



## **Orkney Islands Council**

**Annual Report on the Audit to Orkney  
Islands Council and the Controller of  
Audit  
2010/11**

**September 2011**



# Orkney Islands Council

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<b>Executive Summary</b> .....	<b>1</b>
<b>Introduction</b> .....	<b>3</b>
<b>Financial Statements</b> .....	<b>4</b>
<b>Use of Resources</b> .....	<b>14</b>
<b>Performance</b> .....	<b>25</b>
<b>Governance</b> .....	<b>31</b>
<b>Appendix 1: Action Plan</b> .....	<b>36</b>

# Executive Summary

## Financial statements

We are pleased to report that our independent auditors' report contains an unqualified audit opinion on the financial statements for the year ended 31 March 2011. We also certify that the accounts have been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.

In 2011, the council was also required for the first time to prepare a remuneration report as part of the annual statutory accounts. Certain disclosures within the remuneration report are subject to audit and we have reviewed the relevant disclosure and confirmed that the part of the remuneration report to be audited has been properly prepared in accordance with the regulations.

The council has prepared its financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code). The 2010/11 Code is the first code based in international financial reporting standards (IFRSs). The move to an IFRS based Code resulted in a number of significant changes in accounting practice. The council was required to restate its 2009/10 financial statements to provide prior year comparatives in the 2010/11 financial statements. During the year, we audited the council's restated 2009/10 financial statements and concluded that the restated financial statements were appropriate for use as comparative amounts for the council's 2010/11 financial statements.

## Use of resources

The council achieved a general fund surplus of £2.86m in 2010/11. The general fund balance brought forward at 1 April 2010 of £19.709m increased to a cumulative net surplus of £22.569m at 31 March 2011. Of this balance, £14.025m has been earmarked for specific purposes, which leaves an unallocated general fund balance of £8.544m. The unallocated general fund balance is just above the council's policy which is to maintain a minimum general fund balance of £8m to meet unforeseen contingencies.

During the year the council re-profiled its capital programme. The capital programme is now being managed against a realistic programme spend profile and slippage against the revised budget amounts to just under 1%.

In August 2011, a paper was presented to the council's policy and resources committee proposing the reduction in the management structure of the council from 34 FTE to 18 FTE chief officer posts. The proposals were approved at a special council meeting in September 2011. It is estimated that there will be an annual saving of £1.16 million. As a result of the proposed changes, consideration will also be given to the introduction of a new committee structure to align officer and committee responsibilities. A report will be presented to council as this initiative progresses.

## **Performance**

Opportunities exist for the council to improve its performance management arrangements. The current paper based system is being managed by an officer group to ensure consistency in presentation and the information contained. Potential savings and enhancements in performance reporting can be achieved in the current paper based system but greater savings could be achieved through the implementation of an electronic performance management system.

The council has introduced systems for carrying out internal self-assessment and service reviews which encompass efficiency reviews, high level reviews and management reviews. It is important that these reviews are completed within agreed timescales and that the findings and added value of these pieces of work are clearly identified and reported to the council.

In order to meet the requirements of the 2008 SPI direction, the council has decided to report on a total of 79 indicators (54 non-specified, 25 specified). The range of indicators identified by the council ensures coverage of SPI 1 and SPI 2. The council plans to report the performance of its 25 specified indicators by 30 September 2011.

## **Governance**

We have reviewed the council's corporate governance arrangements in relation to its systems of internal financial control and standards of conduct including the prevention and detection of fraud and corruption. Our review confirmed that the council's governance arrangements are, in general, satisfactory.

## **Looking forward**

The council has been working to deliver savings of approximately £4m per annum over three years. It is already clear however that delivering this level of savings is likely to be problematic. Whilst savings proposals and priorities have been agreed, the extent of these savings will have a significant impact on some services and the council has therefore engaged in extensive consultation. The council's savings proposals are also likely to be impacted by Scottish Government's decision to review the process required by which councils consider closing schools in their area.

## **Conclusion**

This report concludes our audit of Orkney Islands Council for 2010/11. We have performed our audit in accordance with the Code of Audit Practice published by Audit Scotland, International Standards on Auditing (UK and Ireland) and Ethical Standards.

This report has been discussed and agreed with the chief executive and members of the council's management team. We would like to thank all members of Orkney Islands Council's management and staff who have been involved in our work for their co-operation and assistance during our audit visits.

**Scott-Moncrieff**  
**September 2011**

# Introduction

1. This report summarises the findings from our 2010/11 audit of Orkney Islands Council. The scope of the audit was set out in our External Audit Annual Plan, which was presented to the Monitoring and Audit Committee at the outset of our audit.
2. The main elements of our audit work in 2010/11 have been:
  - Audit of the financial statements, including a review of the statement on the system of internal financial control
  - Review of governance arrangements, internal financial controls and financial systems
  - Review of transition to international financial reporting standards
  - Audit of statutory performance indicators
  - Review of the council's response to Audit Scotland's national study reports, including a targeted follow up of "improving public sector purchasing" and "sustainable waste management"
3. We have prepared detailed reports on a number of the areas noted above. The key issues arising from these outputs are summarised in this annual report.
4. Orkney Islands Council's Assurance and Improvement Plan (AIP), developed by the Local Area Network of external scrutiny bodies, was published in July 2010. The AIP sets out the scrutiny activity proposed for the council for the period up to March 2013. A refresh of the council's AIP was carried out in 2011 to reflect recent work carried out by local scrutiny representatives. The overall scrutiny risk assessment for Orkney Islands Council for 2010/11 was of a low risk council which had shown good self awareness and a positive response to recommendations to external scrutiny bodies. Reflecting this low risk, the AIP does not identify plans for any major scrutiny activity to be carried out. A series of tailored exercises, looking at specific issues, however are planned including, in 2011, a review of capital project management and a follow up review on Orkney Health and Care governance arrangements. Progress on these two reviews is commented on in this annual report.
5. The report is addressed to Orkney Islands Council and the Controller of Audit and will be published on Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# Financial Statements

## Introduction

6. Financial statements are the principal means of accounting for the stewardship of the resources available to the council. In this section we summarise the key outcomes from our 2010/11 audit of Orkney Islands Council's financial statements.

## Our responsibilities

7. We audit the financial statements and give an opinion on:
  - whether they give a true and fair view, in accordance with law and the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code) of the state of affair of the group and of the council and its income and expenditure for the year then ended
  - whether they have been properly prepared in accordance with international financial reporting standards as adopted by the European Union, as interpreted and adapted by the 2010/11 Code
  - whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003
  - whether the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985
  - whether the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements
8. We also are required to report by exception on certain matters including, for example, whether the Statement on the System of Internal Financial Control does not comply with 2010/11 Code.

## Independence

9. International Standard on Auditing 260 – Communication of Audit Matters with those Charged with Governance – requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
10. We provided no additional services to Orkney Islands Council during the year and can confirm that we have complied with the Auditing Practices Board Ethical Standard 1 – Integrity, Objectivity and Independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

## Legality

11. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the financial statements. Our audit procedures included the following:

- Reviewing minutes of relevant meetings
  - Enquiring of senior management and the council's solicitors the position in relation to litigation, claims and assessments
  - Performing detailed testing of transactions and balances
12. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events that may materially impact on the financial statements.
13. During the year however we noted, following council receipt of letters from the trade union, that a senior member of the council's management team has been suspended pending the outcome of internal processes.

### **Responsibility for the Statement of Accounts**

14. It is the responsibility of the council and the Director of Finance and Housing to prepare the financial statements in accordance with the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 2010/11 Code). This means:
- Preparing financial statements which give a true and fair view the financial position of the council and its income and expenditure for the year then ended
  - Maintaining proper accounting records which are up to date
  - Taking steps for the prevention and detection of fraud and other irregularities

### **Overall conclusion**

15. Our audit report is included on pages 12 and 13 of the annual accounts and is addressed to members of Orkney Islands Council and the Accounts Commission for Scotland. The report was issued on 30 September 2011 and is unqualified. We also certify that the accounts have been prepared properly in accordance with applicable law, accounting standards and other reporting requirements.
16. Orkney Islands Council is required under Regulation 4 of the Local Authority Accounts (Scotland) Regulation 1985 to submit a copy of an abstract of their accounts to the Controller of Audit by 30 June. We can confirm that Orkney Islands Council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June.
17. The quality of the financial statements prepared by the council is of a high standard. This is a demonstration of the council's finance officials' commitment to consistently improve the disclosure of Orkney Islands Council's financial and accounting information to stakeholders. Our thanks go to staff at Orkney Islands Council for their assistance with our work.

### **Format of the Accounts**

18. The financial statements should be prepared in accordance with the 2010/11 Code. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts

which give a true and fair view of the financial position and transactions of a local authority and to prepare group financial statements where there are material interests in subsidiaries, associates or joint ventures.

19. In Scotland, the Code constitutes proper accounting practice under section 12 of the Local Government in Scotland Act 2003, under the statutory framework established by the Local Authority Accounts (Scotland) Regulations 1985; and, for the audit of those accounts, by section 99 of the Local Government (Scotland) Act 1973 and section 12 of the Local Government in Scotland Act 2003.
20. The 2010/11 Code is the first code based on international financial reporting standards (IFRSs). Previously, the council had prepared its accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the SORP). The SORP was based in UK Generally Accepted Accounting Practices. The requirement to comply with the Code has resulted in a number of significant changes in accounting practice.
21. In 2011, local authorities were also required for the first time to prepare a Remuneration Report as part of the annual statutory accounts (under the Local Authority Accounts (Scotland) Amendment Regulations 2011).
22. As part of our 2010/11 audit we considered the arrangements the council had in place to ensure compliance with the requirements of the Code and the Local Authority Accounts (Scotland) Amendment Regulations. Overall we concluded that the council has complied with those requirements. The key findings arising from our audit of the financial statements are summarised in the sections below.

### **Audit Adjustments**

23. We identified no major errors or weaknesses during our audit. Adjustments to the financial statements arising from the audit related mainly to changes in disclosure and presentation and have been agreed with the Director of Finance and Housing.
24. We have also identified a number of potential adjustments which are not considered material to the financial statements, either individually or in aggregate. These potential adjustments have been reported to the Director of Finance and Housing and are included as an appendix to the letter of representation.

### **Key areas of audit focus and significant findings**

25. We are required by international auditing standards to report to the council the main issues arising from our audit of the financial statements. The most significant issues are noted below.



## **Transition to International Financial Reporting Standards**

26. As noted in paragraph 20, in 2010/11 the council was required to comply with the Code. The 2010/11 Code is the first code based on international financial reporting standards (IFRSs). The move to an IFRS based Code resulted in a number of significant changes in accounting practice. The council was required to restate its 2009/10 financial statements to provide prior year comparatives in the 2010/11 financial statements. The council was also required to prepare an opening IFRS based balance sheet as at 1 April 2009. During the year, we audited the council's restated 2009/10 financial statements and opening balance sheet as at 1 April 2009. Overall we concluded that the restated financial statements were appropriate for use as comparative amounts for the council's 2010/11 financial statements.

## **Orkney Islands Council Pension Fund**

27. Orkney Islands Council acts as the administering authority for one pension fund, the Orkney Islands Council Pension Fund which is a Local Government Pension Scheme and is a statutory scheme established by the Superannuation Act 1972. The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 provide an amendment to the administration regulations of pension schemes to place a duty on local authorities to publish a pension fund annual report incorporating a statement of accounts, prepared in accordance with proper accounting practices. As a result of this change, pension fund accounts are no longer part of the council's annual accounts and are now subject to a separate audit, and will receive a separate audit opinion. As external auditors to the Orkney Islands Council Pension Fund, we will issue a separate annual audit report which will set out the findings from our audit.

## **Remuneration Report**

28. Scottish local authorities are now required to prepare a Remuneration Report as part of their annual statutory accounts, as set out in the Local Authority Accounts (Scotland) Amendment Regulations 2011 (paragraph 21). The Remuneration Report is a statement in its own right rather than a supplementary note to the accounts and discloses remuneration and pension entitlement details for the council's senior councillors and senior employees including salary, expenses and allowances and accrued pension benefits. The report also includes the number of employees whose remuneration was in excess of £50,000. The Scottish Government has published finance circular 8/2011 "Local Authority Accounts – The Remuneration Report" which assists local authorities in implementing the new requirements.

29. Certain disclosures in the remuneration report are subject to audit including:

- Remuneration disclosures required by paragraphs six to eight of the Schedule of Regulations. These paragraphs set out the disclosures on remuneration of relevant persons. Remuneration includes salary, fees and bonuses and other similar payments, excluding pension payments, from a local authority or its subsidiaries
- Pension benefit disclosures required by paragraphs nine to twelve of the Schedule of Regulations
- Pay band disclosures required by paragraph four of the Schedule of Regulations

30. We have reviewed the relevant disclosure and confirmed that they have been properly prepared in accordance with the applicable regulations.

## **Group Accounts**

31. The Code requires local authorities with interests in subsidiaries, associates or joint ventures to prepare group accounts in addition to their single entity financial statements for all material interests. Orkney Islands Council has consolidated its interest in two subsidiaries and three associates into its group accounts. All bodies within the group received an unqualified audit opinion from their external auditors.
32. We have audited the group accounts prepared by the council and the judgements made by the council on deciding which interests should be included or excluded from the group accounts. The audit report covers our audit opinion on the group accounts and is unqualified.
33. The overall effect of the inclusion of the council's subsidiaries and associates on the group balance sheet is to reduce both reserves and net assets by £13.960m because of pension liabilities. All group bodies' accounts continue to be prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions.
34. As a constituent member of the Northern Joint Police Board and Highlands and Islands Fire Board, the council has an obligation to meet a proportion of their expenditure. Both boards reported an excess of liabilities over assets at 31 March 2011 due to the accrual of pension liabilities. In total these deficits amounted to £329.752m with the council's share being £18.323m.

## **Employee benefits**

35. The Code requires the council to account for employee benefits in accordance with IAS 19 "*Employee benefits*" (as interpreted by the Code). The council is also required to comply with statutory guidance issued in finance circular 3/2010 "*Statutory guidance on accounting for short term accumulating compensated absences*". Employee benefits are all forms of consideration given by an authority in exchange for services rendered by employees. IAS 19 requires authorities to recognise the cost of providing employee benefits in the period in which the benefit is earned by the employee, rather than when it is paid or payable. It includes short term benefits, such as untaken annual leave and post employment benefits, such as retirement benefits.

### **Short term benefits**

36. Short-term benefits include items such as holiday pay, flexi-time leave and time off in lieu. As part of the review to restate the 2009/10 financial statements, the council concluded that untaken annual leave was the only material liability to be recognised. A liability for untaken annual leave of £2.695m was included in the 2009/10 restated financial statements. As at 31 March 2011, this had reduced to £2.256m. In accordance with the statutory guidance (finance circular

3/2010), the council has made an adjustment to exclude the value of this charge when determining the movement on the general fund for the financial year. The charge has been transferred to an employee statutory adjustment account. During our audit we reviewed the council's approach to estimating this liability and concluded that the approach was in accordance with applicable guidance.

### Retirement benefits

37. In accordance with the Code, the council has accounted for its participation in Orkney Islands Council Pension Fund (a local government pension scheme) as a defined benefit plan. The net retirement benefits liability as at the 31 March 2011 was £15.669m (table 1):

<b>Table 1: Orkney Islands Council net retirement benefits liability</b>				
	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Local Government Pension Scheme	15.669	54.703	26.206	9.789
<i>Source: Orkney Islands Council's Annual Accounts</i>				

38. The Chancellor's decision to allow the valuation of public sector pensions to be based on the Consumer's Price Index (CPI) instead of the Retail Price Index (RPI) has had a significant impact on this year's valuation of the pension scheme. Orkney Islands Council has reported a past service gain due to the change from RPI to CPI of £15.825m. This has significantly reduced the net pension liability. The fair value of the employer assets on the local government pension scheme has also improved during the year (by £19.329m). This also contributes to the net pension liability position reported as at 31 March 2011.

### Leases

39. The Code requires the council to account for leases in accordance with IAS 17 "Leases". A lease is an agreement whereby the lessor conveys to the lessee in return for payment the right to use an asset for an agreed period of time. The Code requires leases to be classified as either finance or operating leases and sets out rules for differentiating between these categories of leases. The council has updated its accounting policies to reflect the definitions and accounting arrangements for leases under the Code. As part of its exercise to restate the 2009/10 financial statements, the council also reviewed all its leases to ensure correct classification and accounting treatment in accordance with the Code. The council concluded that all land and property leases are operating leases and have been accounted for on this basis.
40. We have reviewed the council's accounting treatment of its leases and concluded that the council has complied with the requirements of the Code and IAS 17 – Leases.

### Merchant Navy Officers and Ratings Pension Fund

41. In April 2008 the council's participation in the Merchant Navy Officers Pension Fund (MNOFF) ended when the final council employee, who was a participant in the scheme retired. Under the scheme regulations the council is liable for the cost of exiting the scheme when it was under a

deficit position, this is known as Section 75 debt. The actuarial valuation of the Section 75 debt was £2.802m. The trustees of the MNOFP are currently involved in court cases to determine which existing and former employers involved in the scheme are liable to meet deficits accruing. Until these cases are determined the exact quantification of the council's liability cannot be determined and no claim has so far therefore been made for payment. The amount therefore remains as a provision in the March 2011 accounts.

42. The council stood as a financial guarantor for shortfalls in the MNOFP relating to Orkney Towage Company Limited. Following a valuation in 2009 an actuarial valuation quantified the shortfall attributed to Orkney Towage Company Limited as £807,000. This liability was included in the 2010 accounts and during the year payment was made and the council was discharged of its liabilities to make further deficit contributions.
43. The decision however in 2009/10 by the council to amalgamate a number of organisations into Marine Services may require the council to take on further potential Section 75 deficit liabilities from the transfer of operations from Orkney Ferries Limited and Orkney Towage Limited. These were estimated at £13m. Given the size of these liabilities the council has sought legal advice on the mechanisms for an approved withdrawal from the MNOFP and Merchant Navy Ratings Pension Fund (MNRPF). This has the potential to limit the liability which may transfer. Other difficulties arising from work undertaken to harmonise terms and conditions of staff employed in Orkney Towage Limited and Orkney Ferries Limited with those of council employees has also led to a delay in amalgamating these bodies into Marine Services
44. Given the significant liabilities associated with these pension schemes it is essential that the council continues to carefully monitor the position and reassess its potential liability for any outstanding debt.

*Action plan point 1*

## **Charitable Trusts**

45. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. For each trust fund the Regulations require a full set of financial statements to be prepared and submitted to the Office of the Scottish Charity Regulator (OSCR). OSCR has deferred compliance with the full requirements until 2013/14. In 2010/11 OSCR requires as a minimum for individual charities of less than £100,000 income:
  - Separate receipts and payments accounts for individual charities in accordance with the Accounts Regulations
  - A trustees annual report covering each registered charity
  - An independent examination report covering each charity
46. The council has 26 Trust funds which are registered charities and is arranging to comply with OSCR's requirements by 31 December 2011.

47. In 2009 the council agreed to re-organise the council's charities and bequests into one single charity. The proposed Trust Deed was however rejected by OSCR on the basis that it would not pass its "charity test". It appears that since this date the initiative to reorganise the council's charities and bequests has stalled and no reorganisation has taken place. We recommend that the council engages further with OSCR to move this initiative on.

*Action plan point 2*

## **Common Good**

48. Common Good Funds are held for the benefit of the residents of the former Burgh's of Stromness and Kirkwall. The Funds were inherited by the council following the reorganisation of local government in 1975.
49. Over the last two years the council has undertaken significant work to compile a comprehensive common good asset register. This register now includes moveable assets. The council will in future consider common good title issues as individual property transactions arise. In considering common good title issues as individual property transactions arise, there is however a risk that the existing common good asset register is incomplete.

## **Significant Trading Operations**

50. Under the terms of Section 10 of the Local Government in Scotland Act 2003, local authorities are required to maintain and disclose trading accounts for any significant trading operations (STOs). The council is responsible for the identification of significant trading organisations, using a number of defined tests to determine the trading status of each activity and its level of significance.
51. Orkney Islands Council has not reported any STOs in their accounts since 2005/06. An internal review of the council's position was last undertaken in February 2009, when the council concluded that all sixteen trading operations identified were not significant. We have reviewed the council's position and can confirm that their assessment is reasonable.

## **Internal Audit**

52. Effective co-ordination between internal audit and external audit is essential in order to minimise duplication of effort and maximise the benefits of audit. As required by the Code of Audit Practice, we have established appropriate working arrangements with the council's internal audit function.
53. In accordance with the Code of Audit Practice and International Standards on Auditing 610 – considering the work of internal audit, "the external auditor should perform an assessment of the internal audit function when internal auditing is relevant to the external auditor's risk assessment".
54. We have reviewed the council's internal audit arrangements to ensure that the work of internal audit is of sufficient quality and volume and complies with best practice. In carrying out our review we have assessed internal audit against the standards within the Code of Practice for

Internal Audit in Local Government in the United Kingdom (the 2006 Code). Our review concluded that the council maintains an effective internal audit function and that we were able to rely on the work of internal audit during 2010/11 in a number of areas. We did however identify scope for improvement in relation to aspects of internal audit's performance management arrangements. This was included in our interim management report and an action plan was agreed with the Chief Internal Auditor to address the recommendations made.

## **Statement on the system of internal financial control**

55. Scottish Local Authorities which do not voluntarily choose to undertake a review of the effectiveness of its system of internal control and prepare an annual governance statement are required by the Code to include a statement on the system of internal financial control within the statement of accounts.
56. Orkney Islands Council has published a group statement on the system of internal financial control within its 2010/11 statement of accounts. The statement provides an overview of the key elements of the council and its group governance arrangements and system of internal financial control.
57. As in prior years the council continues to conclude that the system of internal financial control is largely effective. This is consistent with our knowledge and understanding of the financial control framework operating at the council. We also concluded that the disclosure included within the statement is in line with the requirements as set out in the Code.
58. The council's review of the effectiveness of the governance and internal financial control procedures is informed by the views of the Chief Internal Auditor, the Assistant Directors of Finance and managers within the group entity. The results of this work allow the council to conclude that the system of internal financial control is largely effective. As noted in our 2009/10 report, the council does not however seek assurance statements from its Service Directors.

*Action plan point 3*

## **Looking forward**

59. A working group has been established to review the Local Authority Accounts (Scotland) Regulations 1985. This group comprises representatives from the Scottish Government, CIPFA, council's, Audit Scotland and audit firms. The aim of the review is to identify whether the existing regulations require any amendments, or any new regulations are required to give the full effect to sections 96 to 104 of the 1973 Act, reflecting on changes in recognised best practice, legislation and accounting practices since 1985. The group is currently considering a number of different items including for example, the approval process for the statutory accounts and also areas not covered by the existing legislation. One such item currently being considered is the requirement for a council to undertake a review at least once a year of the effectiveness of internal control and for a statement on internal control to be prepared, approved and published as part of the annual statutory accounts. In June 2007, CIPFA /SOLACE published Delivering Good Governance in Local Government: Framework. This guidance recommends that a statutory review of internal control be reported in an annual governance statement.

60. The council has yet to assess its own governance arrangements against the CIPFA/SOLACE publication. The council's current local code of corporate governance was issued in 2004. A small officer working group has been established to take forward this review with the intention of presenting an updated local code of governance to the policy and resources committee in November 2011. This assessment would form part of the council's annual governance statement and we would encourage the council to ensure that this assessment is completed in line with its timetable to ensure it is prepared for any potential changes in regulations.

***Action plan point 4***

61. The Code applicable to the 2011/12 financial statements adopts FRS 30 Heritage Assets. Heritage assets are those tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are required to be accounted for separately, and will normally be carried in the balance sheet at valuation. In the 2010/11 financial statements, it is expected that most heritage assets have been included within community assets and carried at cost in the balance sheet and therefore there revaluation gains are expected in the 2011/12 financial statements. Museum exhibits, for example, will fall within this definition and will require to be separately classified and valued in the 2011/12 financial statements.

# Use of Resources

## Introduction

62. In this section we summarise the key aspects of Orkney Islands Council's reported financial position and performance to 31 March 2011. We also consider and report on the council's arrangements in place for workforce related issues, asset management and procurement.

## The council's financial performance for 2010/11

63. Orkney Islands Council achieved a general fund surplus of £2.86m in 2010/11. The general fund balance brought forward at 1 April 2010 of £19.709m increased to a cumulative net surplus of £22.569m at 31 March 2011.

64. Of this balance £14.025m has been earmarked for specific purposes including for example a renewable energy fund (£8m earmarked for the development of renewable energy projects such as infrastructure at Stromness harbour) and a spend to save fund (£3.3m for a programme of efficiency measures). The unallocated general fund balance of £8.544m is just above the council's policy which is to maintain a minimum general fund balance of £8m to meet unforeseen contingencies.

65. The table below shows the balance on the council's cash backed funds at 31 March 2011 compared to the previous year. Funds include a harbour authority account, a capital fund which may be used to defray capital expenditure or repay loan principal and a repair and renewal fund to finance expenditure incurred in repairing, maintaining, replacing and renewing fixed assets. At 31 March 2011 the council had total cash-backed funds of £226m an increase of £8.2m on previous year. This is largely attributable to the surplus generated on the council's investment portfolio.

<b>Table 2: Orkney Islands Council cash-backed funds</b>		
	<b>2010/11</b>	<b>2009/10</b>
	<b>£m</b>	<b>£m</b>
General Fund balances	22.569	19.709
Harbour Authority Account Fund	189.013	184.049
HRA	0.560	0.487
Repair and Renewals Fund	8.691	8.564
Capital Fund	3.508	2.956
Capital Receipts Reserve	1.530	1.906
<b>TOTAL</b>	<b>225.871</b>	<b>217.671</b>

*Source: Orkney Islands Council Statement of Accounts 2010/11*

66. The Orkney County Council Act 1974 authorises Orkney Island Council to exercise harbour jurisdiction as a Competent Harbour Authority. The Act also requires the council to keep



separate accounts in respect of the harbour authority account. The trading position from the harbour operations is reflected within the council's net cost of services. The harbour authority account fund balance increased during the year by £4.964m after taking account of a transfer to reserves of £4.574m. The council reported a return on investment activities in 2010/11 of £10.2m (2009/10 £24.83m).

## Financial outturn

67. The following table summarises the council's revenue expenditure against budget in 2010/11

<b>Table 3: Orkney Islands Council revenue expenditure against budget in 2010/11 – General Fund</b>			
<b>Service Committee</b>	<b>Actual Net Spend £000</b>	<b>Budgeted Net Spend £000</b>	<b>Over/(Under) Spend £000</b>
Social Services and Housing	18,177	18,120	57
Planning and Protective	1,518	1,705	(187)
Development and Regeneration	1,804	1,803	1
Transport and Infrastructure	16,205	16,351	(146)
Education and Leisure	33,121	33,155	(34)
Policy and Resources	14,559	14,910	(351)
<b>Net Service Spending</b>	<b>85,384</b>	<b>86,044</b>	<b>(660)</b>
<b>Sources of Funding</b>			
Non-Domestic Rates	(7,811)	(7,855)	44
Council Tax	(7,881)	(7,911)	30
Revenue Support Grant	(65,518)	(65,518)	0
Use of Balances	(4,760)	(4,760)	0
<b>Total Income</b>	<b>(85,970)</b>	<b>(86,044)</b>	<b>74</b>
<b>Surplus against budget</b>			<b>(586)</b>
<b>Movements on earmarked funds</b>			<b>(2274)</b>
<b>Total increase in general fund</b>			<b>(2860)</b>
<i>Source: Orkney Islands Council outturn reports</i>			

68. These figures have been extracted from the outturn report to members. Whilst the net service spend is 99% of budget the budget does not take into account movements on earmarked balances. The overall underspend is £2.86m of which £2.274m has been earmarked to support future spending commitments. The transfers to earmarked balances have been approved at various levels within the council. In future we would recommend that variations against the original budget are reported in outturn reports so that true comparisons against an identified budget are identified with subsequent transfers to earmarked reserves identified separately.

**Action plan point 5**

69. Housing Revenue Account spending is summarised in the table below.

<b>Table 4: Orkney Islands Council HRA actual net spend against budget</b>			
<b>Non-General Fund</b>	<b>Actual Net Spend £000</b>	<b>Budgeted Net Spend £000</b>	<b>Over/Under £000</b>
Housing Revenue Account	-73	0	-73
<i>Source: Orkney Islands Council outturn reports</i>			

## **Orkney College**

70. Orkney Islands Council provides further and higher education provision through Orkney College. The College reports to the council's Education and Leisure Committee. In 2010/11 the college made a surplus of £1.432m. The surplus reflects pension actuarial gains arising during the year and one-off past service gains together with depreciation adjustments. The college in practice made a deficit of £0.239m against a budgeted break even position. This deficit has been absorbed within Education services. The deficit arose as a result of:

- Savings proposals being implemented on an academic year basis and therefore not having a full financial year effect
- Funding gaps in some of the activities being carried out by the business units

71. It is important that the council addresses both of these issues. The college should move to managing its financial affairs on a fiscal year and should consider critically whether business units are financially viable. The accumulated deficit funded by education in 2009/10 and 2010/11 amounted to £725,000. Whilst the deficit has reduced to £239,000 in 2010/11 it is important that the council determines whether this level of deficit should be budgeted for in future years.

**Action plan point 6**

## **Future Financial Position**

72. In 2011/12 the council again froze council tax in accordance with the agreement with the Scottish Government. In anticipation of this position and in considering the implications of likely reductions in funding over a three year period the council has been working to deliver savings of approximately £4m per annum over three years.

73. In order to prepare for the savings that were required the council carried out an extensive public consultation exercise called 'tough times, tough choices'. The consultation included public meetings, an online blog, road shows and the invitation to send in comments by post. This exercise identified a significant range of savings proposals which were built into individual service proposals. The council also set-up five work streams during the year to consider in detail critical aspects of delivering savings. These covered; staffing/personnel strategy, budget forecasting, asset realisation, community engagement and review of IT and business processes.

Some of the savings from these initiatives were built into the proposals agreed by the council. In February 2011, savings approved included:

- Cutting devolved management budgets directly controlled by schools
- Reducing the budget for bus services
- Fewer grants for housing repairs and improvements, and for tackling fuel poverty
- Cutting opening hours at recycling centres
- A move from a weekly to a fortnightly refuse collection
- Increasing charges for services by at least 4%

74. The savings measures approved will also reduce the council workforce by 81 posts in 2011/12 although the majority of these posts are currently vacant or temporary.
75. It is already clear that delivering this level of savings is likely to be problematic. Whilst savings proposals and priorities have been agreed, the extent of these savings will have a significant impact on some services and the council has therefore engaged in extensive consultation. For example the move to fortnightly refuse collection and a change in the opening hours of recycling centres represents a significant service change and the time involved in undertaking a consultation process has meant that the savings levels originally envisaged are unlikely to be delivered in 2011/12.
76. The council's savings proposals are also likely to be impacted by the Scottish Government's decision to review the process required by which councils consider closing schools in their area. Delaying this process means that savings of £0.6m identified by Education for 2012/13 as a result of potential school closures may not be deliverable.

## **Capital Performance**

77. In our previous year's annual reports we have commented on the significant levels of slippage experienced in the capital programme and recommended that where indications of slippage are identified these are addressed in a timely manner.
78. The original general fund capital programme was set at £69.836m. This included the estimated capital spend for the new Kirkwall grammar School (KGS), Stromness primary school, KGS Halls of residence and the leisure pool. This was in total estimated at £50m. It was accepted that the spend profile for these projects would need to be amended once the preferred bidder had been announced and work had commenced. During the year it became clear that a re-profiling exercise was required and this was undertaken and approved by the Policy and Resources Committee in February 2011.
79. Actual spend against the re-profiled budget is shown in the following table:

<b>Table 5: Capital spend against the re-profiled budget</b>			
<b>Capital Programme</b>	<b>Actual Spend £000's</b>	<b>Budgeted Spend £000's</b>	<b>Variance £000's</b>
General fund Summary	9,140	8,784	356
Non-General Fund Summary	11,571	12,164	(593)
<b>Total Capital Programme</b>	<b>20,711</b>	<b>20,948</b>	<b>(237)</b>
<i>Source: Orkney Islands Council outturn reports</i>			

80. We are pleased to note that the capital programme is now being managed against a realistic programme spend profile and that slippage against this revised budget amounts to just over 1%.
81. Due to the high level of slippage experienced against the capital programme in previous years, the management of the council's capital programme was identified as an area of uncertainty<sup>1</sup> in Orkney Islands Council's assurance and improvement plan. In 2011, we carried out a review on the council's management of its capital programme. Our review identified a number of areas where there is scope for improvement which have been presented in a separate report.
82. The council's property asset management plan was approved by the council in 2008/09. At the time this plan was seen as a starting point in respect of formalising the council's property management functions and activities. The council acknowledged that significant work would need to be carried out in future years to ensure the fundamental principles of good asset management were established and disseminated across the council. The development of the council's asset management arrangements are now being progressed through one of the council's five work streams (asset realisation). The project objectives include:
- To assess the most effective use of the council property assets
  - To maintain the purpose and objectives of the council's property asset management plan by ensuring that the council's current and future service delivery requirements are adequately met by the provision of effective property solutions for the needs of the various council services
  - To effect the disposal of those property assets that are no longer required
  - To consider options for consolidating the council's property assets
  - To consider an improved strategy for property disposals that will reduce council expenditure on its property portfolio and provide the optimum income from the disposals
83. The council intends to use the asset realisation programme as a driver for each council service to consider its property requirements through the development of individual service asset management plans which will integrate with the overall property asset management strategy. Development and environment services has been assigned responsibility for assisting services in developing these service asset management plans and whilst we acknowledge that there are

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<sup>1</sup> An area of uncertainty is defined through the shared risk assessment process as an area where there is insufficient information to reach a judgement about whether performance is adequate/improving or inadequate/declining

challenges faced by this service in co-ordinating this activity we are disappointed to note the level of progress that has been made. We are also concerned that the process will be further delayed while the forthcoming management restructure is embedded across departments. It is essential that progress is made by the council to develop service asset management plans.

***Action plan point 7***

84. Good asset management usually meets the following criteria:

- The council understands what the current asset base is
- The council understands what assets are required to underpin current and future service needs
- The council has decided what this means in terms of future asset acquisitions, disposals and maintenance

85. The appropriate use of assets in the right location can make the difference between good and poor service delivery. Good asset management helps to ensure that frontline services are delivered in the most effective and efficient way. A study carried out by the Improvement Service reported that whilst significant work had been carried out by councils to link service and corporate planning and to link service planning to financial planning and budgeting, service plans rarely specify the assets necessary for their own delivery (Improvement Service: Property Asset Management in Scotland's Councils – Moving Forward).

86. The service asset management plans could provide Orkney Islands Council with valuable information to inform its capital programme. Our review noted that projects on the council's capital programme are often rescheduled before work commences due to competing requirements being identified by the different services. The service asset management plans could enable the council to understand what assets are required for current and future needs and how this impacts on the overall council's capital programme.

87. Our review also highlighted that many issues identified during individual capital projects are repeated. We would encourage the council to carry out project completion reviews for all major projects and lesson learned are applied to future capital projects.

## **Treasury Management**

88. The CIPFA Code of Practice on Treasury Management in the Public Services defines treasury management activities as management of the council's cash flows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

89. The council holds £170m of funds which are externally managed on a discretionary basis by externally appointed fund managers; Schrodgers and M&G (Prudential). Further investments of £3m comprise the councils fishing quota and equity instruments.

<b>Table 6 – Investment portfolio valuation</b>			
<b>Fund manager</b>	<b>2010/11 value (£)</b>	<b>2009/10 value (£)</b>	<b>Increase in year (£)</b>
Schroders	47,872,786	46,570,029	1,302,757
Schroders Equities	56,602,508	54,378,051	2,224,456
M&G (Prudential)	65,992,000	59,497,706	6,494,294
<b>Total</b>	<b>170,467,294</b>	<b>160,445,786</b>	<b>10,021,507</b>

*Source: Fund managers reports 2009/10 & 2010/11*

90. In our 2009/10 annual report we highlighted the importance of ensuring that the council's prudential indicators are reviewed annually to confirm affordability and we are pleased to report that these are now reported on an annual basis in the Treasury Management Strategy Statement and Annual Investment Strategy.
91. The council has traditionally relied on internal borrowing to finance its capital spend programme. The development of the Orkney Islands Council Schools Programme (estimated capital cost of £58m) and the Social Housing development programme (estimated capital cost of £13m) however prompted the council to review this method. The council took the decision in May 2010 to borrow £30m from the Public Works Loans Board to part fund these capital works. This took the councils external borrowing to £40m at the balance sheet date.
92. In August 2010 however the Scottish Government announced that it intended to revise its proposed method of support to the schools programme and would offer a capital grant together with annual revenue support. As a consequence, the council no longer require to borrow to support this programme and the capital financing requirement estimated by the council will change. The council's external borrowing exceeds the capital financing requirement disclosed in the financial statements at the balance sheet date (£35.872m). Authorities are required to demonstrate that net external borrowing does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. The council has identified a capital financing requirement for the period 2009/10 to 2012/13 of £246.684m. The borrowing transactions noted above do not exceed the council's capital financing requirement.

**Action plan point 8**

## **Workforce Management**

93. In August 2011, a paper was presented to the council's policy and resources committee proposing the reduction in the management structure of the council from 34 FTE to 18 FTE chief officer posts. The proposals were approved at a special council meeting in September 2011. It is estimated that there will be an annual saving of £1.16 million. As a result of the proposed changes, consideration will also be given to the introduction of a new committee structure to align officer and committee responsibilities. A report will be presented to council as this initiative progresses.
94. The above proposals will require the council to review its core governance documents, including its scheme of administration and scheme of delegation. This has been acknowledged by the

council in its paper on the management restructure. A revised scheme of delegation will be presented to the council at the November 2011 cycle of meetings.

95. In 2010, we carried out a joint review with Audit Scotland on the council's workforce management arrangements. Our review concluded that the development of the council's workforce planning arrangements was a key factor in its ability to respond to the tightening financial climate in the Scottish public sector. Our review also highlighted poor levels of formal staff appraisals across departments.
96. Since our review, the council has developed a framework of policies which they hope will address some of the weaknesses highlighted in our report. These policies include a Learning and Development Policy; a competency framework; and a revised Performance, Review & Development Scheme. These policies however have yet to be formally approved and adopted by the council. The policies were presented to the council's corporate management team in August 2011. It is important that the council approves these policies and implements them before the revised workforce arrangements are implemented.

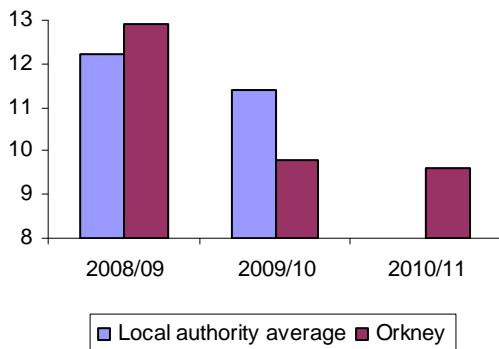
**Action Plan Point 9**

**Sickness Absence**

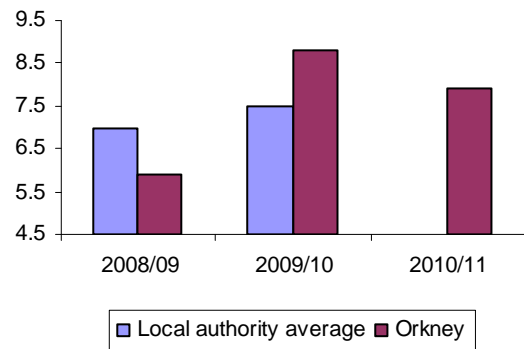
97. In direct response to continuous high levels of sickness absence the council began reporting sickness absence information to service management teams on a monthly basis and provided monthly reports to the council's corporate management team. The council's sickness absence levels have dropped from an average of 12.9 sickness absence days per employee in 2008/09 to 9.6 days per employee in 2010/11 (figure 1). This compares with a national average for councils of 12.5 in 2008/09 and 11.6 in 2009/10 (the national average for Scotland's local authorities has not been published for 2010/11). In addition in 2008/09 the council reported sickness absence levels for its teaching staff below the Scottish national average but in 2009/10 teaching absence levels rose by over 50 per cent to 8.9 days. This was 1.4 days above the national average for teaching staff (figure 1).

**Figure 1**

**Average number of employee days (non-teaching) lost to sickness absence**



**Average number of employee days (teaching) lost to sickness absence**



**Source:** Orkney Islands Council specified performance indicators

98. Although the council has made a significant reduction in sickness absence levels, there are services within the council that continue to have significantly high levels of sickness absence. For example, during the first three months of 2011/12 over 50 per cent of all employees on high levels of long-term sickness absence were from the council's community and social services directorate.
99. The council must continue to prioritise the reduction in sickness absence levels. The council must continue to ensure it addresses sickness absence levels across all directorates, sharing good practice and successful initiatives where appropriate.

*Action plan point 10*

## **Procurement**

100. In 2009 Audit Scotland published a report on "*Improving Public Sector Purchasing*." The report examined the progress and impact of the Public Procurement Reform Programme which was launched in 2006. This programme aimed to improve public sector purchasing practice and make substantial savings. The 2009 Audit Scotland report highlighted the need for greater assurance on the quality of purchasing practice in over 150 public sector bodies.
101. In response to this report the Scottish Government brought out an assessment tool to monitor how effectively public bodies were adopting purchasing good practices. This tool is called the Procurement Capability Assessment (PCA). The PCA process is undertaken annually to drive continuous improvement in public sector procurement. In 2010 the Scottish Government published the findings of the first round of PCA reviews. The findings indicated that whilst there were instances of best practices throughout the Scottish public sector there was room for significant improvement in many public bodies.
102. Orkney Islands Council's overall performance was ranked as non-conformant in its 2009 and 2010 PCA. The score increased slightly from 8% to 12% with the results showing greater improvement in some areas, particularly in Procurement Leadership and Governance, and Procurement Strategy and Objectives areas. The 2010 results also acknowledged that whilst a number of positive changes had been made by the Head of Procurement they would not be reflected in the council's score until the 2011 PCA.
103. Our follow up review identified a number of areas with scope for improvement. These include ensuring continued monitoring of procurement performance throughout the year and creating an action plan to identify ways in which the council plans to improve their performance in this area.

## **Sustainable waste management**

104. During the year we also carried out a targeted follow up review to assess what steps the council had taken to ensure they would be able to meet future European Union and Scottish Government targets to improve waste management. The Scottish Government's Zero Waste Plan sets out a roadmap for how Scotland can further improve its waste management efforts. The plan includes a range of targets to be achieved between 2010 and 2025. The table below illustrates the targets which were set for 2010 and progress made at a national and local level.



<b>Table 7: Orkney Islands Council progress against national targets</b>		
<b>Target</b>	<b>National</b>	<b>Orkney Islands Council</b>
40% of municipal waste to be recycled or composted by the end of 2010 (Scottish Government target)	37% municipal waste recycled and composted	28% of municipal waste recycled and composted
No more that 2.7 million tonnes of biodegradable municipal waste to be sent to landfill (Article 5 (2) of the EU Landfill Directive)	1.2 million tonnes of biodegradable municipal waste land filled	707 tonnes of biodegradable municipal waste land filled

*Source: Scottish Environment Protection Agency*

105. The next key milestone set by the Scottish Government is 2013. By the end of 2013, 50% of municipal waste is to be recycled or composted and no more that 1.8 million tonnes of biodegradable municipal waste is to be sent to landfill. The targets set by Orkney Islands Council (included in the Development and Environment Services – Service Improvement Plan 2009-11) are not currently aligned to these national targets. The Development and Environment Services – Service Improvement Plan was approved in 2009, prior to the national Zero Waste Plan being published. Whilst the plan acknowledges the Scottish Government targets for land fill waste and recycling and states that the waste land fill target for the council should be achievable, it comments that the recycling targets beyond an upper limit of 50% cannot be met. Table 8 also provides performance information for Orkney Islands Council for 2010/11. As highlighted in this table, the council is underachieving against its targets.

<b>Table 8: Orkney Islands Council performance information on waste management 2010/11</b>			
<b>Data</b>	<b>Target</b>	<b>Orkney Islands Council 2010/11</b>	<b>Commentary</b>
% of municipal waste and non-municipal waste recycled or composted	40% and greater	29.3%	The base residual waste has increased resulting in the tonnage recycled being a smaller % of the total. The service will continue to maximise recycling where possible.
The proportion of waste shipped to Shetland	9,635 tonnes or less	10,335 tonnes	Reports presented to committee with regard to introducing alternate weekly refuse collection and progressing towards increasing diversion by recycling.
The total tonnes of biodegradable municipal waste land filled	231 tonnes or less	650 tonnes	Trials are being carried out to treat road gully residual wastes to meet the standard for inert disposal

**Source:** *Orkney Islands Council performance monitoring reports*

106. In 2011, the council launched a consultation with the public on plans to bring in an alternate weekly waste collection service; with black bag refuse picked up one week and items for

recycling the following week. It is hoped that the proposed service will increase recycling levels, while making cost savings for the council. It is estimated that an additional 800 tonnes of recyclable materials could be gathered annually; reducing almost £60,000 from the cost of shipping refuse to Shetland for disposal. The consultation period ended in August 2011. The council has trialled a similar service on Westray since December 2009, achieving 22% less rubbish with this corresponding tonnage now being recycled.

107. At the end of 2010, the Scottish Government issued a consultation document which proposes the introduction of regulatory measures which will address some actions in its Zero Waste Plan. The council acknowledges that it will need to review and update its own approach to waste management in light of the proposed regulations.

# Performance

## Introduction

108. An effective council is one which has a clear and ambitious vision for what it wants to achieve for its locality and communities and for securing high quality services and effective outcomes for local people. The vision should be promoted by elected members and senior officers of the council and supported by staff and partners. The vision should be supported by clear plans and strategies to secure improvement, with resources aligned to support their delivery. An effective council is one which has a performance management culture embedded throughout the organisation. The council's performance management framework should be integrated with service planning and delivery.
109. In this section we provide a high level overview of performance management in Orkney Islands Council.

## Performance reporting

110. In 2009, the council introduced six monthly reporting on service performance to its service committees. These reports monitor actions with service plans, service performance indicators service review recommendations, complaints and compliments, and the extent to which service risks have action plans attached to them. The council also monitors the actions within the Corporate Improvement Plan on a six monthly basis to its Policy and Resources Committee and to the corporate management team (CMT).
111. The council has recognised that opportunities exist for further improving and enhancing its performance management arrangements. During 2010/11 the council set up a short-life working group to review these arrangements. The working group's remit was to streamline strategic planning, performance and risk management within the council. Following the conclusion of the group the council agreed to a set of short and medium term proposals, including:
- The council should ensure that performance reporting to elected members is at an appropriate level
  - The Community Plan and Single Outcome Agreement should be combined into one document
  - Services should align their service improvement plans, service risk registers and service level balanced scorecards into one service plan
  - Performance reports to service management teams should be reduced from quarterly to six monthly.
112. The council has established a performance and risk management group to develop service planning, performance and risk monitoring and management, service self-assessment, and business continuity across the council. The group is chaired by the Assistant Chief Executive and includes lead performance officers from corporate services and across all of the council's

services. Part of the work of the group is to ensure that performance reports across the council follow the same style, structure and format.

113. The council's performance management system is a paper based system. The council has recognised that this is not the most effective use of staff time and efficiency savings could be delivered through the implementation of an electronic performance management system. In the council's proposal to streamline its planning, performance and risk management framework, the council aims to develop up-to-date, real time performance data. As part of this proposal the council should establish a hierarchy of performance reporting. This would see the council link its single outcome agreement, strategic objectives, services objectives and staff objectives and the establishment of a pyramid of reporting information. Performance information can then be collected once and then reported at an appropriate level, on appropriate timescales, to councillors, committees, services and managers

***Action Plan Point 11***

114. Orkney Islands Council has sought to improve its performance reporting to external stakeholders, with a particular focus on local residents. In 2011 the Council published a revised format of its external stakeholder performance report. This new framework was developed through consultation and discussion with local communities. The formatting and design of the new annual report is significantly enhanced from previous reports. Information is provided in short paragraphs and the council uses graphs and diagrams to make the information more understandable for the reader. The performance report is presented following the completion of a calendar year not a financial year. The council believes this aids clarity and understanding as not all residents and recipients of the report are aware of public sector financial reporting timescales. This does however present problems in the reporting of financial and performance data. The information contained within the council's performance report relates to the previous financial year and therefore the following full financial year has almost been completed by the time the report is published.
115. Opportunities do however exist for improvement and enhancement to this performance report. Future targets are not set out for the council's performance. There is also limited benchmarking on how the council is performing against previous years or other councils. For example, the performance report sets out the proportion of the council's total spend which is given to each service. The reader is not informed if these are in line with other councils in Scotland or even if these represent the council's strategic priorities. The council must continue to develop and enhance the good progress it is making in its external performance reporting.

***Action Plan Point 12***

**Statutory Performance Indicators**

116. One of the ways of measuring council performance is through the statutory performance indicators (SPIs). In 2009/10, the Accounts Commission made a significant change to the SPI direction. The 2008 direction which was introduced in 2009/10 has been retained for 2010/11. This direction requires that the councils performance reporting covers two main requirements:

- That councils report a range of sufficient information to demonstrate best value in relation to corporate management (SPI 1)
- That councils report a range of information sufficient to demonstrate best value in relation to service performance (SPI 2)

117. In reporting against SPI 1 and SPI 2 above, all councils are required to report performance against 25 specified indicators, as defined in the 2008 direction. In addition, councils must select a range of non-specified indicators to demonstrate that best value and compliance with the 2008 direction.

118. As part of the council's strategic planning and performance and risk management framework, each council service has a range of performance indicators, some statutory, some SOA, some national, some unique to the services, and some common to all services of the council. In order to meet the requirements of the 2008 direction, the council has identified a number of these as non-specified indicators. In all 79 indicators are planned to be reported to meet the 2008 direction (5 non-specified, 25 specified). This is a reduction of 33 indicators from the prior period. The council deems that these indicators are sufficient to cover the requirements of SPI1 and SPI 2.

119. During the year the council's internal auditors have carried out sample testing on a range of the councils specified and non-specified indicators. In all ten indicators were selected by internal audit for testing. We also carried out testing on eight indicators in the period; four specified and four non-specified. We are pleased to report that all of the indicators sampled by internal and external audit were found to be reliable<sup>2</sup>; however we note that a number of minor errors were identified. The errors in general related to the indicator definitions not being followed in full. Such errors occurred in 50% of the indicators we reviewed and in 70% of the indicators reviewed by internal audit. While we do not consider the errors identified to materially affect the reported figures they may be indicative of wider issues in performance reporting.

120. The nature of the errors found is also consistent with concerns within the council over the data dictionaries in place for each indicator. The council is confident that SOA indicators and cross-service generic indicators are being reported consistently and accurately. The same level of assurance however is not in place for service specific indicators at present, some of which may have minor inaccuracies. The council plans to review its performance indicators in the coming year to align them with the new service plans. The council should use this opportunity to reinforce the importance of performance reporting and to revisit the data dictionaries which are in place for each indicator. Where required training should be given to ensure responsible officers are fully aware of their responsibilities.

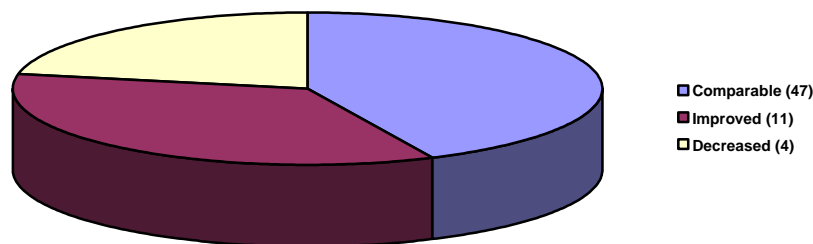
***Action plan point 13***

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<sup>2</sup> Reliable indicators are those where the processes in place for the collection, compilation and calculation of the indicator is adequate. Unreliable indicators are those where weaknesses have been identified in the collection, compilation or calculation of the indicator

121. As in 2009/10, the council plans to report the performance information of the 25 specified indicators by 30 September 2011 through the council's website. The council also plans to produce a performance report covering the 2011 calendar year which will include data from its specified and non-specified indicators.
122. Figure 2 summarises Orkney Islands Council's performance when compared to last year in relation to the 25 specified performance indicators.

**Figure 2 Changes demonstrated by specified SPI's in 2010/11**



Source: 2009/10 & 2010/11 Statutory Performance Indicators return to Audit Scotland. The 25 specified performance indicators comprise of multiple components therefore the results report more than 25 indicators.

123. The table below details the four indicators which have shown the greatest change in performance. In particular indicator 20b shows a significant change on last year. The reason for this large variance is that the number of complaints that require attendance on site is very low. This year eight complaints required attendance (five in 2009/10). The council do not operate a 24 hour service and in the case of the complaints reported in the indicator most are received after the event and therefore do not require an immediate visit. As a result, it can be several days or weeks before a visit is required.

<b>Table 9: Top four changes in indicator performance in comparison with 2009/10</b>			
<b>Indicator</b>	<b>Narrative</b>	<b>2010/11</b>	<b>2009/10</b>
20 b)	The average time (hours) between the time of a domestic noise complaint and attendance on site.	475 hours	102 hours
17 c)	Average time un-let for those low demand houses remaining un-let at year end.	101 days	245 days
9 c) i	Percentage of homecare clients aged 65+ receiving personal care.	100%	67%
18 d) iv	Average number of weeks rent owed by tenants leaving in arrears	4.5 weeks	6 weeks

Source: 2009/10 & 2010/11 Statutory Performance Indicators return to Audit Scotland

124. In 2009/10 we raised a recommendation that the council increase the level of service cost information that is reported through the council's scorecard. The Accounts Commission is of the view that service cost information is important to stakeholders and citizens, providing additional

context for the assessment of performance. To date the council has not implemented further indicators on service cost due to resource restrictions.

*Action plan point 14*

## **Service Reviews**

125. The council has approved a service review framework to support the delivery of service reviews. The framework outlines how service reviews will be delivered and commits the council to undertake three types of service reviews:

- High level reviews – where the council is considering whether the service should still be delivered; where there have been significant changes to the services; or a change is expected in council policy
- Management reviews – seek to improve existing policies either within a discrete service area or across a range of services or activities
- Efficiency reviews – where the council has decided that a significant reduction in the costs associated with a particular service area are needed whilst sustaining the quality and quantity of the service being reviewed at an acceptable level.

126. An annual assessment of services is carried out by the council to identify which services should undergo a high level, management or efficiency review. During 2010/11, the council carried out five efficiency and management reviews. These have been across a range of services. The findings of the reviews were all due to be reported by June 2011, however only one review was completed on time. This was the efficiency review on catering in schools and social care centres. The efficiency review of support services across all council services and the efficiency review of the extension of trust status for the delivery of council services have been delayed due to the management restructuring and due to ongoing work to explore the creation of a trust to deliver leisure and cultural services. It is important that the council ensures that the findings and recommendations from these efficiency reviews are used to inform ongoing work in these areas.

127. The two remaining management reviews cover printer and maintenance costs and a review of computer systems. At the time of our fieldwork these reviews had not yet been completed, however, the printer review is now complete and will be reported to CMT in due course, and the computer systems review is being revised to take account of the McClelland Review. The council must ensure that all efficiency and management reviews are completed on time and reported within agreed timescales.

*Action plan point 15*

## **How Good Is Our Council?**

128. In 2009, Orkney Islands Council adopted the How Good Is Our Council (HGIOC) system as its approved model for self-evaluation. All services within the council were required to develop a system of self appraisal, either using HGIOC or a similar model. Four Services adopted HGIOC and successfully completed a pilot self-evaluation of a minimum of six quality indicators. The council's education and leisure service and community social services were already using alternative self-evaluation models which they chose to continue using. Education and leisure

services had a related model already in place called 'How good is our school?' While this model only covers some of the work of education and leisure's service remit, the service also completed two complementary quality improvement frameworks used by HMIE, How Good is our Community Learning and Development? and How Good is our Culture and Sport?, which filled the gaps. Community Social Services conduct comprehensive self-evaluation using the SWIA EFQM framework, most recently in 2010, and also conduct joint self-evaluation of specific areas with partner agencies. Both Education and Leisure Services and Community Social Services mapped their existing findings onto the HGIOC template for the purpose of the pilot.

129. A report on HGIOC was presented to the Monitoring and Audit Committee following the roll out of the HGIOC. The committee endorsed the HGIOC arrangement and recommended that information from services' HGIOC models were reported as actions and outcomes within service improvement plans. These plans feed into wider council plans and performance reports and are therefore be reported to service committees and the council as part of services' performance reports. Opportunities exist however, for the council to demonstrate the added value and improvements in service reporting that have been achieved through HGIOC. These should be linked to the council's best value arrangements.

## **National Studies**

130. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the council include:
- How council's work: roles and working relationships: are you getting it right?
  - Scottish Police Services Authority
  - Improving energy efficiency: a follow up report
  - Children in residential care
  - Physical recreation services in local government
131. There is an expectation that local government bodies review the national studies relevant to them and action them accordingly. As external auditors, we consider whether the council has discussed the national report at a council committee; whether the council has carried out self assessment against the national report and as result has produced a separate action plan to take forward any improvements.
132. At Orkney Islands Council, Audit Scotland's national reports are presented to the Monitoring and Audit Committee in the first instance. Depending on the relevance of the report, these are then referred to the relevant service committee. At the service committee, officers provide members with the council's position against the key messages within the report. In future, the national reports may be presented directly to the service committee. Members of the Monitoring and Audit Committee may only receive a copy of the national report for reference.



# Governance

## Introduction

133. Governance is about direction and control of organisations. It is concerned with structures and processes for decision making and accountability. Good governance can be defined as “*the way local authorities operate is based on sound decision-making and effective processes are in place to support it*”. Councils are large complex organisations and so good governance is critically important.
134. We have reviewed the council's corporate governance arrangements during the year. This section sets out the main findings from our review.

## Scrutiny arrangements

135. Political scrutiny of decisions operates at various levels within the council. All major policy and expenditure decisions by service committee are required to be approved by full council. In addition decisions with a financial impact are subjected to a further level of scrutiny by the Policy and Resources Committee on which all members sit.
136. The Monitoring and Audit Committee also has an important scrutiny role. In previous reports we have commented on the need for the committee to make the distinction between audit and scrutiny more explicit in its terms of reference. We are pleased to report that in June 2011 a development event was held to review the role of the Audit and Monitoring Committee. This was attended by external audit and members and officers. The development event considered the existing role and responsibilities of the committee and how effective it was in delivering added value. The outcome of this event will be summarised in a paper to the Committee along with proposals for changes in the remit.

## Elected Member Training

137. There has been limited formal training for elected members during 2010/11. Elected members are responsible for their own development and training. The council does however have a role to play in providing suitable opportunities and training programmes to support elected member development. The council should seek to identify training needs and training programmes for elected members based on their individual needs and areas of expertise. This should be incorporated into the council's learning and development policy. The policy should outline appropriate timescales for elected member training, giving consideration to the training needs for new and returning elected members following the elections.

*Action plan point 16*

## Following the Public Pound

138. Councils fund arms length and external organisations (ALEOs) for a range of purposes related to council services and their broader objectives. These arrangements are often more complex than standard purchase contracts for goods and services and are usually designed to deliver wider

public benefits. They involve the transfer of public funds from the direct control of a council to the control of an ALEO. In practice these can range from relatively small grants to voluntary organisations and small community organisations, to payments to trusts set up by councils to manage all leisure facilities. A council may make a fixed payment to an ALEO, or the ALEO may have the power to commit council funds.

139. To ensure that public funds are used properly, to maintain accountability, and to ensure that value for money is received, it must be possible to trace the funds from the point at which they leave the council to the point at which they are ultimately spent by the receiving organisation. In other words, it is important to be able to 'follow the public pound' across organisational boundaries.
140. Since our appointment commenced in 2006/07, both external audit and internal audit has carried out detailed reviews on the council's 'following the public pound' arrangements. In 2010/11, internal audit carried out a detailed follow up review to consider whether the previous recommendations raised by both external and internal audit had been implemented. Their findings are due to be presented later in 2011, however based on initial audit work internal audit has concluded that progress has been made in implementing the recommendations. Internal audit has noted the following:
- The internal guidance on funding external bodies and following the public pound was updated and approved, following the audit reviews carried out by internal and external audit
  - Whilst there has been improvement towards ensuring that there are agreements in place with organisations where funding exceeds £10,000 and monitoring of the conditions attached to these agreements, sample testing identified that this was not evident in all cases
141. In 2011, Audit Scotland published its report "Arm's length external organisations (ALEOs): are you getting it right?" This report is aimed at councils that are considering setting up ALEOs to deliver services as well as those with existing ALEOs. It sets out good practice in the way councils deliver services through ALEOs and highlights areas that work well and where improvement may be required. This report is due to be presented to the council's Monitoring and Audit Committee at the same time as internal audit's follow up review.

## **Risk Management**

142. In the coming period it is likely that all councils will face increasing demand for more diverse and higher quality services, whilst at the same time having to deal with increasingly tighter financial settlements. Since the start of our audit appointment in 2006/07, we have commented that the council has progressed in developing its risk management processes. In 2004 the council approved a risk management policy and strategy, together with a constitution and remit for a risk management group. Though we reported that progress was initially slow, in 2008 the council began to receive external support from Zurich Municipal in implementing its risk management framework. Since the council began its contract with Zurich Municipal it has continued to develop and roll out these arrangements across services with service risk registers being developed in addition to a keystone corporate risk register. As part of its continued review and

improvement of its risk management arrangements the council held a series of training workshops during 2009/10 for senior managers and elected members.

143. The council continues to develop and refine its risk management arrangements, at both a strategic and service level. Discussions with senior officers highlighted that although the council had made steps in developing its risk arrangements, it has yet to fully embed risk management into every day practices.
144. The monitoring and audit committee has responsibility for assessing the adequacy and effectiveness of the council's arrangements for the identification and management of risk. At the recent monitoring and audit committee development event it was highlighted that the level of reporting to the committee on the risk management arrangements could be improved.
145. As part of the development of the strategic and operational audit plans, we would expect internal audit to access the council's risk management systems. This will enable internal audit to direct its work to high risk areas and provide services with assurances over the effectiveness of the controls in place to mitigate those high risks from occurring. Internal audit does, where possible, take account of service risk registers when planning. However due to varying stages of development of service risk registers this link is not always evident. Where internal audit conduct work directly linked to risks identified in corporate/service risk registers we would expect the risk register to be updated in light of the findings. This may include, for example, a change in the overall risk rating of the particular area or changes to the control measures in place. At present, it is not clear whether such processes are in place.

***Action plan point 17***

146. The council's proposal to streamline and improve its performance management arrangements also extends to its risk management arrangements. The proposals include the following changes specific to the reporting of and management of risk:
- In the medium term, all services to review their existing risk registers, deleting lower level risks, while retaining only those high level risks to be monitored
  - In the long term, performance reporting and risk management systems to be integrated through joint use of the same system
147. During the year we provided feedback to the council on its proposals. While welcomed the council's commitment to improve its current planning, performance and risk management arrangements we did however note that the council should ensure that the inclusion of risk management arrangements within the performance reporting framework does not lead to a loss of focus on risk management. In our view services should be required to revisit their risk profile and classification on a six monthly basis to ensure these are updated and maintained. Services have now reviewed existing risk register, deleting lower level risks. The integration of performance reporting and risk management systems is due to be rolled out in the 2012/13 service plans.

## Fraud and Irregularity

148. The integrity of public funds is at all times a matter of concern. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities. In general we found that the council's arrangements for the prevention and detection of fraud and other irregularities were sufficient. During our interim work we did however identify a couple of areas for scope for improvement; in relation to controls in place over car vehicles. An action plan has been agreed with the council to take forward our recommendations.

## National Fraud Initiative

149. Audit Scotland oversees the National Fraud Initiative in Scotland (NFI). This initiative compares information from councils, health boards and other public sector bodies and from a range of areas, such as housing benefits, payroll, public sector pensions, disabled parking permits and council tax records. In May 2010, Audit Scotland published the results from the 2008/09 NFI exercise. At that point, public bodies had identified fraud, overpayments and errors valued at £21m. The cumulative total since NFI started in 2000 is £63m.
150. Data was uploaded for the 2010/11 exercise in October 2010. The matches were released to participating organisations at the end of January 2011. Since January the council has assigned officers to each of the NFI match reports and progress has been made in investigating these. Of the matches identified a number are highlighted as recommended matches and these are expected to be investigated as a priority by participating organisations.
151. It was highlighted in the Audit Scotland NFI report (May 2010) that Orkney Islands Council needed to improve its arrangements for reviewing NFI matches. Audit Scotland reported that the key contact changed during the audit; that data sets were submitted late and that there was a lack of reporting to the members on the progress of the NFI exercise. We are pleased to confirm that the arrangements have improved for the 2010/11 exercise. The data was submitted on time and reports have been presented to the monitoring and audit committee. The council has also made good progress investigating matches. A summary of the matches identified and investigated to date is show below.

Total matches	Recommended	Investigations closed	Investigations in progress	Frauds	Errors
295	70	191	7	0	17
<i>Source: NFI web application</i>					

152. During our audit we reviewed some of the work carried out on the NFI matches. We were satisfied with the outcome of this testing.

## **Orkney Health and Care**

153. From 1 April 2010, Orkney Health and Care became a substantive service of the council and NHS Orkney. It includes approximately 60% of NHS Orkney services and the council's social work services. Work is ongoing to implement robust governance arrangements. We carried out a review of the governance arrangements in place over Orkney Health and Care in 2010. Our report included a number of recommendations which we understand the council has been addressing. Our review was carried out prior to the creation of Orkney Health and Care in April 2010 and it was intended that a joint review between external audit and SCISWIS would be carried out in 2011 to review the governance arrangements and assess the impact the new arrangement has on service delivery. This review was set out in the council's Assurance and Improvement Plan.
154. Unfortunately this joint review has been delayed. An integrated staffing structure for Orkney Health and Care was expected to be in place by April 2011. We intended to carry out our review in September to give time for the integrated staffing structure to be embedded. This structure has yet to be implemented. The recruitment process is due to commence in October 2011.

## **Looking forward**

155. In 2010 Orkney Islands Council, Comhairle nan Eilean Siar and Shetland Islands Council jointly commissioned the Centre for Scottish Public Policy to review council arrangements on the island authorities and assess the appropriateness of a Single Public Authority (SPA) model. The review found that the SPA model should be applied to each island authority. The findings of the review were incorporated into the Council's submission to the Christie Commission's review on public service delivery in Scotland. The Christie Commission report stated that the SPA model could be piloted at island authorities.

# Appendix 1: Action Plan

Our action plan details the key weaknesses and opportunities for improvement that we have identified during this review. To assist the council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. Our rating structure has been revised to ensure consistency with the structure/terminology used by internal audit.

The rating structure is summarised as follows:

<b>Priority 1</b>	<ul style="list-style-type: none"><li>• Key control absent or inadequate</li><li>• Serious breach of regulations</li><li>• Significantly impairs overall system of internal control</li><li>• No progress made on implementing control</li><li>• Requires urgent management attention</li></ul>
<b>Priority 2</b>	<ul style="list-style-type: none"><li>• Element of control is missing or only partial in nature</li><li>• Weakness does not impair overall reliability of the system</li><li>• Recommendation considered important in contributing towards improvement in internal controls</li><li>• Management action required within a reasonable timescale</li></ul>
<b>Priority 3</b>	<ul style="list-style-type: none"><li>• Control exists or on target to be implemented within timescales</li><li>• Minor weakness, does not compromise overall system control</li><li>• To be considered by management within a reasonable timescale</li></ul>

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist.

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
1	44	Given the significant liabilities associated with these pension schemes it is essential that the council continues to carefully monitor the position and reassess its potential liability for any outstanding debt. <b>Priority 2</b>	Ongoing monitoring of the position will be required. The Towage Company currently employs only 2 active MNOFP members and could trigger a s75 debt when the last active member leaves the company.	Director of Finance and Housing and Director of Marine Services	Ongoing
2	47	It appears that the council's initiative to reorganise its charities and bequests has stalled and no reorganisation has taken place. We recommend that the council engages further with OSCR to move this initiative on. <b>Priority 2</b>	Work has continued on identifying appropriate beneficiaries for some of the bequests and some funds have been disbursed. There were some difficulties experienced with staff resources in legal services with the solicitor dealing with the trust deed absent from work for some time. A renewed effort will be made to progress with the reorganisation.	Director of Finance and Housing and Head of Legal Services.	June 2012
3	58	The director of finance and housing should consider requesting that all service directors provide assurance statements on the internal financial controls operating in the year. <b>Priority 2</b>	The recommendation to request assurance statements from Service Directors has been raised previously. The failure to issue a request during the closure of the 2011 accounts was an oversight.	Director of Finance and Housing	June 2012

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
4	60	The council has yet to assess its own governance arrangements against the CIPFA/SOLACE publication. We would encourage the council to ensure that any assessment is completed in line with its timetable to ensure it is prepared for any change in regulations. <b>Priority 2</b>	Work is ongoing on a review of the Council's Governance Arrangements with the intention of producing an updated local code of governance and submitting this for Council approval in November 2011.	Chief Executive	December 2011
5	68	We recommend that variations against the original budget are reported in outturn reports so that true comparisons against the budget are identified with subsequent transfers to earmarked reserves identified separately. <b>Priority 2</b>	Outturn Reports to be presented to the Policy and Resources Committee on 20 September 2011 contain a movement in reserves statement that should facilitate a true comparison of budget against outturn.	Director of Finance and Housing	September 2011
6	71	Whilst the Orkney College deficit has reduced to £239,000 in 2010/11 it is important that the council determines whether this level of deficit should be budgeted for in future years. <b>Priority 2</b>	It is proposed to give Members the opportunity to consider whether this is a Council priority by submitting a growth bid for budget support during the 2012/13 budget setting process.	Director of Education	February 2012



Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
7	83	It is essential that progress is made by the council to develop service level asset management plans. <b>Priority 2</b>	Agreed, work is ongoing in this regard although the Asset Realisation work stream has been the immediate priority. With a restructuring exercise underway there will be some significant amendments required to the plans that have been developed thus far.	Director of Development and Environmental Services	December 2012
8	92	We would encourage council to review its borrowing requirements in light of the change in method of funding from the Scottish Government for the schools programme. <b>Priority 2</b>	Agreed. There are presently no plans to increase the level of borrowing. The Scottish Government and other capital grants on the schools programme will not cover the full capital expenditure. The balance may be covered by some of the external debt.	Director of Finance and Housing and Assistant Director of Finance (Accountancy)	Ongoing
9	96	The council has also developed a framework of policies in relation to workforce management. These documents have however still to be formally approved and adopted by the council. It is important that the council approves these frameworks, subject to all relevant amendments, and implements these as part of its revised workforce restructure <b>Priority 2</b>	The consultation process in respect of the workforce management framework is underway. Having regard to the consultation responses the policies will be submitted to the Council for received approval.	Head of Personnel	June 2012

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
10	99	The council must continue to prioritise the reduction in sickness absence. The council must continue to ensure it addresses sickness absence levels across all directorates, sharing good practice and successful initiatives where appropriate. <b>Priority 2</b>	Personnel Services will continue to monitor sickness absences and highlight to Service Directors and Managers where intervention is required in accordance with the Council's policies on managing sickness absence.	Head of Personnel	Ongoing
11	113	The council's performance management system is a paper based system. The council should seek to implement an electronic performance management system and develop a hierarchy of performance reporting. This will enable savings and efficiencies to be achieved through current systems as well as improve the implementation of any future electronic system. <b>Priority 2</b>	The introduction of an electronic performance management system may remain as an unfulfilled aspiration. The Council is looking to secure savings from its Revenue Budgets and Capital Budgets are also limited with the priority being to replace existing assets rather than acquire additional ones.  If there are sufficient realisable savings from an electronic performance management system to justify a Spend to Save business case then this will be taken forward.	Director of Corporate Services	June 2012

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
12	115	<p>Opportunities do exist for improvements and enhancements in this performance report. Future targets are not set out for the council's performance. There is limited benchmarking on how the council is performing against previous years or other councils.</p> <p>The council must continue to develop and enhance the progress it is making in its external performance reporting.</p> <p><b>Priority 2</b></p>	The Performance Reporting arrangements are evolving over time and consideration will be given to how benchmarking and improvements on past performance can be incorporated.	Director of Corporate Services	June 2012
13	120	<p>The council should use the review/refresh of its service plans as an opportunity to reinforce the importance of performance reporting to its services and to revisit the data dictionaries which are in place for each indicator. Where required training should be given to ensure responsible officers are fully aware of their responsibilities.</p> <p><b>Priority 2</b></p>	Agreed, there is an annual review process in place for Service Plans and the content of data dictionaries.	Director of Corporate Services	September 2012

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
14	124	<p>The Accounts Commission is of the view that service cost information is important to stakeholders and citizens, providing additional context for the assessment of performance. To date the council has not implemented further indicators on service cost due to resource restrictions.</p> <p><b>Priority 3</b></p>	<p>Agreed, the Review of Charging workstream undertaken as part of Tough Times Tough Choices has generated much unit cost information and consideration is being given to whether this can be included in the regular budget monitoring reporting mechanisms.</p> <p>Provision of information on the costs behind Council Charges will be revisited with a view to making this more widely available.</p>	<p>Director of Corporate Services and Assistant Director of Finance (Strategic Finance)</p>	<p>June 2012 as a target rather than agreed completion date.</p>
15	127	<p>The council must ensure that all efficiency and management reviews are completed on time and reported within agreed timescales.</p> <p><b>Priority 2</b></p>	<p>Agreed, the reduction in the number of reviews to be completed will assist in this regard.</p>	<p>Chief Executive and All Service Directors</p>	<p>Ongoing</p>
16	137	<p>The council should seek to identify training needs and training programmes for elected members based on their individual needs and areas of expertise. This should be incorporated into the council's learning and development policy.</p> <p><b>Priority 2</b></p>	<p>A training needs assessment for elected Members will be conducted by the Learning &amp; Development Manager. The outcome of that assessment will be translated into individual training programmes.</p>	<p>Director of Corporate Services and Learning &amp; Development Manager</p>	<p>December 2012</p>

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
17	145	<p>Internal audit plans should highlight links to the council's corporate and service risk registers. Arrangements should be in place for the council's corporate and service risk registers to be updated following any internal audit review. This may include, for example, a change in overall risk rating or change to control measures in place.</p> <p><b>Priority 2</b></p>	<p>Service Risk Registers are reviewed annually as part of the Internal Audit planning process. Specific recommendations in relation to updating corporate and service risk registers in relation to risks identified as needing updated will be incorporated into Internal Audit action plans where appropriate.</p>	<p>Chief Internal Auditor and Service Managers</p>	<p>June 2012</p>



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