered. This will prove challenging whilst at the same time ensuring the delivery of key outcomes within the Perth & Kinross Single Outcome Agreement (SOA).

Governance and accountability

13. The Council's Corporate Governance framework incorporates the Community Planning Partnership's (CPP) updated SOA 2009-11, the Council's revised Corporate Plan and a rationalised Corporate Improvement Plan (CIP) 2009-12 aligned with the Council's Transformation Strategy. Each Service Business Management Improvement Plan has also been aligned to the delivery of the SOA.
14. The Council has also updated the Medium Term Financial Plan and set out a strategy *Securing the Future – Towards 2015 and beyond*; and the revised CIP supports both of these.
15. The 2009/10 annual accounts included an Annual Governance Statement based around an approved Local Code of Corporate Governance. A working group has been reviewing the Local Code in light of latest guidance produced jointly by Society of Local Authority Chief Executives and Chartered Institute of Public Finance and Accountancy.
16. Weaknesses in Internal Audit were reported in the Council's Governance Statement last year, and have been included again for 2009/10. During 2009/10 there has been some improvement in the service, but slippage with projects, caused mainly by sickness absence, remained a significant problem that was discussed frequently at the Audit Sub-Committee.
17. The Acting Chief Internal Auditor was appointed to the Chief Internal Audit post in June 2010 and this should allow faster progress with improvements going forward. For 2009/10 we have placed limited reliance on Internal Audit, taking assurance from two projects. For 2010/11 we will again only be able to place limited reliance on Internal Audit and will undertake key control testing in all major financial systems.
18. National Fraud Initiative (NFI) data matches have been investigated. No frauds were identified but four errors were identified with a combined value of £19,749. Arrangements are in place to provide the data for the 2010/11 NFI exercise.

Performance management and improvement

19. Following the publication of the Crerar report in 2007, the Scottish Government agreed to establish a simplified approach to delivering local government scrutiny. A local area network has been established for each Council, comprising representatives of all scrutiny bodies who engage with the Council. The Shared Risk Assessment for the Council has been completed and the resulting Assurance and Improvement Plan (AIP) for 2010-13 was considered at a meeting of the Council on 30 June 2010.
20. The latest Assurance and Improvement Plan (AIP) produced by the joint scrutiny bodies confirms that the Council has developed a range of detailed performance measures which are outcome focussed and support the delivery of SOA objectives. In general, services are performing well and where this is not the case the Council is actively managing the situation to improve performance.
21. Arrangements in place are sufficient to meet the Council's statutory duties to collect, record and publish a range of Statutory Performance Indicators.

1. Executive summary

22. The Single Outcome Agreement (SOA) 2009-2011 was submitted to the Council in May 2009. A report presented to Council in September 2010 provides an overview of how well the CPP is performing against the performance indicators contained within its SOA for 2009-11. A CPP enhanced governance structure was presented to the Council on 11 May 2010. This has a particular focus on the delivery of the SOA.
23. We are responsible for conducting follow-up reviews of the Best Value Improvement Plan (BVIP) agreed in October 2008. The Council reported two six monthly updates on the BVIP, on 24 June 2009 and on 30 September 2009. The second of these updates states that "very good progress continues to be made against all the actions and targets contained within the Improvement Plan".
24. Audit Scotland published a number of reports on national studies over the past year. A summary of these reports, together with the Council actions to date, is included at Appendix 1.

Outlook

25. The most significant challenge facing the Council is the imminent reduction in available funding for financial year 2011/12 onwards. Although the precise scale of the funding reduction will not become clear until December 2010 the Council will inevitably face some difficult choices on how to manage the impending cuts in its budget. The Council's Executive Officer Team (EOT) has recognised the need for decisive action to meet the financial challenges which lie ahead. The Council has recognised the importance of having robust governance and accountability mechanisms in place to ensure that any significant transformational changes are handled in an appropriate manner.
26. The final shared risk assessment and assurance and improvement plan (AIP) was considered at the full Council meeting on 30 June 2010. This document was produced by the LAN of scrutiny bodies and describes the work which is planned around corporate activities for three financial years commencing 2010/11. In Year 1 of the rolling programme, 2010/11, we are required to carry out regular monitoring of the BVIP throughout the year. In addition, SWIA will be conducting ISLA follow up activity around home care, risk assessment and risk management.
27. A number of changes in financial reporting are expected to apply from 2010/11 and beyond including the requirement for full compliance with International Financial Reporting Standards and the need for a Council decision around trust fund disclosures.
28. The introduction of the mandatory Carbon Reduction Commitment Energy Efficiency Scheme is a potentially significant new area of cost for the Council and carries reputational risks which will require to be managed.

Acknowledgements

29. Our audit 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

Introduction

30. We are pleased to submit our fourth annual report, covering significant matters arising during the course of our audit of Perth & Kinross Council for the year ended 31 March 2010.
31. The framework under which we operate, under appointment by Audit Scotland, and our audit approach, are as outlined in our Report 2010-01 Risk Assessment, Annual Audit Plan and Fee Proposal for 2009/10 (Annual Plan) issued on 23 February 2010. The respective responsibilities of Council members, officers and the auditors are set out in our Report 2010-03 Report to those charged with Governance on the audit of Perth & Kinross Council 2009/10 (ISA 260 Report) issued on 23 September 2010.
32. 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
33. Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Council.

Audit activity and reporting

34. As part of our overall planning approach to the Council's annual audit we carried out a review of the key risks, national and local, facing the Council and reported how we would continue to monitor them during the year through attendance and review of Council and community partnership 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.
35. In accordance with our Annual Plan we reviewed the Council's key internal controls and have raised some issues during the course of the audit including matters highlighted in our Financial Statements Audit Plan (FSAP), Report 2010-02, issued on 31 May 2010 and our ISA 260 Report.
36. 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

Audit opinion

37. 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.
38. In accordance with International Standard on Auditing (ISA) 260 we issued our ISA 260 Report, which was discussed and finalised with the Head of Finance and the Leader of the Administration on 23 September 2010. This report provided audit comment on the key issues and audit opinion arising from the audit of the financial statements and of the systems of financial internal control. It also included our proposed audit certificate and detailed the agreed adjustments to the draft accounts arising from our audit. The agreed adjustments have no impact on the General Fund balance.
39. 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 of Perth and Kinross Council and its group, 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 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

40. Our FSAP 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.

Whole of Government Accounts (WGA)

41. 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.
42. 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.
43. 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.

3. Financial statements

International Financial Reporting Standards (IFRS)

44. 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 on Balance Sheet.
45. 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 and we recommend that the necessary arrangements are made to comply with the new requirements of the Code.
46. 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 Council has completed the work for a restated opening Balance Sheet at 1 April 2009 and is in the process of restating the 2009/10 Balance Sheet. We will review the restatement work in due course and report our findings at an early stage.

R1 The Council should ensure the necessary arrangements are in place to comply with the IFRS-based Code of Practice on Local Authority Accounting, which replaces the SORP and applies from 1 April 2010.

PFI / PPP

47. Our audit testing confirmed that the Council's accounts made the appropriate SORP disclosures for PFI/PPP projects and have taken into account the 2009 SORP changes. One significant adjustment and one trivial adjustment were noted and it was agreed that the final accounts be adjusted for the significant adjustment. Further details are included in our ISA 260 report.

Financial Reporting Standards (FRS) 17 Pension costs

48. The Council included 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.

Financial instruments

49. 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.
50. Further details of all the disclosures for financial instruments are included in notes 24 to 28 to the accounts on pages 36 to 41. The fair values of all financial instruments have been disclosed in these notes based on information provided by the Council's professional advisers Sector.
51. In calculating the fair value of the Public Works Loan Board (PWLB) loans, Sector used the discount rates for new borrowing as per rate sheet number 063/10. The PWLB has also provided figures, calculated by reference to the "premature repayment" set of figures at 31 March 2010. This is significantly different from the Sector figures as follows:

Sector	£149.911 million
PWLB	£156.812 million
Difference	£ 6.901 million

The Sector balance of £151.267 million (as disclosed in the accounts) includes accrued interest of £1.356 million. This has been excluded for the above comparison. The carrying value of these loans is £144.194 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 acceptable.

3. Financial statements

Group accounts

52. 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 note 1 to the Group Accounts details their interest in other entities and the basis of consolidating the results within the Council's group accounts. For further comments see paragraphs 75 to 77.

Trust Funds

53. Discussions have been ongoing for some time between the Office of the Scottish Charity Regulator (OSCR) and LASAAC regarding the staged application of the Charities (Scotland) Regulations 2006. These discussions are continuing and until they are concluded it is recommended that local authorities continue to make disclosures in respect of trust funds that are consistent with previous years. The disclosure requirement in the SORP in respect of trust funds is not included in the Code. However, failure by local authorities to disclose details of the nature and amount of trust funds in their accounts would necessitate the preparation and audit of separate accounts for charities in order to satisfy the requirements of section 106 of the Local Government (Scotland) Act 1973.

R2 Pending the outcome of discussions with OSCR the Council must decide between making the appropriate trust fund disclosures in the 2010/11 accounts and making arrangements for the separate audit of these funds.

Common Good Fund

54. LASAAC published "*Accounting for the Common Good Fund: a Guidance Note for Practitioners*" in December 2007. The expectation was that the guidance would be implemented in 2007/08, with a review of asset register arrangements completed by March 2009 and with a Common Good asset register in place by 31 March 2009.
55. We have previously reported on the Council's progress in reviewing the assets in the Common Good registers to ensure they are complete and noted that there was still some way to go to complete the review. To date the preliminary review of all parks and open spaces and other assets for three of the 10 common good areas has been undertaken.
56. The review process still has some elements to be completed and then the appropriate Committee will be required to determine which, if any, assets not currently recorded in the Common Good, should be included.
57. This process may require inclusion of assets not previously included in any Council or Common Good records and the transfer of assets that are currently recorded in the Council's accounts. A note to the accounts recognising this latter possibility was included last year and again this year. The total net book value of the assets currently identified in the Council's accounts and awaiting confirmation of whether they should transfer to the Common Good or not is £2.200 million.
58. The status of the LASAAC guidance is that it is best practice and as such the Council is recommended to comply with it. The deadline for full compliance was 31 March 2009. At the current rate of progress the work required for the Council to fully comply will take a significant amount of time. In order to achieve compliance as soon as possible we recommend that:

R3 The assets that have been identified as potential Common Good assets should be taken through the remainder of the verification process as soon as possible and transfers and corrections should be made where these are required.

3. Financial statements

R4 The seven remaining Common Good areas should have their reviews completed as soon as possible, with each completed review being taken to Committee as soon as it is ready without waiting for all areas to be completed.

59. Included in the assets under consideration is Aberfeldy Town Hall at a value of £0.749 million. Our ISA 260 Report notes a disagreement between Council officers and us on the treatment of this asset. Our view of the treatment was formed after reading a report on the Aberfeldy Town Hall to the Property Sub-Committee on 18 August 2010. The committee report raises a number of audit questions around the treatment of Aberfeldy Town Hall and some other potential Common Good assets and we plan to follow this up in our 2010/11 audit.

Legality

60. Through 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, and having made appropriate enquiries of the Council's management team, the financial transactions of the Council were in accordance with relevant legislation and regulations. Other than the matters regarding the Loans Fund reported in our ISA 260 Report there are no additional legality issues arising from our audit which require to be brought to members' attention.

Financial reporting outlook

61. 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 OSCAR, 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 guidance requiring the use of a Beacon approach from 2015/16. As the Council currently uses a Discounted Cash Flow basis preparations will need to be made for this change.

4. Use of resources

Financial position and performance

62. As reported in the Income and Expenditure Account, the Council's net operating expenditure of £353.312 million exceeded its income from government grants and local taxation, resulting in a deficit on the Income and Expenditure Account for the year of £34.537 million (2008/09 – Surplus £1.571 million). After the necessary statutory and non-statutory accounting practices adjustments to the General Fund movements for the year, this resulted in an increase of £0.991 million (2008/09 – decrease £6.410 million) on the total General Fund balance (including the HRA).
63. For statutory accounting purposes, the HRA balance requires to be included as a ring-fenced amount within the General Fund balance, albeit for internal and budget purposes, the Council treats the HRA and the General Fund separately. The HRA Income and Expenditure Account reported a deficit of £13.100 million (2008/09 – surplus of £0.852 million). The final outturn for 2009/10, after the necessary adjustments to the HRA movements, was a decrease of £0.251 million on the HRA balance to £0.779 million at 31 March 2010 (2008/09 - £1.030 million).
64. Financial performance is 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

65. The General Fund balance for the year at 31 March 2010 was £0.991 million more than at 31 March 2009. This is a favourable movement of £3.084 million compared with the budgeted use of resources. The General Fund budget (as amended) assumed a use of resources of £2.093 million, whilst the HRA budget assumed no contribution from balances. Significant factors contributing to the variance are shown in Table 1.

Table 1 – Financial performance against the 2009/10 budget

General Fund balance	£m	£m
Budgeted General Fund movement		(2.093)
Significant factors		
Under-spends on Net Cost of Services	0.971	
Under-spend Interest payable and similar charges	0.728	
Increase in Council Tax income	0.241	
Over-spend HRA	(0.412)	
Under-spend Single Status appeals	1.465	
Miscellaneous others	0.091	
Overall variance		3.084
Actual increase in General Fund balance		0.991
		=====

Housing Revenue Account

66. The HRA budget was set to break even. The main reasons for the over-spend of £0.412 million above was due to expenditure of £0.231 million on the HRA element of Council wide modernisation projects and additional expenditure of £0.126 million on maintenance charges for information technology hardware and software.

Efficient Government

67. 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 over a three-year period through elimination of waste, bureaucracy and duplication.

4. Use of resources

68. 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 recognises that it must strive for and achieve continuous improvement to its services, measureable year on year. Identification of cash-releasing savings is a key element of the Council's financial management strategy; with the delivery of approved efficiency savings forming an integral part of the management of each Council's Service's Revenue Budget and this is in turn monitored as part of the Council's overall expenditure monitoring.
69. 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 was subsequently reported to the Strategic Policy and Resources (SP&R) committee on 15 September 2010.
70. The Council delivered cashable efficiency savings of £9.358 million in 2009/10, see Table 2 below. It is noted that the cashable efficiency savings represent approximately 3% of the Council's Net Revenue Budget as approved in February 2009 and comprise savings to Service and Corporate Revenue budgets of £8.562 million and the use of £0.796 million of capital receipts from disposal of Council assets.

Table 2 – Cashable efficiency savings 2009/10

Theme	Cash releasing £m	Time releasing £m	Recurring £m
Procurement	1.685	-	1.257
Workforce planning	4.817	-	2.135
Asset management	2.112	-	1.316
Shared services	0.391	-	0.391
Streamlining bureaucracy	0.037	-	0.037
Other	0.316	-	0.108
Total	9.358	-	5.244

71. Key areas identified for savings in 2010/11 within workforce planning, procurement and asset management themes include the following:
- review of support service functions within Education and Children's Services and Housing and Community Care
 - changes in the delivery of expressive arts services in primary schools
 - review of working practices and management arrangements in the delivery of Home Care and Mental Health Day Care Services
 - renegotiation of street lighting electricity contract
 - reduction in use of emergency temporary accommodation for homeless families
 - review of future office accommodation and other property requirements
 - development of proposals to facilitate the transfer of assets into Community ownership where appropriate.

4. Use of resources

Reserves and balances

72. 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 £41.796 million (at 31 March 2009 - £40.874 million). Table 3 details the balances and movements on these reserves. The Capital Adjustment Account, the Financial Instruments Adjustment Account, the Revaluation Reserve and the Pensions Reserves are specific accounting reserves and have been excluded as these are not "cash backed" reserves.

Table 3 – Fund balances and reserves

Fund balances and reserves	2010	2009	Movement
	£m	£m	£m
General Fund	30.221	28.979	1.242
Housing Revenue Account	0.779	1.030	(0.251)
Renewal and Repair Fund	0.849	1.196	(0.347)
Insurance Fund	1.476	1.553	(0.077)
Capital Fund	5.766	5.122	0.644
Capital Receipts Reserve	<u>2.705</u>	<u>2.994</u>	<u>(0.289)</u>
At 31 March	41.796	40.874	0.922
	=====	=====	=====

73. Commitments against the General Fund balance, excluding HRA, total £21.248 million leaving an uncommitted balance at 31 March 2010 of £8.973 million. Commitments against the HRA balance for the potential impairment in relation to the Icelandic bank deposit total £0.136 million leaving an uncommitted balance of £0.643 million. The overall total uncommitted balance is £9.616 million.
74. After recognising General Fund commitments totalling £21.248 million, the uncommitted General Fund Reserve balance, excluding HRA, totals £8.973 million. This represents 2.7% of the Council's budgeted net expenditure for 2010/11 which is within the approved range for uncommitted balances on the General Fund (excluding the HRA balance) of 2% to 4%.

Group balances and going concern

75. The Group's net operating expenditure of £364.475 million exceeded the income from government grants and local taxation, resulting in a deficit for the year of £45.700 million (2008/09 - £9.764 million).
76. The Group Balance Sheet shows the Total Assets less Liabilities to be a net liability position £226.923 million at 31 March 2010 compared with the Council's single entity Balance Sheet net asset position of £39.240 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.
77. All group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.

4. Use of resources

Capital expenditure

78. Gross capital expenditure on the Council's fixed assets for 2009/10, excluding PFI / PPP projects amounted to £45.425 million of which £18.463 million was spent on the Council Dwellings. Further details of the split of capital expenditure, together with an analysis of how the expenditure was financed, are included in Notes 13 to 17 within the Statement of Accounts.
79. The gross capital budget for 2009/10 was £69.142 million, split £49.446 million General Fund and £19.696 million HRA. This was under-spent by £23.717 million, £22.615 million General Fund and £1.102 million HRA, due respectively to slippage with the capital programme and with the HRA kitchen upgrade programme.

The main reasons for slippage in the capital programme include:

- protracted negotiations on Land issues
 - delays in obtaining planning permission, particularly following changes in the planning process
 - increased costs resulting in delays whilst alternative project specification is undertaken or alternative funding sourced
 - protracted consultations between interested parties, including the need to redesign proposed works.
80. The Council's PFI / PPP project; Investment in Learning (IIL), involves the construction of six new community school campuses in Blairgowrie, Aberfeldy, Kinross, Crieff and at two sites in Perth. All of the community school campuses are now complete and operating, with the exception of Aberfeldy, which is due to open in December 2010 and St Johns primary which is due to open in October 2011.

Treasury management

81. 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. 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.
82. The consent 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.
83. 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.
84. 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.
85. 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 Strategic Policy & Resources Committee.

4. Use of resources

86. The Council's Investment Strategy for 2010/11 was approved by the full Council at its meeting on 11 May 2010. In addition as the Council's commercial property portfolio falls within the scope of the regulations a formal annual property investment strategy was submitted to and approved by full Council on 30 June 2010.
87. 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*.

Pensions

88. Accounting for the costs of pensions presents a difficult challenge for councils. The amounts involved are large, the timescales long, and the estimation process is complex involving many areas of uncertainty that are the subject of assumptions. 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.
89. 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.

FRS 17 Pension costs

90. 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.
91. The Council's pension liabilities at 31 March 2010, estimated by the Actuary, exceeded its share of pension scheme assets by £234.344 million (2008/09 - £108.921 million). The adverse movement of £125.423 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. The corporate bond rate used for the valuation at 31 March 2010 of 1.59% is significantly lower than that used at 31 March 2009 of 3.69%. The Fund Actuary has advised that a 1% change in the real bond yield will typically change the valuation of liabilities by up to 25% and this reduction in corporate bond yield has therefore significantly increased the estimated current value of the Council's pension liability by approximately 53% or approximately £200.000 million
92. 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.
93. 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, is expected to result in reduced pension liabilities in future years (see para 51). Note 43 on page 48 of the accounts estimates the reduction to be 6-8%.

4. Use of resources

Financial planning

94. In 2010/11, the Council again froze the Council Tax in accordance with the concordat with the Scottish Government. The Council's Revenue Budget Strategy for 2011-2014 is currently based upon an assumption that there will be no increase in Council Tax levels. However there is uncertainty about the continuation of arrangements supporting the Council Tax freeze.
95. The key risk for the Council for future years will be to manage within the available budget. In setting the 2010/11 Budget, the Council required that all non pay expenditure pressures be financed through identification of compensating savings or through use of budget flexibility. In addition Services were requested to contribute towards the cost of funding a "corporate" savings target in 2010/11. For financial planning purposes a reduction in funding in 2010/11 of approximately £4.000 million was anticipated and an extra £2.000 million was targeted from efficiency / shared services savings. The savings targets were allocated to services based on 2009/10 net revenue budgets. A net revenue budget of £335.141 million, resulting in a Band D Council Tax of £1,158, was approved for 2010/11.
96. The latest Revenue Budget 2010/11 - Monitoring Report No 1 (10/479) revised the General Fund Management Budget to £339.328 million and projected a final outturn of £339.294 million based on the ledger for the three month period to June 2010. If achieved this would result in an under-spend of £0.493 million which would increase the General Fund balance. An additional under-spend of £0.157 million on the HRA is currently projected.
97. The Council's Medium Term Financial Plan was approved at a Council meeting on 30 June 2010. This recommended that £10.000 million of budget headroom be built into proposed corporate savings targets. This results in corporate savings targets of £38.000 million phased in over 2011/12 to 2013/14. This together with a range of other measures such as workforce planning, charging for council services, planned use of reserves, identification of further efficiency savings, re-design of services and service delivery and targeted service reductions are all being considered. This will prove challenging whilst at the same time ensuring the delivery of key outcomes within the Perth & Kinross Single Outcome Agreement (SOA).
- Equal Pay and Single Status**
98. Risks to the Council under the Equal Pay legislation have been reported in the Council's Reserves Strategy. The Council has concluded its internal Single Status Appeals process. Details of the amounts provided for and / or earmarked were detailed in our ISA 260 Report. As noted there, the Council's Reserves Strategy draws attention to the fact that there is a real risk that the cost to the Council of settling equal pay liabilities could be in excess of the levels earmarked.

People management

99. At a Special Council meeting on 11 February 2010 to approve the Provisional Revenue Budget for 2010/11 the Council approved a workforce management strategy designed to reshape the workforce on an on-going basis and to develop measures to enable service redesign which will support a managed reduction in the Council's workforce. The hierarchy of measures include:
- vacancies that arise through retirement and resignation will not be filled unless there are exceptional business reasons (category 1)
 - on-going amendment to recruitment policies (category 2)
 - compulsory redundancy (category 3)

4. Use of resources

100. Implementation of the above has seen the deletion of the post of Executive Director of Corporate Services. Corporate Services responsibilities were transferred to the Chief Executive's Service; Education and Children's Services; Housing and Community Care Services and The Environment Service, resulting in four Services at the Council instead of five. More recently it has been approved that the posts of Head of Economic Development and Head of Planning be deleted on retirement and replaced with a new post of Head of Planning and Regeneration.
101. The Council implemented its current Human Resources Strategy in 2007 covering the period through to 2010. A Strategic Review which included all HR professional functions, administrative and service staffing functions and payroll services has been carried out. Employees and trade unions have been formally consulted as part of this process. A comprehensive strategy is due to be put in place from December 2010.
102. The Council sees workforce planning measures as a key tool in delivering the significant financial challenges it faces in future years.

Asset management

103. The Corporate Asset Management Plan was approved by the Strategic Policy & Resources (SP&R) Committee on 10 June 2009. Since then governance arrangements have been strengthened through the creation of a member officer working group to oversee asset management planning within the authority. In addition a common process for the disposal of surplus and redundant assets has been developed.
104. The effective management of assets will allow the Council to derive best value from their asset portfolio and will assist in the delivery of agreed objectives. The current economic situation has implications for the management of the councils' property assets. Audit Scotland's 2009 report *Asset Management in local government* reported that the total property maintenance backlog for 23 councils was £1.4 billion and for two thirds of all councils the backlog is increasing. When facing difficult economic circumstances, councils may choose to achieve savings through cuts in maintenance expenditure.
105. Asset management decisions faced by councils include areas such as carriageway maintenance. A report to the Enterprise and Infrastructure Committee on 26 May 2010 reported on the implications for Perth & Kinross Council of potential funding restrictions on the transport network. This report noted that to allow the carriageway to be maintained at current levels would require a £2.900 million increase to the budget of £4.600 million per annum. To address this the Council is proposing that the Roads Service develop a new maintenance strategy, recognising that resources may need to be re-targeted to certain routes and areas to maintain key elements of the network. It is also noted that the results of the study on which the report was based did not reflect the further deterioration in the roads network caused by the severe winter conditions experienced in 2009/10.
106. Audit Scotland is currently undertaking a Roads Maintenance follow-up to the 2004 *Maintaining Scotland's roads* report, with a view to publishing a national report late in 2010.
107. An effective response to difficult economic circumstances will require the Council to continue with their systematic approach to asset management, thus ensuring the best approach for managing assets is adopted. The need to review the Council's property portfolio was set out in the report *Securing the Future – towards 2015 and beyond* for which an initial key milestone of April 2011 has been noted.

4. Use of resources

Procurement

108. 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.
109. 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.
110. The 2009 assessment scored the local government sector in Scotland as non-conformant with an average compliance score of 22.6%. The score for the Council in its first year of assessment was 23% slightly higher than the national local government average. Non-conformance does not mean the Council is doing many things seriously wrong. It simply reflects the fact that although the council has made progress it still has more work to do to bring all aspects of its procurement practice up to the standards set down in the McClelland Report. The overall score for the Council was identical to the Tayside Procurement Consortium average at 23% compliance.
111. 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 workstreams:
- 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
112. The Council's procurement team are delivering a two year procurement improvement plan based on the opportunities for improvement highlighted by the PCA assessment. The next PCA assessment is scheduled to take place in October 2010 and this will provide confirmation of the progress made to improve compliance since the initial PCA assessment in 2009.

Shared services

113. The Council proactively investigates opportunities for shared working with the other two Tayside Councils, Dundee City and Angus, as well as NHS Tayside, Tayside Police and Tayside Fire and Rescue. The Tayside Collaborative Working Change Programme sets out the joint projects which are being taken forward by the three councils in terms of: service redesign and shared services; sharing best practice and driving efficiencies and building capacity for change / information sharing. The three Councils also have a shared Procurement Service (Tayside Procurement Consortium).
114. The Council's work on shared service projects also covers areas within Perth and Kinross, such as Service Needs and Property Issues, mobile working, multi functional devices etc. The opening of the Investment in Learning (IIL) Community Campuses referred to in paragraph 80 are seen as a way of changing service delivery arrangements in a number of rural towns as these campuses are able to accommodate all aspects of local service delivery.



4. Use of resources

Outlook

115. Along with other councils, Perth & Kinross 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 and accountability

Corporate governance and internal control arrangements

116. The Council's Corporate Governance framework incorporates the Community Planning Partnership's (CPP) updated SOA 2009-11, the Council's revised Corporate Plan and a rationalised Corporate Improvement Plan (CIP) 2009-12, which is aligned with the Council's Transformation Strategy. Each Service Business Management Improvement Plan (BMIP) has also been aligned to the delivery of the SOA. Team Plans and Individual Work Plans and reviews also feed into and support this framework.
117. A review of the CIP was carried out to ensure that it remains fit for purpose in the light of the changing environment in which the Council works and to ensure that it remains properly focussed on the Council's improvement priorities. The Council has also updated the Medium Term Financial Plan (see para 97) and set out a strategy *Securing the Future – Towards 2015 and beyond*; and the revised CIP supports both of these. The Council approved the plan and strategy at a meeting of the full Council on 30 June 2010. The Council has recognised the need to review existing service delivery arrangements and the need for an increased focus on service modernisation and cost reduction.
118. The Council has a track record of improvement, which was reflected in the 2008 Best Value (BV) report, and is currently developing a number of strategies and plans to face the challenges ahead. At the same time recognition of the role of governance and accountability mechanisms are seen to be important to ensure progress is monitored and reviewed. To this effect the transformation strategy has set in place Executive Sponsors (Leader of Administration and Chief Executive), a Sponsoring Group (Group Leaders and Executive Officer Team (EOT), and a Programme Board (Extended EOT). This will be supported by on-going political engagement, a programme support team and the CPP. The Council is also aiming to fully engage staff over the transformation period.
119. The Council has a separate Scrutiny Committee that reviews and monitors the Council's corporate and service performance. Scrutiny Committee development is being progressed through a "Forward Programme for Scrutiny". As part of this Forward Programme two areas of review, to be undertaken by the Scrutiny Committee, were agreed. The first review was undertaken in 2009 and the findings were reported to the Scrutiny Committee in September 2009. The scope of the second review, Policy Integration (More Choices, More Chances), was approved at the Scrutiny Committee in April 2010 and will be carried out over the period April 2010 to December 2010.
120. The Council also has developed a Guide to Scrutiny. This sets out how scrutiny works at the Council and outlines the different methods and techniques available to the Scrutiny Committee to scrutinise service delivery and review the performance and effectiveness of Council work. The Guide was published in March 2010 and is available from the Council's website.
121. The Audit Sub-Committee of the Scrutiny Committee generally meets five times each year. The Sub-Committee approves the audit plans annually and considers reports, including follow-up reports, of both internal and external audit. Progress with each plan is also considered at these meetings.

Roles and relationships

122. The creation of multi-member wards has required new ways of working to support efficient representation and sharing of the workload. The protocol relating to multi-member wards relates to communications with members in a ward. Perth & Kinross Council has not sought to be prescriptive about how members work together in a ward and members have to determine themselves how they will work together.

5. Governance and accountability

123. The Council has adapted a checklist produced by Society of Lawyers and Administrators in Scotland (SOLAR), Society of Local Authority Chief Executives (SOLACE) and Convention of Scottish Local Authorities (COSLA) concerning member officer working relations in multi-member wards. The Councillors' Code of Conduct produced and monitored by the Standards Commission for Scotland has a specific annex relating to employee / member relations and this is referred to in the Council's own Employees' Code of Conduct. The Council's Employees' Code of Conduct is kept under review by the Policy and Governance Group chaired by the Head of Legal Services.

Annual Governance Statement

124. The 2009/10 annual accounts included an Annual Governance Statement. Comment was included in our ISA 260 Report.
125. The Council is expected to have a local code of Corporate Governance to provide a basis for the Annual Governance Statement. The Council has an approved Local Code of Corporate Governance which is available from the Council's website www.pkc.gov.uk. However as the Council's current code dates from 2005 a working group has been reviewing the Local Code in light of latest guidance produced jointly by SOLACE and CIPFA.
126. It is important that in any period of significant change the Council has in place the appropriate arrangements to deliver good governance. This will ensure that the public, and the Council's employees, can see that there are clear rules covering the workings of the Council.

Reliance on Internal Audit

127. Last year we reported that there was a need to improve the Internal Audit service of the Council and that Internal Audit was reviewing working practices to address a number of issues. Weaknesses in Internal Audit were reported in the Council's Governance Statement last year, and have been included again for 2009/10.
128. We are required to place reliance on Internal Audit work where possible to eliminate duplication of effort and maximise the assurance that the Council can gain from audit. For 2009/10 we planned to place limited reliance on Internal Audit, taking assurance from two projects, one of which was delivered in three stages. Although there was some slippage in delivery, particularly with the Statutory Performance Indicator (SPI) project, we have been able to place reliance on these projects.
129. During 2009/10 there has been some improvement in the service, but slippage with projects, caused mainly by sickness absence, remained a significant problem that was reported regularly at the Audit Sub-Committee. The 2009/10 plan began with 30 projects and during the year one project was added. Resourcing issues led to a number of revisions and deletions from the plan and to date 10 projects from the 2009/10 plan have been reported and a further eight are still expected to be reported. The Audit Sub-Committee has agreed that the remaining audits will not now be undertaken.
130. The Acting Chief Internal Auditor was appointed to the Chief Internal Audit post in June 2010 and this should allow faster progress with improvements going forward. In addition the Audit Sub-Committee in September 2010 approved a new six month plan for the period to 31 March 2011 which will enable the Service to align its future planning period with the Council's financial year from 2011/12. This plan was produced following a risk assessment made with input from an external advisor. The final plan was not accompanied to the meeting by the full risk analysis.

5. Governance and accountability

R5 In future a summary of the full audit universe risk analysis and the audit needs assessment should be submitted to the Audit Sub-Committee with the draft annual audit plan so that members can have input to the risk assessment and thereafter the prioritisation of projects to be carried out. This will also allow members to consider any alternative work that the Council may be undertaking that can mitigate risks that Internal Audit do not have the resources to cover.

131. The approved 2010/11 plan includes two projects covering main financial systems (payroll and Housing / Council Tax benefit). We appreciate that the Internal Audit plan covers a six month period but it is important to ensure going forward that financial internal controls are adequately covered by internal as well as external audit work. This can be especially important in a period of financial constraint, when systems are sometimes revised or vacancies not filled and internal control systems can be weakened. We expect in future to see an increase in the number of main financial systems included in the internal audit plan. For 2010/11 we will again only be able to place limited reliance on Internal Audit and will undertake key control testing in all major financial systems, reducing our testing on payroll and benefits, where possible.

R6: A balance between testing controls in main financial systems and other projects should be included in future Internal Audit plans based on a full risk assessment of all areas.

Prevention and detection of fraud

132. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.
133. 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, a whistle blowing policy 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.
134. 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

135. 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. 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. No frauds were identified but four errors were identified with a combined value of £19,749. 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.

5. Governance and accountability

136. In February 2010 we submitted an NFI return for the Council to Audit Scotland. This return 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.
137. 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 NFI in Scotland 2008/09 which was published in May 2010.
138. The Council is required to make adequate arrangements for the upload of the specified data for the 2010/11 NFI exercise in October 2010. A report on NFI was prepared by internal audit and submitted to the 22 September 2010 meeting of the Audit Sub-Committee. This report summarised the work completed for the 2008/09 NFI exercise and also described the arrangements put in place within the Council to provide the necessary data, for the 2010/11 NFI exercise, in line with the guidance issued by Audit Scotland. We will continue to monitor the steps taken by the Council as the 2010/11 NFI exercise develops.

Housing benefit / Council Tax benefit

139. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2010. A specialist team is carrying out a programme of risk assessments of benefits services in all councils over a two year period.
140. Perth & Kinross Council were informed in May 2010 that the Council's benefits service had been selected for a follow up risk assessment in 2010/11. As part of the supporting evidence for this follow up the Council was asked to provide:
- a copy of the action plan to address the risks identified in the Council's first risk assessment report
 - some guidance notes on the Council's self assessment
 - an updated self assessment template
 - a performance information return
141. Perth & Kinross Council have since been informed that the audit has been delayed and is now likely to take place early in 2011.

Outlook

142. 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.
143. 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.
144. The outcome of the follow up inspection of the Council's benefits service will be noted for our 2010/11 Financial Control Evaluation work and our 2010/11 Housing Benefit / Council Tax Benefit work.

6. Performance management and improvement

Performance management

145. The latest Assurance and Improvement Plan (AIP) produced by the joint scrutiny bodies highlights the Council's "*robust performance management framework*" and confirms that the Council has developed a range of detailed performance measures which are outcome focussed and support the delivery of SOA objectives.
146. The Council has been able to demonstrate to the Local Area Network (LAN) that it is making good progress in managing and improving performance. In general services are performing well and where this is not the case the Council is actively managing the situation to improve performance. There were only two areas of concern noted by the LAN, in terms of service performance. Firstly, the initial scrutiny level assessment (ISLA) conducted by Social Work Inspection Agency (SWIA) highlighted the need for further examination of some risk assessment and risk management practices around adults, children and families. Secondly, the Council's approach to improving home care services will be assessed. Home care had been identified as an area for improvement by Housing and Community Care and work is ongoing to improve performance in this area. Both of these issues will be followed up by SWIA, before the end of 2010, to assess the progress made by the Council since the AIP assessment was conducted.

SPIs and performance reporting

147. 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.
148. 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.
149. 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
150. 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.*"
151. We have placed reliance on the outcome of Internal Audit work included in the 2009/10 plan following discussion and agreement with the former Chief Internal Auditor. The work was reported to the Audit Sub-Committee in internal audit report 09/003 – SPIs 2009/10 on 22 September 2010.

6. Performance management and improvement

152. The scope of the exercise was discussed with the current Chief Internal Auditor prior to commencement of the audit work in March 2010. It was agreed that internal audit would review the arrangements in place within the Council for documenting, collating and checking SPI data, in line with the audit guidance issued by Audit Scotland in January 2010. It was also agreed that we would conduct a separate analytical review of the SPI information produced and also examine the arrangements in place for reporting this performance information to the public.
153. The internal audit report recognised that a wide range of information is collated, recorded and reported which satisfies the requirements of the Direction. However, improvements to the arrangements agreed following the internal audit report cover:
- the processes put in place by services for defining and checking non-specified indicators have not yet been independently checked at a corporate level to ensure that they are sufficiently robust. A management action has been agreed to address this point by February 2011, through a review of the current approach taken for collecting both specified and non-specified SPI information, including indicators drawn from the SOA. This should enhance corporate level controls for 2010/11 by ensuring a proportionate and consistent regime for the collation, definition and checking of specified and non-specified information.
 - Evaluation of the Council's approach, to identify any further improvements required in future years, to meet the requirements of the SPI Direction. A management action has been agreed to review the Council's response to the Direction by the end of October 2010.
154. 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 number of areas where additional information was required in order to fully explain year on year variances. Presentational issues identified were amended by the Council in the final version of the proforma submitted before the 30 August 2010 deadline.
155. 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. The vast majority of the information required by the Direction is contained within the Perth & Kinross Council Annual Performance Report 2009/10 approved by the Council on 30 June 2010 and available to the public through the Council website. The range of performance information contained in the Annual Performance Report covers all but one element of one of the headings set out in the Direction. However, a wide range of additional performance information is available to the public through the Council website, which covers the element not contained in the Annual Performance Report 2009/10.
156. The PKC Performs section on the Council's website provides public access to a wide range of performance information on indicators outlined in the SOA, the Corporate Plan, SPIs and BMIPs for each service. This is supplemented by a comprehensive evidence portal available online.
157. From discussion with management, review of internal audit work and their report 09/003 – SPIs 2009/10, and review of various reports and publications we have concluded that the arrangements in place 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 Direction.

6. Performance management and improvement

Equality and diversity

158. Perth and Kinross Council aims to ensure that all of its activities comply with best practice in the field of equality and diversity. The Council currently has statutory duties to promote disability, race and gender equality in service delivery and employment. In addition, there are the equality statutory duties covering sexual orientation, age and religion and belief. The Council's activities in this area include the following:

- development and publishing of equality action plans
- equality progress reports are submitted on a six monthly to the Equality Strategic Group and the Equality and Member Diversity Officer Group

Sustainability

159. The 2008 BV Audit found that the Council was committed to improving the quality of its environment, the quality of life of local people and the local economy, and that this is reflected in a range of actions and initiatives. It was however identified that *"more work needs to be done to better demonstrate this impact in practice and to find ways of maximising the contribution of procurement towards sustainable development"*.

160. The Council's CIP 2009-2012 recognises sustainability as a key workstream and requires the Council to *"embed sustainability across the organisation in relation to social, environment and economic issues"*. Progress towards mainstreaming sustainable development throughout its processes and practices is assessed by the Council using the PKC Sustainable Development Performance Matrix (adopted as part of the Corporate Sustainable Development Framework). The original Matrix has been reorganised so that individual sections easily correspond with Audit Scotland's 'Sustainability Audit Framework', as proposed by the BV2 audit.

161. A report to the SP&R Committee in December 2009 provided the Council with an annual evaluation and review of corporate Sustainable Development performance. This indicated that the Council had made progress in mainstreaming sustainable development, whilst at the same time identifying areas which are still deemed unsatisfactory or requiring significant improvement. This includes a scheduled sustainable development training programme and a checklist to assess the impact of policy decisions on sustainable development across the Council.

162. Perth and Kinross Council entered into a pilot scheme with Scottish Gas to deliver an energy efficiency scheme that meets the requirements of Section 65 of the Climate Change (Scotland) Act 2009. The proposals allow customers purchasing cavity wall insulation and / or lost insulation to receive a Council Tax discount. The scheme commenced on 1 April 2010 and is due to run for one financial year with an option to extend subject to evaluation.

163. It is proposed that the pilot scheme will be evaluated and if any other energy suppliers show interest in the scheme, arrangements will be made in conjunction with the Energy Saving Trust and potentially other Local Authorities to select a preferred partner based on a competitive procurement process.

6. Performance management and improvement

164. The Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) is a mandatory scheme designed to assist the Scottish Government in achieving its target of reducing carbon emissions by 1.2 million tonnes per year until 2020. A report was submitted to the Property Sub-Committee on 18 August 2010 setting out the potential implications of CRCEES for the Council and proposals for effectively managing the impact of the scheme which begins on 1 April 2011. Powers for carbon trading have been delegated to the Head of Property in consultation with the Heads of Finance and Legal. The Head of Property is now required to submit an annual report detailing the Council's CRCEES performance and the associated legislative position, resource implications and budgetary issues. This will include the impact of carbon trading, which will commence during financial year 2011/12.
165. The Council has recognised the challenge which the CRCEES presents, the financial consequences of non-compliance and the potential financial benefits which may accrue if the Council's carbon emissions can be managed effectively going forward

Single Outcome Agreement

166. The SOA 2009-2011 was submitted to the Council in May 2009 and signed by the Leader of the Council and other statutory public service organisations delivering services in Perth & Kinross and the Scottish Government in July 2009.
167. A report presented to Council in September 2010, the SOA Annual Performance Report 2009/10, provides an overview of how well the CPP is performing against the performance indicators contained within its SOA for 2009-11.
168. The Council has a performance management framework for the monitoring and reporting of the SOA. In 2009/10 a six month exception report on progress against the SOA indicators was presented to the CPP in November 2009 and to the SP&R in December 2009. The Council's Annual Performance Report for 2009/10 presented to Council in June 2010 included an appendix that provided a review of the performance of the CPP against the 2009-11 SOA. As data in respect of several indicators was unavailable the report presented to Council in September 2010 is a more comprehensive assessment of SOA performance for the period. The report aims to provide the Scottish Government, members of the public, elected members, officers of the Council and others with an account of the CPP's performance. Further support is available from the online performance scorecard, PK Performs, which is available on the Council's website.
169. A CPP enhanced governance structure was presented to the Council on 11 May 2010. This followed a review of the current CPP arrangements with a particular focus on the delivery of the SOA. The review examined whether or not enhanced governance arrangements are required to enable the CPP to demonstrate "advanced practice" in line with the criteria in the Governance section of the BV2 Partnership Assessment Matrix. An implementation plan to support the establishment of these enhanced arrangements was presented and approved at the CPP meeting of 18 June. As noted earlier, maintaining good governance arrangements will be important in a period of significant change.
170. For 2010/11 a "How Good is our Partnership" model is to be developed which will evaluate the effectiveness of the CPP in progressing the SOA. This model is based on the Council's self evaluation tool "How Good is Our Council." A pilot is planned for the Strategic Health Partnership; after which the model will be rolled out across all partner organisations.

6. Performance management and improvement

Best Value Audit

171. The report on the Audit of Best Value and Community Planning in Perth & Kinross Council was published by the Accounts Commission in August 2008. Following publication of this report an Improvement Plan was agreed by the Council at its meeting on 1 October 2008.
172. Our Annual Plan reported that a key component of the shared risk assessment is the extent to which implementation of the existing Best Value Improvement Plan (BVIP) has had the anticipated impact. We are responsible for conducting follow-up reviews to assess the progress the Council is making against its agreed improvement priorities, reporting on this locally and feeding into future risk assessments.
173. The Council reported two six monthly updates on the BVIP, on 24 June 2009 and on 30 September 2009. The second of these updates states that "very good progress continues to be made against all the actions and targets contained within the Improvement Plan".
174. Some of the agreed actions from the BVIP have already been completed. The continuing actions have been absorbed into the CIP, the Corporate Plan where the actions are more outcome focussed (such as educational attainment) or into BMIPs where the actions are more operationally specific.
175. In June 2010 the Council took the opportunity to streamline the actions within the Corporate Improvement Plan in order to remove duplication and provide improved clarity. This exercise involved merging a number of actions which were rooted in the BVIP. However, evidence has been provided to demonstrate that all of the continuing BVIP actions are being taken forward within existing Council plans. Progress in delivering these agreed actions will be monitored as an integral part of the wider monitoring of the Corporate Plan, Corporate Improvement Plan and BMIPs.

Risk management

176. A review of the Risk Management framework within Perth & Kinross Council was carried out in November 2009 by an external accounting practice as part of an outsourced internal audit activity. The scope of the review was to examine the adequacy and effectiveness of the Council's overall corporate framework for managing risk.
177. The review recognised internal controls to be strong or moderate across a range of control objectives. One control objective "To ensure that risk management is embedded throughout the Council's operations and that a risk management culture is promoted" was reported as "moderately weak". The need to further embed risk management has been recognised by the Council in their Corporate Improvement Plan.
178. Since this review was completed a revised Risk Management Strategy 2010/12 was reported to and approved by the SP&R Committee on 15 September 2010. A review of the Council's progress of embedding risk management within Services is due to be followed up by Internal Audit as part of their 2010/11 audit plan.

Shared Risk Assessment (SRA)

179. Following the publication of the Crerar report in 2007, the Scottish Government agreed to establish a simplified approach to delivering local government scrutiny. A key aspect of this was improved coordination and streamlining of scrutiny. These arrangements mark a fundamental shift away from scrutiny based on standard inspections undertaken on a cyclical basis. A shared assessment of the risk will be undertaken for each Council and planned, proportionate external scrutiny agreed.

6. Performance management and improvement

180. A LAN has been established for each Council, comprising representatives of all scrutiny bodies who engage with the Council. The SRA for the Council has been completed and the resulting AIP details the level of risk which the scrutiny bodies believe exists across the range of the Council's services, and, in light of the level of risk, sets down the strategic and service level scrutiny activity which will be undertaken by these scrutiny bodies over the next three years. The AIP for 2010-13 was considered at a meeting of the Council on 30 June 2010.
181. 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. The AIP noted that we would keep progress with delivering the BVIP under review. The position to date is discussed in paragraphs 171 to 175.

National studies

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

Outlook

183. The development of a "How Good is Our Partnership" model to evaluate the effectiveness of the CPP in progressing the SOA will be followed up as part of our 2010/11 audit. Partnership working is seen by the Council as critical to maximising the use of public sector resources. The SOA Annual Performance Report 2009/01 reports that a Virtual Improvement Team has been set up across all public sector organisations across Tayside to take forward collaborative improvement actions across the Partnership. Delivery of high quality and improving services will be a key challenge in the current economic climate.
184. Specific scrutiny interventions included in the AIP are on-going and this includes the BVIP which is noted to be subject to external audit scrutiny on an annual basis.
185. 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. 2009/10 Action plan

Para ref	Observation and risk	Recommendation	Management response		
46	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.	R1 The Council should ensure the necessary arrangements are in place to comply with the IFRS-based Code of Practice on Local Authority Accounting, which replaces the SORP and applies from 1 April 2010.	<p>The Council has arrangements in place to ensure compliance with the IFRS based Code of Practice on Local Authority Accounting.</p> <p>To be actioned by: Corporate Accounting Manager</p> <p>No later than: 30 June 2011</p> <table border="1"> <tr> <td>Grade</td> <td>C</td> </tr> </table>	Grade	C
Grade	C				
53	Discussions have been ongoing for some time between OSCR and LASAAC regarding the staged application of the Charities (Scotland) Regulations 2006. Until they are concluded it is recommended that local authorities continue to make disclosures in respect of trust funds that are consistent with previous years. The disclosure requirement in the SORP in respect of trust funds is not included in the Code. However, failure by local authorities to disclose details of the nature and amount of trust funds in their accounts would necessitate the preparation and audit of separate accounts for charities in order to satisfy the requirements of section 106 of the Local Government (Scotland) Act 1973.	R2 Pending the outcome of discussions with OSCR the Council must decide between making the appropriate trust fund disclosures in the 2010/11 accounts and making arrangements for the separate audit of these funds.	<p>The Council will make the appropriate trust fund disclosures in the 2010/11 accounts.</p> <p>To be actioned by: Central Accounting Manager</p> <p>No later than: 30 June 2011</p> <table border="1"> <tr> <td>Grade</td> <td>C</td> </tr> </table>	Grade	C
Grade	C				



7. 2009/10 Action plan

Para ref	Observation and risk	Recommendation	Management response			
58	<p>To date the preliminary review of all parks and open spaces and other assets for three of the 10 common good areas has been undertaken. The review process still has some elements to be completed and then the appropriate Committee will be required to determine which, if any, assets not currently recorded in the Common Good, should be included. This process may require inclusion of assets not previously included in any Council or Common Good records and the transfer of assets that are currently recorded in the Council's accounts.</p>	<p>R3 The assets that have been identified as potential Common Good assets should be taken through the remainder of the verification process as soon as possible and transfers and corrections should be made where these are required.</p>	<p>The assets that have thus far been identified as potential Common Good assets will be reviewed by the Common Good Review Project Board to verify Common Good status and will thereafter be reported to Committee. Note that no transfer of assets between Council and Common Good Balance Sheets will be undertaken until the accounting treatment for Common Good properties has been agreed.</p> <p>To be actioned by: Head of Property Services</p> <p>No later than: 31 March 2011</p> <table border="1" data-bbox="1547 869 2074 917"> <tr> <td data-bbox="1547 869 1794 917">Grade</td> <td data-bbox="1794 869 2074 917">A</td> </tr> </table>		Grade	A
Grade	A					
58	<p>The status of the LASAAC guidance on Common Good Funds is that it is Best Practice and as such the Council is recommended to comply with it. The deadline for full compliance was 31 March 2009 and on current rates of progress the Council still has a significant amount of review to undertake to allow it to fully comply.</p>	<p>R4 The seven remaining Common Good areas should have their reviews completed as soon as possible, with each completed review being taken to Committee as soon as it is ready without waiting for all areas to be completed.</p>	<p>Reviews for the seven remaining areas will be undertaken using available resources and with regard to maintaining service delivery in other areas of work. The outcome of reviews for each of the seven areas will be reported separately to Committee following completion of the verification process by the Common Good Review Project Board.</p> <p>To be actioned by: Head of Property Services</p> <p>No later than: ongoing</p>			



7. 2009/10 Action plan

Para ref	Observation and risk	Recommendation	Management response	
			Grade	B
130	The Audit Sub-Committee in September 2010 approved a new six month plan for 2010/11 which should allow the service to get back onto the normal audit timing for their annual plan in 2011/12. This plan was produced following a risk assessment made with input from an external advisor. The final plan was not accompanied to the meeting by the full risk analysis.	R5 In future a summary of the full audit universe risk analysis and the audit needs assessment should be submitted to the Audit Sub-Committee with the draft annual audit plan so that members can have input to the risk assessment and thereafter the prioritisation of projects to be carried out. This will also allow members to consider any alternative work that the Council may be undertaking that can mitigate risks that Internal Audit do not have the resources to cover.	<p>The full audit universe risk analysis will be submitted to the Audit Sub-Committee along with the Annual Internal Audit Plan for approval.</p> <p>To be actioned by: Chief Internal Auditor</p> <p>No later than: 31 March 2011</p>	
			Grade	B
131	The approved 2010/11 plan includes two projects covering main financial system (Payroll and Housing / Council Tax benefit). Internal Audit service is using a shortened plan period to re-establish itself and we have been assured that the balance between main financial systems and other projects will be restored in future. It is important to ensure going forward that financial internal controls are adequately covered by internal as well as external audit work.	R6 A balance between testing controls in main financial systems and other projects should be included in future Internal Audit plans based on a full risk assessment of all areas.	<p>There is likely to be an increase in the number of main financial systems audits being undertaken within the 2011/12 Internal Audit plan, however the risk-based Internal Audit plan has a significantly wider scope than the financial systems and as such, it will be necessary to await the outcome of the risk analysis undertaken for the 2011/12 planning process.</p> <p>To be actioned by: Chief Internal Auditor</p> <p>No later than: 31 March 2011</p>	
			Grade	C



7. 2009/10 Action plan

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:

Grade	Definition
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 – Audit Scotland national studies

Report	Publication date	Summary of findings	Perth & Kinross Council action
Improving Civil Contingencies Planning	August 2009	The study looked at the progress made since the Civil Contingencies Act 2004 was passed, assessing the pace of change and identifying ways in which improvements can be made. The report made 16 detailed recommendations where further improvements can be made. We agreed in our 2008/09 Report to Members that we would review the Council's progress in addressing the issues raised in the national report as part of our 2009/10 audit.	The recommendations of this report were discussed at the Tayside Strategic Coordinating Group meeting, held on 22 September 2009. The Depute Director (Environment) represented PKC at this meeting. The Tayside SCG Coordinator coordinated a response on behalf of the group to the Civil Contingencies Unit, Scottish Government.
Making an Impact: Overview of the Best Value audits 2004-09	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.	Summary reports for each of the 32 full BV audit reports were produced for the Council's Modernising Governance Member Officer Working Group (MOWG). Audit Scotland's overview report was circulated to relevant managers across the Council for information, but it was not felt necessary to submit an additional report to MOWG following consideration of the individual reports.
Scotland's Public Finances: Preparing for the Future	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.	No formal reporting has taken place, although the report was referred to in the preparation of the revised Medium Term Financial Plan and key questions considered as part of the Budget Review process.



Appendix I – Audit Scotland national studies

Report	Publication date	Summary of findings	Perth & Kinross Council action
Protecting and improving Scotland's environment	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">• road transport is the main cause of Scotland's remaining air quality problems.• meeting European targets for improving the water environment will require different approaches.• there has been mixed progress in protecting and improving Scotland's biodiversity.• councils do not have sufficient plans to meet landfill and recycling targets beyond 2010.	<p>This report was circulated to the Council's Strategic Policy and Sustainable Development Team for action. The findings within the document also influenced the development of the Council's CIP and The Environment Service's BMIP 2010/11.</p>
Improving public sector efficiency	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>A briefing paper outlining the key messages within the report was submitted for consideration by the Council's EOT on 9 March 2010. The national report was also referred to in the preparation of the revised Medium Term Financial Plan and in the production of annual efficiency statements.</p>
The National Fraud Initiative in Scotland	May 2010	<p>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.</p>	<p>A report was submitted to the Audit Sub-Committee meeting on 22 September which summarises result of 2008/09 NFI exercise and looks ahead to the future work on NFI in 2010/11.</p>



Appendix I – Audit Scotland national studies

Report	Publication date	Summary of findings	Perth & Kinross Council action
How councils work: an improvement series for councillors and officers – Roles and working relationships: are you getting it right?	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 national report was submitted to the 15 September 2010 meeting of the Scrutiny Committee. A report detailing the Council's response to this national report will be submitted to the next meeting of the Scrutiny Committee on 1 December 2010.
Getting it right for children in residential care	September 2010	This report 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.	Consultation is currently taking place with relevant Council officers on the findings of the document. A report is being prepared to go to the Scrutiny Committee for consideration in early 2011.



Appendix I – Audit Scotland national studies

Report	Publication date	Summary of findings	Perth & Kinross Council action
Road Maintenance Follow-up	Late 2010	<p>This report will evaluate the extent to which the recommendations in <i>Maintaining Scotland's roads</i> have been implemented and what has changed as a result. It will provide commentary on improvements, significant developments and the capacity for further improvement. The key objectives are to assess:</p> <ul style="list-style-type: none">• the extent to which road condition and the size of the maintenance backlog have changed, and the reasons given (including the impact of the severe winter weather during 2009/10)• the extent to which recommendations aimed at improving value for money have been implemented• the extent to which recommendations aimed at improving the reporting of road condition and maintenance backlog information have been implemented.	Audit Scotland issued a questionnaire in July 2010. The questionnaire was completed and returned to Audit Scotland on 16 August 2010.



Appendix II Acronyms

AIP	Assurance and Improvement Plan	NFI	National Fraud Initiative
BMIP	Business Management and Improvement Plans	OSCR	Office of Scottish Charity Regulator
BV	Best Value	PCA	Procurement Capability Assessment
BVIP	Best Value Improvement Plan	PFI/PPP	Public Finance Initiative / Public Private Partnership
CIP	Corporate Improvement Plan	PKC	Perth & Kinross Council
CIPFA	Chartered Institute of Public Finance and Accountancy	PWLB	Public Works Loan Board
COSLA	Convention of Scottish Local Authorities	RICS	Royal Institute of Chartered Surveyors
CPP	Community Planning Partnership	SCG	Strategic Coordinating Group
CRCEES	Carbon Reduction Commitment Energy Efficiency Scheme	SOA	Single Outcome Agreement
EOT	Executive Officer Team	SOLAR	Society of Lawyers and Administrators in Scotland
EUV-SH	Existing Use Value – Social Housing	SOLACE	Society of Local Authority Chief Executives
FRS	Financial Reporting Standards	SORP	Statement of Recommended Practice
HRA	Housing Revenue Account	SPI	Statutory Performance Indicators
IFRS	International Financial Reporting Standards	SP&R	Strategic Policy and Resources Committee
IIL	Investment in Learning	SRA	Shared Risk Assessment
ISA	International Standard on Auditing	SWIA	Social Work Inspection Agency
ISLA	Initial Scrutiny Level Assessment	TPC	Tayside Procurement Consortium
LAN	Local Area Network	WGA	Whole of Government
LASAAC	Local Authority (Scotland) Accounts Advisory Committee		
LGPS	Local Government Pension Scheme		
MOWG	Member Officer Working Group		