



**HENDERSON LOGGIE**  
Chartered Accountants

**Perth & Kinross Council**

**Report to Members and the  
Controller of Audit 2010/11**

**External Audit Report No: 2011/08**

**Draft Issued: 28 October 2011**

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### **Restriction on Use**

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

We take this opportunity to remind you that:

- this report has been prepared for the sole use of Perth & Kinross Council and the Audit Sub-Committee and will be shared with the Accounts Commission and Audit Scotland
- no responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes



# 1. Executive Summary

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## Introduction

1. We are pleased to submit our annual report, covering significant matters arising during the course of our audit of Perth & Kinross Council (the Council) for the year ended 31 March 2011.

## Financial statements

2. Our opinion on the financial statements of the Council for the year ended 31 March 2011 is unqualified. The financial statements give a true and fair view, in accordance with applicable law and the 2010/11 International Financial Reporting Standards (IFRS)- based Code, of the state of the affairs of the group and of the Council as at 31 March 2011 and of the income and expenditure of the group and the Council for the year then ended. The financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code and they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
3. We were not obliged to make any adverse comment on the Council and its group's Annual Governance Statement. The Annual Governance Statement complies with Delivering Good Governance in Local Government. In addition the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985.
4. The Council did not submit their draft Whole of Government Accounts (WGA) return, based on the draft accounts, to the Scottish Government by the due date of 31 July 2011; the draft return was submitted on 16 August 2011. The audit certification deadline for submission to the Scottish Government of 30 September 2011 was met.
5. Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance on Common Good funds recommended a Common Good asset register should be in place by 31 March 2009. The Council did not complete its review of Common Good assets by 31 March 2009, as recommended by the LASAAC guidance. However Perth & Kinross's asset review of titles and asset registers is progressing and exceeds the minimum that Audit Scotland has noted is acceptable.

## Use of resources

6. The total General Fund balance for the year at 31 March 2011 was £1.096 million more than at 31 March 2010. This is a favourable movement of £3.222 million compared with a budgeted use of resources of £2.126 million.
7. The Housing Revenue Account (HRA) balance for the year at 31 March 2011 was £0.024 million more than at 31 March 2010. The HRA forecast for 2010/11 was to breakeven.
8. Commitments against the General Fund balance, excluding HRA, total £18.910 million leaving an uncommitted balance at 31 March 2011 of £12.383 million. Commitments against the HRA balance total £0.155 million leaving an uncommitted balance of £0.648 million. The overall total uncommitted balance is £13.031 million which is within the Council's approved range.
9. The Group Balance Sheet shows the Total Assets less Liabilities to be a net liability position of £22.069 million at 31 March 2011. This is mainly due to the Share of the Net Liabilities of Associates including the Council's share of the pension liabilities of the joint boards. All group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.



## 1. Executive Summary

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10. At 31 March 2011 the usable (or “cash-backed”) fund balances and reserves held by the Council totalled £44.680 million (at 31 March 2010 - £41.796 million).
11. The Council’s pension liabilities at 31 March 2011, estimated by the Actuary, exceeded its share of pension scheme assets by £130.073 million (2009/10 - £234.344 million). The favourable movement of £104.271 million is mainly the result of the move from the retail to consumer price index as a basis for future public pension increases.
12. The 2011/12 final approved General Fund Revenue Budget amounted to £334.147 million and projected a net contribution from reserves of £0.076 million. The approved HRA Budget totals £22.700 million and is set to break even. The latest Revenue Budget 2011/12 - Monitoring Report No 1 revised the General Fund Management Budget expenditure to £338.768 million after the application of ear-marked reserves with a projected a final outturn of £337.901 million based on the ledger for the three month period to June 2011. If achieved this would result in a planned net contribution from reserves of £2.285 million which would decrease the ear-marked reserves within the General Fund balance.
13. The key risk for the Council for 2011/12 and future years will be to maintain and improve service delivery within reduced levels of funding and resources. In November 2010 the Medium Term Financial Plan for the three years to 2011/14 was approved that included corporate savings targets of £37.976 million, designed to help mitigate this risk.
14. In December 2010 the Budget Update Report revised the corporate savings targets for 2011/14 to £30.967 million in view of adjustments to the Council’s financial planning assumptions following the announcement of the local government finance settlement. In approving the Revenue Budget and Council Tax in February 2011 the Council required to identify £8.905 million of Revenue savings to balance its 2011/12 budget. In total, a net £12.197 million of savings were approved as part of a strategy of retaining £3.292 million of “budget headroom” to meet future budget pressures.

### Governance and accountability

15. The Council’s Local Code of Corporate Governance that provides the framework enabling the Council to monitor the achievement of its strategic objectives was approved in 2005. Work has been ongoing to update this Code since the publication of *Delivering Good Governance in Local Government* and will continue into 2011/12.
16. In February 2011 the Strategic Policy and Resources Committee considered a report reviewing the Audit Scotland report *Roles and Working Relationships: Are You getting it Right?* This resulted in revision of the Council’s self-evaluation tool *How Good Is Our Council* to take account of some of the recommendations from the Audit Scotland report ahead of the annual review to feed into the production of the 2011 to 2014 Business Management and Improvement Plans.
17. The Council’s Scrutiny Committee continued to meet regularly during the year considering a number of reports to allow review and monitoring of both corporate and service performance. The Scrutiny Committee’s Audit Sub-Committee also met regularly during the year to review all internal and external audit reports. Observation from our attendance at these and other Council committee meetings demonstrates good councillor involvement in debate and scrutiny.
18. We have commented in previous reports on concerns regarding the Council’s Internal Audit Service and actions taken to address these concerns. For 2010/11 we did not place reliance on specific internal audit work for the reasons noted in our Annual Plan although we did review the outputs from Internal Audit.



## 1. Executive Summary

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19. The Chief Internal Auditor reported to the October 2011 Audit Sub-Committee meeting that of the eight 2011/12 assignments due for completion by the end of October only two were complete and four had commenced, with one planned for completion in 2012 also having been commenced. The Chief Internal Auditor noted that unplanned work and further sickness absence was impacting on her ability to deliver the plan. Alternative resource has now been secured to help complete the work.
20. We have been assured that addressing this issue remains a key priority for management and the position will be kept under review. This will ensure that the 2011/12 plan is completed on time and that the Chief Internal Auditor's annual report is available to feed into production of the Annual Governance Statement for 2011/12.
21. National Fraud Initiative (NFI) data matches are being investigated. By 31 October 2011 no frauds have been identified. Some other errors identified have resulted in overpayments which the Council will seek to recover. We are required to report progress to Audit Scotland early next year.

### Performance management and improvement

22. The 2010-2013 Assurance and Improvement Plan (AIP), produced by the joint scrutiny bodies, recognised that the Council had developed a range of detailed performance measures that are outcome focussed and support the delivery of SOA objectives. In general, services are performing well. The 2011-14 AIP refresh confirmed that there was no change in their assessment of this area and no scrutiny work was required.
23. Arrangements in place are sufficient to meet the Council's statutory duties to collect record and publish a range of Statutory Performance Indicators (SPIs). The SPI pro-forma was lodged prior to the 31 August 2011 deadline set by Audit Scotland and all 25 specified indicators reported were categorised as reliable on the basis of the audit work conducted.
24. A report, Single Outcome Agreement Annual Performance Report 2010/11 presented to Community Planning Partnership on 23 September 2011 provided partners with an overview of how the partnership had performed against the SOA 2009-11 during the year. The report shows that performance exceeded targets in nine of the fifteen local outcomes, remained static in three areas and fell in two areas.
25. The Assurance and Improvement Plan 2011-14 was reported to the Scrutiny Committee in September 2011. It noted that the Council would be subject to an inspection of Joint Child Protection Services in August 2011. The report, published in October 2011, was extremely positive concluding that the joint services to protect children and young people provided by the Council and its partners were "exceptional" and demonstrated "ground breaking partnership working". Audit Scotland published a number of reports on national studies over the past year. A summary of these reports, together with the Council actions to date, is included at Appendix 1.

### Outlook

26. Along with all other public bodies in Scotland, Perth & Kinross Council is facing up to the prospect of having to make significant budget savings. At the same time as the Council aims to support the local economy and maintain current service provision, it is likely to face a severe reduction in resources. The Council needs to continually update its Medium Term Financial Plan to take account of the Scottish Government's key priorities and maximise available funding to maintain delivery of key services for the area. The Council needs to continue to plan for reduced resources over the medium term and make decisions to deliver cost and staff reductions in a managed way.



## 1. Executive Summary

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27. The introduction of the mandatory Carbon Reduction Commitment Energy Efficiency Scheme is a significant new area of cost for the Council and carries reputational risks which will require to be managed.

### **Acknowledgements**

28. This is the final year of our appointment as external auditors for the Council. Our audit has brought us in contact with a wide range of Council officers and members. We would like to take this opportunity to place on record our appreciation of the co-operation and assistance extended to us by officers and members in the discharge of our duties.
29. We will liaise with the Council's incoming auditors to achieve a co-ordinated handover of the audit and to ensure that the new auditors are fully briefed on all relevant matters.



## 2. Introduction

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### Introduction

30. We are pleased to submit our final annual report, covering significant matters arising during the course of our audit of Perth & Kinross Council for the year ended 31 March 2011.
31. The framework under which we operate, under appointment by Audit Scotland, and our audit approach, are as outlined in our Report 2011-01 **Risk Assessment, Annual Audit Plan and Fee Proposal for 2010/11** (Annual Plan) issued on 28 February 2011. The respective responsibilities of Council members, officers and the auditors are set out in our Report 2011-06 **Report to those charged with Governance on the audit of Perth & Kinross Council 2010/11** (ISA 260 Report) issued on 21 September 2011.
32. Broadly the scope of our audit was to:
- provide an opinion on the financial statements in accordance with relevant legal and regulatory requirements and international standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission
  - review and report on the Council and its group's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and the Council's financial position
  - review and report on the Council's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value
  - review and report on whether the Council has made adequate arrangements for collecting, recording and publishing prescribed performance information
33. Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Council.

### Audit activity and reporting

34. As part of our overall planning approach to the Council's annual audit we carried out a review of the key risks, national and local, facing the Council and reported how we would continue to monitor them during the year through attendance and review of Council and community partnership meetings and minutes and discussions with officers. The main risks were reported in our Annual Plan and where appropriate we have included an update on these risks in this report. To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff at the Council. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.
35. In accordance with our Annual Plan we reviewed the Council's key internal controls for the main financial systems that are used to produce the Council's financial statements. We have raised some issues during the course of the audit including matters highlighted in our **Financial Statements Audit Plan** (FSAP), Report 2011-04, issued on 31 May 2011 and our ISA 260 Report.
36. We take this opportunity to remind you that external auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used efficiently, economically and effectively.



### 3. Financial statements

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#### Audit opinion

37. We are pleased to report that the target date of 30 September 2011 for the audit completion and certification of the annual accounts was met. Our opinion on the financial statements of the Council for the year ended 31 March 2011 is unqualified.
38. In accordance with International Standard on Auditing (ISA) 260 we issued our ISA 260 Report, which was discussed and finalised with the Acting Head of Finance and the Leader of the Administration on 21 September 2011. This report provided audit comment on the key issues and audit opinion arising from the audit of the financial statements and of the systems of financial internal control. It also included our proposed audit certificate and detailed the agreed adjustments to the draft accounts arising from our audit. The agreed adjustments have no impact on the General Fund balance.
39. We set out below a summary of the audit certification issues:
- the financial statements give a true and fair view in accordance with applicable law and the 2010/11 Code of Practice on Local Authority Accounting of the state of the affairs of the group and of the Council as at 31 March 2011 and of the income and expenditure of the group and the Council for the year then ended
  - the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code
  - the financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003
  - the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985
  - the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements
40. We are also required to report if, in our opinion:
- adequate accounting records have not been kept
  - the financial statements are not in agreement with the accounting records
  - we have not received all the information and explanations we require for our audit; or
  - the Annual Governance Statement does not comply with Delivering Good Governance in Local Government
  - there has been a failure to achieve a prescribed financial objective.
- We had nothing to report on these matters.
41. Some of the issues raised in our ISA 260 Report need to be addressed by management. An action plan will be drawn up and agreed with the Finance Team as part of our debrief process.



### 3. Financial statements

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#### Material risks and exposures

42. Our FSAP identified a number of material risks and exposures faced by the Council that we assessed might impact on the Council's financial statements. Our ISA 260 Report provided a summary of the relevant year-end issues along with how they had been resolved. The following paragraphs provide a further update.

#### Whole of Government Accounts (WGA)

43. The main legislative authority for WGA is contained in the Government Resources and Accounts Act 2000, which sets out a formal designation process. Under the Act, HM Treasury is responsible for preparing WGA statements at a UK level. Although the Act is not applicable in Scotland, the Scottish Government has agreed to provide the Treasury with equivalent information. Scottish local authorities are therefore required to submit their WGA information in an Excel workbook to the Scottish Government.
44. The UK Government's aim in respect of WGA is to develop a fully audited set of accounts covering virtually all of the UK public sector. WGA treats Government as if it were a single consolidated entity by eliminating all significant transactions and amounts owed between public sector bodies and harmonising accounting policies. WGA is intended to present a true and fair view of Government activities.
45. The Council did not submit their draft WGA return, based on the draft accounts, to the Scottish Government by the due date of 31 July 2011. The return was submitted by the Council to the Scottish Government on 16 August 2011. A copy of the draft submission with review comments from the Scottish Government was received on 22 August 2011. The audit certification deadline for submission to the Scottish Government of 30 September 2011 was met.

#### International Financial Reporting Standards (IFRS)

46. From 2010/11, local authority and joint board accounts must be prepared in accordance with International Financial Reporting Standards (IFRS). Authorities are required to disclose a restated 1 April 2009 IFRS-based Balance Sheet and restate the 2009/10 comparative information onto an IFRS basis. We reviewed the opening balance sheet and 2009/10 restatement templates and reported our findings in our **Opening IFRS Balance Sheet and 2009/10 Shadow Accounts Templates Review** Report 2011-03, issued on 5 May 2011.
47. We are satisfied that the 2010/11 financial statements have been prepared in accordance with IFRS and that the comparative information has been accurately restated.

#### Remuneration Report

48. In accordance with the new requirements of the Code for 2010/11 the Council followed the guidance issued by the Scottish Government and made the appropriate disclosure requirements in the remuneration report included in its financial statements at pages 85 to 91.

#### Capital Funds and Other Reserves and Funds

49. Our audit testing confirmed that the Council complied with the statutory regulations and made appropriate disclosures in line with the Code's requirements.

#### Capital Accounting Entries

50. Our audit testing confirmed that appropriate entries were made in the financial statements for acquisitions, disposals, revaluations, impairments, depreciation, leased assets, intangibles, grants, fixed assets financed from current revenue (CFCR) and components, with the minor exception of a revaluation adjustment not made. Refer to our ISA 260 Report- Appendix II Trivial Audit Adjustments- unadjusted.

### 3. Financial statements

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#### Annual Governance Statement

51. The Council included an Annual Governance Statement in its financial statements for 2010/11. The statement complies with *Delivering Good Governance in Local Government* and as reported at paragraph 40 we had nothing to report on the statement. The draft statement was amended to ensure that all relevant significant matters were included. We also made some recommendations to improve the presentation of this statement next year.

#### Icelandic Investments

52. The Council has made appropriate disclosure of their Icelandic deposit with Glitnir and the potential recovery of these monies. Details are provided in Note 43 on page 58 of the Statement of Accounts.

#### Group accounts

53. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires authorities to prepare a full set of group accounts in addition to their single entity accounts where they have an interest in other entities (excluding the pension fund). The Council has prepared group accounts in accordance with these requirements and the notes to the Group Accounts provide full details of their interests in other entities and the basis of consolidating the results. For further comments see paragraphs 70 to 72.
54. All of the associates' accounts have been prepared on a going concern basis and have been audited. The Council's group accounts have also been prepared on a going concern basis.

#### Trust funds

55. Discussions have been ongoing for some time between the Office of the Scottish Charity Regulator (OSCR) and LASAAC regarding the staged application of the Charities (Scotland) Regulations 2006. OSCR wrote to all Councils earlier in 2011 regarding their reporting requirements for local authority charities from 2010/11. The letter stated that an independent examination report would continue to be accepted until 2012/13, and that an audit report would not be required until 2013/14. OCSR has subsequently noted that where a charity's gross income exceeds £500,000 or gross assets exceed £2.8 million, an audit report is required for 2010/11.
56. As the trust funds administered by the Council fall below these thresholds, it is still recommended that local authorities continue to make disclosures in respect of trust funds that are consistent with previous years.
57. The disclosure requirement in last year's SORP, in respect of trust funds, is not included in the Code. However, failure by local authorities to disclose details of the nature and amount of trust funds in their accounts would necessitate the preparation and audit of separate accounts for charities in order to satisfy the requirements of section 106 of the Local Government (Scotland) Act 1973. In 2010/11 the Council has made the appropriate disclosure consistent with prior years.
58. During 2011 OSCR wrote to LASAAC providing feedback on the 2009/10 submissions to OSCR for all Local Authorities. The feedback assessed submissions, which look at more than just the accounts information, against four categories; fully compliant (no councils achieved this grade), above average (only 2 councils received this grade), average (20 councils) and below average (8 councils). The Council's submissions fell within the "average" band, an improvement on the prior year's submission. The letter identifies that OSCR expect clear progress to be demonstrated by authorities. The 2010/11 information is due for submission by 31 December 2011.

### 3. Financial statements

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#### Common Good Fund

59. LASAAC guidance issued in December 2007 states that local authorities should take reasonable steps to ensure that Common Good fixed asset registers support the assets shown in the Common Good Balance Sheet. The Council maintains an asset register identifying known Common Good assets and is in the process of carrying out a detailed review of assets across all 10 former common good burghs within the Perth and Kinross areas.
60. The Council has not yet completed this review. However the Council's asset review of titles and asset registers is progressing and is further advanced and more thorough than practices in some other councils and exceeds the minimum that Audit Scotland has noted is acceptable. This was reported in our 2010/11 report 2011-02 **Accounting for Common Good Assets Review**. Our 2009/10 report contained a recommendation to complete reviews of individual Common Good areas and make accounting adjustments as necessary. This has been taken forward this year, as noted in the updated action plan in Section 7.
61. Further information about the transfer of properties was reported within our ISA 260 Report under Accounting policies and practices and the Council has also included further details within note 41 of the statement of accounts.

#### Legality

62. Through our planned audit work we consider the legality of the Council's financial transactions. In addition the Acting Head of Finance confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the Council's management team, the financial transactions of the Council were in accordance with relevant legislation and regulations. Other than the minor matter regarding the Common Good Borrowing from Loans Fund reported in our ISA 260 Report there are no legality issues arising from our audit which require to be brought to members' attention.

#### Financial reporting outlook

63. A number of changes in financial reporting are expected to apply from 2011/12 and beyond
- FRS 30, Heritage Assets has been issued but has not been adopted by the Council in 2010/11; it will be required in 2011/12.
  - Pending conclusion of discussions with OSCR about accounts for charities, the Council will need to continue to make a choice between making the appropriate trust fund disclosures in the 2011/12 accounts and making arrangements for the separate audit of these funds.
  - For the Whole of Government Accounts return, authorities are required to provide highways infrastructure data to capture progress being made on revaluing those assets on a depreciated replacement cost basis. While this was not subject to audit in 2010/11, it will require to be audited in 2011/12.

## 4. Use of resources

### Financial position

64. As reported in the Comprehensive Income and Expenditure Account, the Council reported a surplus on the provision of services of £39.755 million (2009/10 – deficit £24.773 million) and a total comprehensive income and expenditure surplus of £113.467 million (2009/10 – deficit of £145.436 million). After making the necessary adjustments through the Movement in Reserves Statement for items required by statute to be charged to the General Fund, the Council reported a total General Fund increase of £1.096 million in the year to £32.096 million at 31 March 2011, including the HRA balance.
65. For statutory accounting purposes, the HRA balance requires to be included as a ring-fenced amount within the General Fund balance, albeit that for internal and budget purposes, the Council treats the HRA and the General Fund separately. The HRA Income and Expenditure Account reported a surplus of £5.174 million (2009/10 – deficit of £12.867 million). The final outturn for 2010/11, after the necessary adjustments to the HRA movements, was an increase of £0.024 million on the HRA balance to £0.803 million at 31 March 2011 (2009/10 - £0.779 million).
66. From the above balances at 31 March 2011, £18.910 million and £0.155 million have been earmarked from the General Fund and HRA respectively to provide financing for future expenditure plans. Further details are provided in Note 6 of the Statement of Accounts.

### Financial performance

67. Financial performance is measured against the financial budget set by the Council in February 2010 (and subsequent approved amendments) for 2010/11. Although for budget monitoring purposes the HRA balance is accounted for separately and not normally included in the General Fund figures it has been included here to agree with the Statement of Accounts.

#### General Fund

68. The General Fund balance for the year at 31 March 2011 was £1.096 million more than at 31 March 2010. This is an overall favourable movement of £3.222 million compared with the updated budgeted use of resources. The General Fund budget (as amended) assumed a total use of resources of £2.126 million. Significant factors contributing to the increase in the GF balance are shown in Table 1.

**Table 1 – Financial performance against the 2010/11 budget**

<b>General Fund balance</b>	<b>£m</b>	<b>£m</b>
Balance brought forward 1 April 2010		<b>31.000</b>
Under-spends on the main Services	2.180	
Change in Council Tax provisions	(1.248)	
Under-spend on HRA	0.157	
Under-spend on Financing costs	0.310	
Over-spend on other items (net)	<u>(0.303)</u>	
<b>General Fund balance increase</b>		<b>1.096</b>
<b>Balance Carried Forward 31 March 2011</b>		<b>32.096</b>
		=====

#### Housing Revenue Account

69. The HRA updated budget set assumed a contribution to balances of £0.157 million that was achieved.

## 4. Use of resources

### Group balances and going concern

70. The Group's Comprehensive Income and Expenditure for 2010/11 reported a group surplus on provision of services of £47.434 million (2009/10: deficit of £35.484 million) and a total comprehensive income and expenditure surplus of £154.185 million (2009/10: deficit of £247.199 million).
71. The Group Balance Sheet reports a net assets/ (liabilities) position of £ (22.069) million at 31 March 2011 (2009/10: liabilities of £176.254 million) compared with the Council's single entity Balance Sheet net assets position of £194.200 million (2009/10: £80.733 million). This material decrease of £216.269 million (2009/10: £256,987 million) is mainly due to the Share of the Net Liabilities of Associates including the Council's share of the pension liabilities of the joint boards. These have been accounted for under IAS 19 'Retirement Benefits' in accordance with the Code.
72. All group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.

### Reserves and balances

73. All councils hold reserves which consist of earmarked amounts set aside to support future years' expenditure and contingencies for unexpected events or emergencies. At 31 March 2011 the usable (or "cash-backed") fund balances and reserves held by the Council totalled £44.680 million (at 31 March 2010 - £41.796 million). Table 2 details the balances and movements on the usable reserves. The Capital Adjustment Account, the Financial Instruments Adjustment Account, the Revaluation Reserve, the Pensions Reserves and the new Accumulated Compensated Absences Adjustment Account are specific accounting reserves relating to book entries and classed as unusable reserves. These unusable reserves have been excluded from the table as these are not "cash backed" reserves. Details of movements on the unusable reserves are provided in note 16 of the Statement of Accounts.

**Table 2 – Fund balances and reserves**

<b>Fund balances and reserves</b>	<b>2011</b>	<b>2010</b>	<b>Movement</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	31.293	30.221	1.072
Housing Revenue Account	<u>0.803</u>	<u>0.779</u>	<u>0.024</u>
Total General Fund	32.096	31.000	1.096
Capital Grants Unapplied	0.171	0	0.171
Renewal and Repair Fund	0.543	0.849	(0.306)
Insurance Fund	0.933	1.476	(0.543)
Capital Fund	8.257	5.766	2.491
Capital Receipts Reserve	<u>2.680</u>	<u>2.705</u>	<u>(0.025)</u>
<b>At 31 March</b>	44.680	41.796	2.884
	=====	=====	=====

74. Commitments against the General Fund balance, excluding HRA, total £18.910 million leaving an uncommitted balance at 31 March 2011 of £12.383 million. Commitments against the HRA balance for the potential impairment in relation to the Icelandic bank deposit total £0.155 million leaving an uncommitted balance of £0.648 million. The overall total uncommitted balance is £13.031 million.
75. The uncommitted General Fund Reserve balance, excluding HRA, totals £12.383 million. This represents 3.7% of the Council's budgeted net expenditure for 2011/12 which is within the approved range for uncommitted balances on the General Fund (excluding the HRA balance) of 2% to 4%.

## 4. Use of resources

### Efficient Government

76. All public sector bodies in Scotland are involved with the Scottish Government's Efficient Government initiative. The initiative is designed to achieve cash and time-releasing savings over a three-year period through elimination of waste, bureaucracy and duplication.
77. For 2008/09 to 2010/11, no specific targets have been set for individual authorities, but the Scottish Government identified a target for efficiency savings of 2% across the public sector. The Council recognises that it must strive for and achieve continuous improvement to its services, measurable year on year. Identification of cash-releasing savings is a key element of the Council's financial management strategy; with the delivery of approved efficiency savings forming an integral part of the management of each Council's Service's Revenue Budget. This is in turn monitored as part of the Council's overall expenditure monitoring.
78. The Council's 2010/11 Efficiency Statement was submitted to COSLA by the 19 August 2011 deadline, to enable COSLA to prepare a statement on behalf of all councils for submission to the Scottish Government. The statement was subsequently reported to the Strategic Policy and Resources (SP&R) committee on 14 September 2011. In anticipation of significant reductions in public sector funding the Council has strengthened its internal arrangements through the development of a range of workforce management measures. The 2010/11 Statement reported to the committee included amongst these revised arrangements vacancy management, managing short-term resource requirements and enhancing capacity and improving performance.
79. The Council delivered cashable efficiency savings of £10.864 million in 2010/11, see Table 3 below. It is noted that the cashable efficiency savings represent approximately 3.24% of the Council's Net Revenue Budget as approved in February 2010 and comprise savings to Service and Corporate Revenue budgets of £9.345 million and the use of £1.519 million of capital receipts from disposal of Council assets.

**Table 3– Cashable efficiency savings 2010/11**

Theme	Cash releasing £m	Time releasing £m	Recurring £m
Procurement	2.160	-	2.160
Workforce planning	5.503	-	2.572
Asset management	1.694	-	0.175
Shared services	0.130	-	0.130
Streamlining bureaucracy	1.126	-	1.126
Other	<u>0.251</u>	=	<u>0.042</u>
<b>Total</b>	<b><u>10.864</u></b>	-	<b><u>6.205</u></b>

80. Key areas identified for savings in 2011/12 within workforce planning, procurement and asset management themes include the following:
- reductions in management and administration / support reviews across all services
  - reduced sickness absence
  - redesign of a number of corporate functions including Information technology, Health and Safety and Asset Management
  - introduction of new ways of working within The Environment Service
  - the redesign of local authority care home provision within Housing and Community Care
  - reduced waste disposal costs
  - further targeted savings from the operation of collaborative purchasing arrangements
  - review of future office accommodation requirements

## 4. Use of resources

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### Capital expenditure

81. Gross capital expenditure on the Council's long term assets for 2010/11, including PFI / PPP projects, amounted to £64.009 million of which £7.102 million was spent on the Council Dwellings, £27.518 million was spent on the Composite (General Fund) Programme and a further £29.389 million was incurred on assets held under PPP arrangements. Further details of the split of capital expenditure, together with an analysis of how the expenditure was financed, are included in the Explanatory Foreword and in Note 32 within the Statement of Accounts.
82. The Council's approved capital budget (revised) for 2010/11 was £29.855 million, giving an under-spend of £2.337 million on the General Fund. The main reasons for the slippage were revised completion dates and re-phasing of expenditure on current projects, some of which was as a result of severe winter weather from November last year.
83. The Council has a number of capital expenditure commitments at 31 March 2011 totalling £8.120 million (2009/10: £12.984 million). Full details are included in Note 32 on page 47 of the Statements of Accounts.
84. The Council also included information about the Capital Budget 2011/12 to 2015/16 within the Explanatory Foreword. Total capital expenditure of £177.655 million has been approved over this five year period. Details of the projected financing and phasing of this expenditure was also provided.
85. The Council's PFI / PPP project; Investment in Learning (IIL), involved the construction of six new community school campuses in Blairgowrie, Aberfeldy, Kinross, Crieff and at two sites in Perth. All of the community school campuses are now complete and operating, with the final school opened on 31 October 2011. Further details of the all of the Council's PPP projects were provided in Note 34 to the Statement of Accounts.

### Treasury management

86. The Local Government Investments (Scotland) Regulations 2010 were approved by the Scottish Parliament on 10 March 2010 and came into force on 1 April 2010. The Regulations permit local authorities to make investments subject to them obtaining the consent of Scottish Ministers. Finance Circular 5/2010, issued by the Scottish Government on 1 April 2010, provides the general consent of Scottish Ministers and sets out the requirements attached to the consent. The consent requires authorities to invest in a way that minimises the risk to the capital sum and optimises the return on the investment consistent with those risks.
87. Authorities are required to prepare an Annual Investment Strategy (the Strategy) before the start of the financial year and an Annual Investment Report (the Report) within six months of the financial year end. The consent specifies minimum requirements for these two documents. There should also be a mid- year review.
88. Under the Local Government (Scotland) Act 1973, an authority is permitted to delegate functions to committees, with the exception of setting the council tax and borrowing money. The Investment Regulations extend these exemptions to include the approval of the Strategy and Report. Scottish Ministers recommend that the Strategy and Report are also considered by an appropriate committee / scrutiny body.
89. We have been advised that the Council has now agreed that scrutiny of treasury management decisions and performance should be undertaken by the full Council. The Council's Investment Strategy for 2010/11 was approved by the full Council at its meeting on 11 May 2010 and the Annual Investment & Property Strategy for 2011/12 was approved at a Council meeting on 23 February 2011.

## 4. Use of resources

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90. In addition as the Council's commercial property portfolio falls within the scope of the regulations a formal annual property investment strategy was submitted to and approved by full Council on 30 June 2010.
91. Throughout 2010/11 quarterly Treasury Activity and Compliance reports have been reported to Council meetings. These reports provide a summary of loans fund transactions for the quarter, report on compliance with the Council's Treasury Management Policy Statement, Treasury Management Practices, Investment Strategy and the Prudential Indicators for the same period. No issues with Council practices were noted from these quarterly reports.

### Pensions

92. Accounting for the costs of pensions presents a difficult challenge for councils. The amounts involved are large, the timescales long, and the estimation process is complex involving many areas of uncertainty that are the subject of assumptions. IAS 19 (Employee Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future.
93. The Council participates in two pension schemes on behalf of its employees: the Scottish Teachers' Superannuation Scheme (Teachers) administered by the Scottish Government and the Local Government Pension Scheme (LGPS); the Tayside Superannuation Fund administered by Dundee City Council. Both schemes provide members with defined benefits related to pay and service.
94. The Council disclosed the IAS 19 requirements for the LGPS. The Teachers' scheme is an unfunded scheme which is excluded from the accounting requirements of IAS 19 as it is a national scheme that cannot separately identify the pension liabilities of the individual contributing bodies.
95. The Council's pension liabilities at 31 March 2011, estimated by the Actuary, exceeded its share of pension scheme assets by £130.073 million (2009/10 - £234.344 million). The favourable movement of £104.271 million is mainly the result of the move from the retail to consumer price index as a basis for future public pension increases.

### Financial planning

96. In setting the 2011/12 budget, the Council again froze the Council Tax in accordance with the concordat with the Scottish Government. The Council's Provisional Revenue Budgets for 2012/13 and 2013/14 are currently based upon the assumption that there will be no increase in Council Tax levels. The 2011/12 final approved General Fund Revenue Budget amounted to £334.147 million and projected a net contribution from reserves of £0.076 million. The approved HRA Budget totals £22.700 million and is set to break even.
97. The latest Revenue Budget 2011/12 - Monitoring Report No 1 revised the General Fund Management Budget expenditure to £338.768 million after the application of ear-marked reserves with a projected a final outturn of £337.901 million based on the ledger for the three month period to June 2011. If achieved this would result in a planned net contribution from reserves of £2.285 million which would decrease the ear-marked reserves within the General Fund balance. Services are currently underspending by £0.867 million against this revised management budget. The main change was the use of the Council Tax Income on Second Homes Earmarked Reserve to further facilitate the delivery of affordable housing. The Committee agreed to the transfer £2.805 million from reserves. The current projection on the HRA budget is that it will break even.





## 4. Use of resources

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98. The key risk for the Council for 2011/12 and future years will be to maintain and improve service delivery within reduced levels of funding and resources. In November 2010 the Medium Term Financial Plan for the three years to 2011/14 was approved that included corporate savings targets of £37.976 million, designed to help mitigate this risk.
99. In addition to Services contributing towards their share of funding the “corporate” savings target they will be required to identify compensating savings to offset service specific budget pressures totalling approximately £9.4 million. At Appendix 1 the estimated savings proposals were detailed and estimated that the Transformation Projects and Reviews already approved by the Council would bring in estimated savings of £7.4 million with other efficiency and re-design projects bringing in the balance.
100. The plan assumes a pay freeze for all employees over the period 2011-14. The Council approved a number of workforce management proposals in respect of a range of reviews and service re-design proposals over the period, subject to consultation with employees and unions. One of the key objectives is to avoid compulsory redundancies as far as possible and the Council has approved a self-financing voluntary severance scheme to assist in supporting this. However employees affected by the reviews and service re-design proposals will be invited to express an interest in leaving the Council's employment on a voluntary basis. The Head of Finance was asked to bring forward funding strategy proposals to the Special Budget Meeting in February 2011 for meeting the estimated costs of workforce management measures.
101. In December 2010 the Budget Update Report revised the corporate savings targets for 2011/14 to £30.967 million in view of adjustments to the Council's financial planning assumptions following the announcement of the local government finance settlement. In approving the Revenue Budget and Council Tax in February 2011 the Council required to identify £8.905 million of Revenue savings to balance its 2011/12 budget. In total, a net £12.197 million of savings were approved as part of a strategy of retaining £3.292 million of “budget headroom” to meet future budget pressures.

### Equal Pay and Single Status

102. The Reserves Strategy was updated in line with the Council's Revenue Budget for 2011/12 to 2013/14 in February 2011. In addition to providing £0.763 million within the 2010/11 Statement of Accounts for equal pay claims where the Council deems payment likely to be made a further £1.507 million was earmarked within the General Fund for potential equal pay liabilities. The Council believes that full recognition of this potential risk needs to be taken when considering the level of uncommitted reserves held. A sum of £1.055 million was also earmarked to fund anticipated costs of single status job evaluation. The single status appeals process has been concluded by the Council and no further costs are required to be earmarked for this purpose.

### People management

103. In February 2010, as part of the 2010/11 budget process the Council approved a workforce management strategy designed to reshape the workforce on an on-going basis and to develop measures to enable service redesign to support a managed reduction in the Council's workforce. As part of the 2011/12 budget process in February 2011 the Council approved funding of £2.209 million for the approved Voluntary Severance Scheme for 2010/11 and the final monitoring report for that year in April 2011 advised that the updated costs would be £2.192 million (£2.128 million for the General Fund and the balance for the HRA) and would be accounted for in 2010/11. The anticipated level of savings in a full year from these posts will be £2.9 million.

## 4. Use of resources

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104. In November 2010 the Medium Term Financial Plan 2011-14 advised members of the implications for workforce planning. The introduction of these workforce management measures will continue to be implemented with Services rigorously managing vacancies, redeployment and age related retirements and will contribute to the overall savings required.
105. As reported at paragraphs 79 to 80 the most significant efficiency savings in 2010/11 were achieved in relation to the management of the Council's expenditure on staff costs. The Council recognise that staff slippage at the 2010/11 level will not be generated in future as a significant number of vacant posts were removed in setting the 2011/12 budget. However there are still a number of workforce management measures identified for the delivery of efficiency savings in 2011/12 and beyond including reducing sickness absence and service re-design of a number of corporate functions.
106. The Council approved its new Human Resources Strategy; 'Our People Strategy 2010-2015' at the SP&R Committee in December 2010. This sets out the aims and objectives for reshaping and developing the workforce to meet the financial challenges ahead. Employees and trade unions were formally consulted as part of this process. The Council has also reviewed and updated a number of HR policies and procedures which were implemented from 1 March 2011.

### Asset management

107. A Corporate Asset Management Strategy and Plan has been prepared that includes a common methodology for managing an asset from acquisition to disposal. The corporate asset management database continues to be updated and the review of common good assets is ongoing (Refer to paragraphs 59 to 61). The Corporate Asset Management Group continues to develop the Council's approach to asset management which this year included a full self-evaluation against the BV criteria that will be used to inform the next steps within the plan. The group are currently discussing a draft revision of the strategy.
108. During 2010/11 the Council has carried out office accommodation reviews, both within Perth and in rural areas that aims to save £0.250 million over the next two years by making the most of existing buildings and providing more services at a central point. The Council is also involved in the Tayside Public Sector Strategy Group which recently established a Virtual Improvement Team (VIT) to explore collaborative improvement opportunities. There is currently a project ongoing with Tayside Police and the Dundee and Angus councils examining the strategic asset management of property and other assets.
109. There was a cross Tayside review of roads construction and maintenance that considered the implications of reducing budgets for the three councils. The Service Delivery 1 part of the review is complete and it concluded that the BV framework was still valid and the associated procedures and checks were being carried out. The Councils have now agreed that no further work is required. Options for transforming fleet management are also being explored with Tayside Contracts and the Tayside councils and police and fire boards.
110. The Council has completed all six school campuses in the Public Private Partnership (PPP) with the completion of the final primary school this month. The contract is set to end in 2042 and full details of the costs and liabilities for this project are included in Note 34 to the Statement of Accounts.
111. The Council has started a programme to build new houses for the first time since reorganisation. The funding is now in place to build a total of 81 new houses in Perth and rural areas.

## 4. Use of resources

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112. The Council has identified that a further review of its future property and office accommodation needs is required to identify the potential for further efficiency savings from asset management and full implementation of the findings from this review are due to be completed by March 2014.

### Procurement

113. A follow-up review was carried out to assess how well the Council is doing to ensure that it can demonstrate value for money when purchasing goods and services. This was in response to Audit Scotland's national report 'Improving public sector purchasing', which was published in July 2009.
114. Our findings were reported in **Improving Public Sector Purchasing Follow-up Report**, report 2011-05 issued on the 2 August 2011. Our overall conclusion noted that the Council can demonstrate:
- commitment to achieving improvements in purchasing practice – the score of 36% in the 2010 PCA places the Council in the top quartile of Scottish local authorities.
  - a clear system of delegation and authority for purchasing
  - a high-quality purchasing strategy
115. The Council is making good progress in implementing its procurement programme and the actions arising from the PCA.

### Shared services

116. As described previously in paragraphs 108 and 109 the Council proactively investigates opportunities for shared working with the other two Tayside Councils, Dundee City and Angus, as well as Tayside Contracts, NHS Tayside, Tayside Police and Tayside Fire and Rescue and is an active member of the Tayside Public Sector Strategy Group. The Tayside Collaborative Working Change Programme sets out the joint projects which are being taken forward by the three councils in terms of: service redesign and shared services; sharing best practice and driving efficiencies and building capacity for change and information sharing.
117. The three Councils also have a shared Procurement Service (Tayside Procurement Consortium) and a report advised members in September 2011 of progress made in 2010/11 against the objectives set in the approved procurement strategy 2008-11. All five objectives have been achieved. This included delivery of a collaborative procurement approach.
118. The Council's Annual Efficiency Statement 2010/11 identified key areas targeted for savings in 2011/12 and this included waste disposal costs as well as further targeted savings from the operation of collaborative purchasing arrangements. The Council is currently investigating waste disposal initiatives with a number of other councils. (Refer to paragraph 170)

### Outlook

119. Along with all other public bodies in Scotland, Perth & Kinross Council is facing up to the prospect of having to make significant budget savings. At the same time as the Council aims to support the local economy and maintain current service provision, it is likely to face a severe reduction in resources. The Council needs to continually update its Medium Term Financial Plan to take account of the Scottish Government's key priorities and maximise available funding to maintain delivery of key services for the area. The Council needs to continue to plan for reduced resources over the medium term and make decisions to deliver cost and staff reductions in a managed way.

## 5. Governance and accountability

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### Corporate governance and internal control arrangements

120. The Council's Local Code of Corporate Governance that provides the framework enabling the Council to monitor the achievement of its strategic objectives was approved in 2005. Work has been ongoing to update this Code since the publication of *Delivering Good Governance in Local Government* and will continue into 2011/12. The framework incorporates the Community Planning Partnership's (CPP) updated Single outcome agreement (SOA) 2009-12, the Council's revised Corporate Plan and updated Corporate Improvement Plan (CIP) 2009-12, which is aligned with the Council's Transformation Strategy. Each Service Business Management Improvement Plan (BMIP) has also been aligned to the delivery of the SOA.
121. Progress has been made in a number of areas during the year as a result of efficiency and re-design work in response to the Strategy *Securing The Future – Towards 2015 And Beyond*, which was approved in June 2010. Some internal re-structuring has occurred as part of this progress.
122. In February 2011 the Strategic Policy and Resources Committee considered a report reviewing the Audit Scotland report *Roles and Working Relationships: Are You getting it Right?* This resulted in revision of the Council's self-evaluation tool *How Good Is Our Council* to take account of some of the recommendations from the Audit Scotland report ahead of the annual review to feed into the production of the 2011 to 2014 BMIPs.
123. In June 2011 the Scrutiny Committee received Joint Business Management and Improvement Plans and Annual Performance Reports from the Chief Executive, Education and Children's, Environment and Housing and Community services for the period 2011 to 2014 following approval at thematic committees. Following discussion these were accepted, with additional information being requested in some cases and comments made about future standardisation of the BMIP presentation.
124. Performance against the CIP for 2010/11 was also reported to Council in June 2011.
125. The Council's Scrutiny Committee continued to meet regularly during the year considering a number of reports to allow review and monitoring of both corporate and service performance. The Scrutiny Committee's Audit Sub-committee also met regularly during the year to review all internal and external audit reports. Observation from our attendance at these and other Council committee meetings demonstrates good councillor involvement in debate and scrutiny.

### Annual Governance Statement

126. The 2010/11 annual accounts included an Annual Governance Statement. Comment was included in our ISA 260 Report.
127. The Council is expected to have a local code of Corporate Governance to provide a basis for the Annual Governance Statement. The Council has an approved Local Code of Corporate Governance which is available from the Council's website [www.pkc.gov.uk](http://www.pkc.gov.uk). However as the Council's current code dates from 2005 a working group has been reviewing the Local Code in light of latest guidance produced jointly by SOLACE and CIPFA.
128. It is important that in any period of significant change the Council has in place the appropriate arrangements to deliver good governance. This will ensure that the public, and the Council's employees, can see that there are clear rules covering the workings of the Council.

## 5. Governance and accountability

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### Reliance on Internal Audit

129. We have commented in previous reports on concerns regarding the Council's Internal Audit Service and actions taken to address these concerns.
130. For 2010/11 we did not place reliance on specific internal audit work for the reasons noted in our Annual Plan although we did review the outputs from Internal Audit.
131. The Acting Chief Internal Auditor was appointed to the Chief Internal Audit post in June 2010. The Audit Sub-Committee in September 2010 approved a new six month plan, with fewer assignments than in previous full years' plans, for the period to 31 March 2011 designed to enable the Service to align its future planning period with the Council's financial year from 2011/12 onwards. This plan was produced following a risk assessment made with input from an external advisor. At that point a number of reports were still outstanding from previous years' plans and were still expected to be completed.
132. In March 2011 the 2011/12 audit plan, containing 19 assignments was approved.
133. The Chief Internal Auditor reported to the October 2011 Audit Sub-Committee meeting that of the nine 2011/12 assignments due for completion by the end of October two were complete and a further four commenced. Of the remaining 13 reports detailed in the plan work on one had commenced. This left 12 reports from the 2011/12 plan not yet commenced. The Chief Internal Auditor noted that unplanned work and further sickness absence was impacting on her ability to deliver the plan. We have been advised that alternative resource, through a fixed term appointment, has been secured and is planned to help complete the plan. At the date of this report eight assignments of the 17 still to be reported in the 2011/12 plan have been commenced.
134. At the same meeting the Chief Internal Auditor reported four outstanding reports for the Council from 2008/09, 2009/10 and 2010/11 which have a revised planned completion date of November 2011.
135. The position with Internal Audit was noted as a significant issue in the 2009/10 Annual Governance Statement. The 2010/11 Annual Governance Statement notes that there have been improvements in Internal Audit during the year and that these improvements are continuing to be embedded.
136. Strong internal audit is an essential part of the Council's internal control and governance arrangements and their work is important to give Members and Officers assurance that controls are adequate and operating effectively. In the current climate their contribution is arguably even more important. Given the history of issues with completion of reports the current reported position gave us some concerns. This has been discussed with the Acting Head of Finance and the Chief Internal Auditor.
137. We have been assured that addressing this issue remains a key priority for management and the position will be kept under review. This will ensure that the 2011/12 plan is completed on time and that the Chief Internal Auditor's annual report is available to feed into production of the Annual Governance Statement for 2011/12. This will also help to ensure that improvements made to date in the overall internal audit process are consolidated to ensure a strong internal audit service going forward.

### Prevention and detection of fraud

138. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.

## 5. Governance and accountability

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139. At a corporate level, the Council has appropriate arrangements in place to help prevent and detect fraud and irregularity. These arrangements include, for example, an anti-fraud and corruption strategy, a whistle blowing policy and codes of conduct for elected members and staff. Overall we concluded that arrangements for the prevention and detection of fraud and other irregularities were generally satisfactory.
140. We are required to have arrangements in place to be notified of all frauds over £5,000 and to submit reports to Audit Scotland. One potential fraud was reported during 2010/11 other than those identified through the National Fraud Initiative (NFI) and fraud specific to Housing and Council Tax benefit.

### National Fraud Initiative

141. During 2010/11 we continued to monitor the Council's participation in the NFI 2010/11. The exercise is undertaken as part of the audits of the participating bodies. NFI brings together data from Councils, Police and Fire and Rescue Boards, Health bodies and other agencies to help identify and prevent a wide range of frauds against the public sector, including occupational pension fraud and payroll fraud.
142. Work to investigate the data matches uploaded to the NFI secure website in January 2011 is ongoing and a number of matches have been investigated and outcomes recorded on the NFI web application. Responsibility for investigating the remaining open matches is clearly defined and work will continue until all matches are fully investigated and closed off. We will continue to monitor steps taken by the Council as the 2010/11 NFI exercise develops and will submit a report to Audit Scotland early next year summarising the arrangements in place.
143. By 31 October 2011 no frauds have been identified. Other errors identified have resulted in overpayments of £17,145 for which the Council is seeking repayment. In addition there is a weekly benefit reduction of £302

### Housing benefit / Council Tax benefit

144. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2010. A specialist team is carrying out a programme of risk assessments of benefits services in all councils over a two year period.
145. Perth & Kinross Council was informed in May 2010 that the Council's benefits service had been selected for a follow up risk assessment in 2010/11. However this was later changed and the review was put back to 2011/12. The fieldwork took place in July/August. As part of the supporting evidence for this follow up the Council was asked to provide an updated self assessment template.
146. A report was issued in September 2011 and the Council has submitted an action plan to address the risks identified for Audit Scotland to consider. The overall conclusion is that the biggest risk facing the service is the increasing backlog of work. Despite the backlog the service has been proactive in trying to reduce error and maximise subsidy and its performance in recovering overpayments and achieving sanctions for those who commit benefit fraud has continuously improved. Progress is likely to be followed up by Audit Scotland early next year.



## 5. Governance and accountability

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### Outlook

147. Maintaining effective governance arrangements in a period of potential significant change will continue to be a challenge.
148. We will continue to monitor steps taken by the Council as the 2010/11 NFI exercise develops and will submit a report to Audit Scotland later this year summarising the arrangements in place.
149. The action plan arising from the follow up inspection of the Council's benefits service will be followed up again by Audit Scotland to ensure that all agreed actions are fully implemented.

## 6. Performance management and improvement

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### Performance management

150. The 2010-2013 Assurance and Improvement Plan (AIP), produced by the joint scrutiny bodies, recognised that the Council had developed a range of detailed performance measures that are outcome focussed and support the delivery of SOA objectives. In general, services are performing well and where this is not the case the Council is actively managing the situation to improve performance. The 2011-14 AIP refresh confirmed that there was no change in their assessment of this area and no scrutiny work was required.
151. The Council's performance management arrangements are well developed with clear linkages between the key performance indicators and the Single Outcome Agreement, Council Corporate Plan and Business Management and Improvement Plans for each Service. Council performance is monitored by the Council's Executive Officer Team (EOT) in a monthly performance report which is shared with all staff via the Council intranet. Monitoring arrangements at Service level are also well developed and the introduction of standing items at Senior Management Team level will ensure consistency in approach across Services and will remove current anomalies around the management of risk.

### SPIs and performance reporting

152. Arrangements in place are sufficient to meet the Council's statutory duties to collect record and publish a range of Statutory Performance Indicators (SPIs). In addition to the SPIs for 2010/11, which are published on the Council website, the Council publishes a comprehensive range of performance information for the public, which encompasses outcome measures for the Single Outcome Agreement, and Corporate Plan as well as Statutory Performance Indicator data.
153. The Council has robust procedures for collecting and checking both specified and non-specified indicators, based on established procedures utilised in 2009/10. The Strategic Policy and Resources Committee reviewed and approved a range of performance indicators proposed by the Executive Officer Team in December 2010 for inclusion in the Council's Annual Performance. This approach is designed to integrate the collection and reporting of information required to meet the requirements of the SPI Direction into the wider performance management arrangements of the Community Planning Partnership and the Council.
154. The SPI pro-forma was lodged prior to the 31 August 2011 deadline set by Audit Scotland and all 25 specified indicators reported were categorised as reliable on the basis of the audit work conducted.
155. The Annual Performance Report 2010/11 includes trend analysis across three financial years, local targets and timescales and benchmarking data, where available. The Council has recognised the importance of effective benchmarking to improve performance. The EOT has agreed that the embedding of GIRFEC, Health and Social Care Integration, Regeneration and Public Protection are the four high level priorities to focus on for 2011/12. Work will be conducted to develop effective benchmarking for each of these priority areas during 2011/12.
156. Stakeholder engagement is delivered through the Council's consultation pages on the website and is supplemented by a viewfinder exercise which has been reported to EOT. The Council's budget report in February 2011 was informed by a viewfinder exercise to ensure that the priorities of citizens informed budget priorities.
157. The Scrutiny Committee is currently conducting a review of how the Council learns from customer satisfaction information and complaints. The capture of meaningful customer satisfaction information is a development area for the Council. A report outlining the performance of the Council's complaints procedure for October 2010 to March 2011 was submitted to the June 2011 Scrutiny Committee.



## 6. Performance management and improvement

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158. The Chief Executive gave a verbal update to members of the Scrutiny Committee on the increase in complainants pursuing redress, improved responses to complaints and the complexity and time consuming nature of some complaints. She also advised members of how officers were working to help complainants make their complaint in a more coherent manner and how there is a requirement that complaints be dealt with through the formal Council complaints procedure before the Scottish Public Services Ombudsman will consider them.
159. The Head of Transformation and Improvement also submitted a paper to the same meeting seeking approval from members for the scope and the terms of reference for the Scrutiny Committee's Review of Learning From Complaints and Customer Satisfaction and Feedback. Approval was given and a final report detailing the findings of this review is to be submitted to the Scrutiny Committee by February 2012.

### Equality and diversity

160. The Council has a Corporate Equalities Assessment Framework in place and aims to ensure that all of its activities comply with best practice in the field of equality and diversity. The Council currently has statutory duties to promote disability, race and gender equality in service delivery and employment. In addition, there are equality statutory duties covering sexual orientation, age and religion and belief.
161. A report was submitted to the April 2011 Strategic Policy & Resources Committee advising members on Statutory Equality Employment Monitoring Statistics. The report covered the previous three financial years and the six months to 30 September 2010. The Committee agreed that employment related data is published on the Council's website and that it would actively seek to identify positive action strategies where recruitment opportunities arise and occupational segregation exists. It also noted that from 1 April 2011 age monitoring would be introduced and an implementation plan developed to extend monitoring arrangements to all relevant protected equality groups covered by the Equality Act 2010.
162. In the Annual Report September 2011 for the Single Outcome Agreement (SOA) the Community Planning Partnership (CPP) highlighted a number of initiatives against local outcome 8- Inequalities including various programmes to reduce fuel poverty and funding to enhance the Welfare Rights Service. Continued implementation of the Best Value review of Learning disabilities has improved the lives of people with learning disabilities and their carers and an independent evaluation demonstrated that most people were satisfied with progress made. In the partnership's covering report it set out how it planned to improve further through activities and identified rolling out 'Keep Well' to include ethnic groups, substance misuse clients and carers in disadvantaged areas.

### Sustainability

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

## 6. Performance management and improvement

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164. A report to the SP&R Committee in April 2011 provided members with details of the Council's progress towards mainstreaming Sustainable Development. The overall quality of life for residents in Perth and Kinross has been assessed as 'good' using the Council's Quality of Life Indicators. Performance was classed as 'good or fair' for 78% of the indicators measured.
165. The current set of indicators was established in June 2008 and some of the data and information for these indicators is either no longer available or applicable. In addition other indicators have been introduced as a result of new legislation. As a result a review and refresh of the indicators will be undertaken this year and reported in next year's report.
166. A report was submitted to the September 2011 meeting of the SP&R Committee seeking approval from members of a new Corporate Energy Management and Conservation Policy. The new policy has been updated to take account of the raft of legislation on energy conservation and carbon reduction in recent years. The Council's current energy spend is running at approximately £4 million per annum and the key to future financial savings and carbon reductions lies in reducing energy consumption. A number of measures were outlined and a brief summary of the strategies that will be used to deliver the new policy in the appendices to the report. These will be brought into effect from the beginning of 2012/13 and will be further reviewed in 2014/15.
167. The Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) is a mandatory scheme designed to assist the Scottish Government in achieving its target of reducing carbon emissions by 1.2 million tonnes per year until 2020. A report was submitted to the Property Sub-Committee on 18 August 2010 setting out the potential implications of CRCEES for the Council and proposals for effectively managing the impact of the scheme which begins on 1 April 2011. Powers for carbon trading have been delegated to the Head of Property in consultation with the Heads of Finance and Legal.
168. Internal audit undertook a review of the arrangements to manage the Council's compliance with the CRCEES during July and August 2011. Their report, presented to the October Audit sub-committee, noted that although external reports were made on time and required data was available, the strength of internal controls was "Moderate". A number of actions were agreed to improve the clarity of procedures, reporting to committee, the collection of data and checking on the robustness of data.

### Waste Management

169. A follow-up review was carried out to assess what steps the Council has taken to ensure that it will be able to meet future European Union and Scottish Government targets to improve waste management. This was in response to Audit Scotland's national report '*Sustainable Waste Management*', which was published in January 2010.
170. Our findings were reported in **Sustainable Waste Management Follow-up Report**, report 2011-06 issued on the 12 August 2011. In response to the five key questions considered our overall conclusion noted that the Council can demonstrate:
- a clear statement of waste management outcomes for the period to 2025 and a flexible framework for taking forward the transformational change in waste infrastructure and services required to meet internal and external targets.
  - a financial commitment to reducing the amount of municipal waste produced, increasing the rate of recycling and composting and reducing the amount of biodegradable waste sent to landfill through the implementation of the actions detailed in the Waste Management Action Plan. These have been aligned with the current approved Waste Services Revenue and Capital Budget, with the exception of residual waste treatment costs, which can currently only be estimated.

## 6. Performance management and improvement

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- that an action plan for responding to the challenges identified in the Waste Management Plan 2010 – 2025 has been developed and is being implemented.
- that as a member of the East of Scotland Zero Waste Group (EoSZWG) the Council has sought to assess, through an independent review, the options for long term Residual Waste Treatment, and potential locations for waste treatment facilities to process residual waste from the combined councils through an independent review.
- a strong commitment to engagement with individual citizens, community groups and government bodies in terms of waste management as evidenced by the detailed consultation exercise on the Waste Management Strategy 2010 – 2015 and the ongoing work of Waste Awareness staff.

### Single outcome agreement (SOA)

171. A report, Single Outcome Agreement Annual Performance Report 2010/11 (G/11/318) presented to Community Planning Partnership on 23 September 2011 provided partners with an overview of how the partnership had performed against the SOA 2009-11 during the year. The report shows that performance exceeded targets in nine of the fifteen local outcomes, remained static in three areas and fell in two areas. Progress was below target in local outcome 1 - Economy and local outcome 14 - Affordable Housing. Overall performance reported was positive with a number of indicators meeting or exceeding targets. The report highlights improvements and good practice in many services and also sets out how the CPP plan to improve further.
172. The report was submitted to the Full Council on 28 September 2011 and the Scottish Government by 30 September 2011. Further support on performance is available from the online performance scorecard, PK Performs, which is available on the Council's website.
173. In 2010/11 a "How Good is our Partnership" model was developed to help evaluate the effectiveness of the CPP in delivering improved local outcomes in the SOA. This model is based on the Council's self evaluation tool "How Good is Our Council." Following a pilot by the Strategic Health Partnership the tool has been used by The Community Safety Partnership and Children and Young People's Strategic Partnership. In addition the "How Good Is Our Partnership" model has been used to facilitate self-evaluation by the Community Health Partnership. (From F McKay)

### Best Value Audit

174. We are responsible for conducting follow-up reviews of the Best Value Improvement Plan (BVIP) agreed in October 2008. Last year we reported that some of the agreed actions from the BVIP have already been completed. The continuing actions have been absorbed into the CIP, the Corporate Plan where the actions are more outcome focussed (such as educational attainment) or into BMIPs where the actions are more operationally specific.
175. In June 2010 the Council took the opportunity to streamline the actions within the Corporate Improvement Plan in order to remove duplication and provide improved clarity. This exercise involved merging a number of actions which were rooted in the BVIP. However, evidence has been provided to demonstrate that all of the continuing BVIP actions are being taken forward within existing Council plans. Progress in delivering these agreed actions will be monitored as an integral part of the wider monitoring of the Corporate Plan, Corporate Improvement Plan and BMIPs. (Refer to Corporate Governance Section 5 on page 18)

## 6. Performance management and improvement

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### Risk management

176. A report detailing the findings from an Annual Review of Risk Management for 2010/11 was submitted to the Scrutiny Committee on 14 September 2011. It advised members that since the transfer of responsibility for the Council's risk management arrangements to the Strategic Planning and Improvement Team from April 2010 the team has progressed with the Council's risk management strategy and further integrated risk management within the Council's wider performance management framework. It also outlined the priorities for 2011/12.
177. There were three key areas identified in the 2010/12 risk management strategy and the report provided an overview of actions taken in 2010/11 to move these areas forward. A new group, Corporate Performance, Planning and Risk Group (CPPRG), was established and the group received training in November 2010. Since then corporate guidance on service risk profiles was revised which should ensure that the risk management process is strengthened and aligned with the BMIP framework. The BMIP guidance was also revised to reflect this closer alignment. A control sheet was introduced track changes to the services' risk profiles throughout 2011/12 and two services used the annual self evaluation process to identify key risks. The EOT receive regular information on progress made in managing risks via a monthly performance and risk report.
178. Internal audit carried out a follow-up review of risk management early in 2011. The audit assessed the overall controls as moderately strong and concluded that services had a clear understanding of their responsibilities and had implemented the processes contained within the strategy to identify, assess and control risks. Actions identified by the audit have been agreed and should all be implemented by the end of 2011.

### Shared Risk Assessment (SRA)

179. The first SRA and Assurance and Improvement Plan (AIP) for the Council was published in July 2010, which set out the planned scrutiny activity for the Council for the period April 2010 to March 2013. This was based on a SRA undertaken by a local area network (LAN) made up of representatives of all of the main local government audit and inspection agencies.
180. The LAN met in late 2010 to update the AIP for the period 2011-14. The update process drew on evidence from a number of sources, including:
- Our 2009/10 Report to Members
  - The Council's own performance data and self-evaluation evidence
  - Evidence gathered from HMIE, SWIA, SHR and the Care Commission (including published inspection reports and other supporting evidence)
181. The Assurance and Improvement Plan 2011-14 was reported to the Scrutiny Committee in September 2011. Overall, the AIP assessment of scrutiny risk continues to be low and revised risk assessments in two areas acknowledging the positive findings of the scrutiny work conducted in 2010/11 by SWIA and SHR; SWIA noted positive progress by the Council from the ISLA follow-up work and the SHR found that the Council had responded well to address the weaknesses identified in its last report. Only one area was noted as an 'area of uncertainty', due to capacity issues within the Internal Audit function and our inability to place reliance on their work. The plan noted that external audit will continue to monitor progress.
182. The AIP noted that the Council would be subject to an inspection of Joint Child Protection Services in August 2011. The report, published in October 2011 was extremely positive concluding that the joint services to protect children and young people provided by the Council and its partners were "exceptional" and demonstrated "ground breaking partnership working". The report highlighted six particular strengths and included a number of examples of good practice.

## 6. Performance management and improvement

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183. The LAN plans to meet again before the end of the year to update the SRA/AIP for the three year period from 2012/13 to 2014/15 and will continue to engage with the Council. A review is planned by the LAN for 2012/13 focussing on the Council's Transformation Process and findings from this scrutiny work will inform the next AIP refresh process.

### National studies

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

### Outlook

185. The introduction of the mandatory Carbon Reduction Commitment Energy Efficiency Scheme is a significant new area of cost for the Council and carries reputational risks which will require to be managed.
186. Partnership working is seen by the Council as critical to maximising the use of public sector resources. The SOA Annual Performance Report 2010/11 reports that a Virtual Improvement Team has been set up across all public sector organisations across Tayside to take forward collaborative improvement actions across the Partnership. Delivery of high quality and improving services will be a key challenge in the current economic climate.
187. A review is planned by the LAN for 2012/13 focussing on the Council's Transformation Process and findings from this scrutiny work will inform the next AIP refresh process.



## 7. 2009/10 Action plan updated

Observation and risk	Recommendation	Management response		Progress to date	
<p>An IFRS-based Code of Practice on Local Authority Accounting has been prepared which replaces the SORP from 2010/11, when local authorities and joint boards are required to fully adopt IFRS. The Code applies from 1 April 2010.</p> <p><b>(Para 46 2009/10 Report to Members)</b></p>	<p><b>R1</b> The Council should ensure the necessary arrangements are in place to comply with the IFRS-based Code of Practice on Local Authority Accounting, which replaces the SORP and applies from 1 April 2010.</p>	<p>The Council has arrangements in place to ensure compliance with the IFRS based Code of Practice on Local Authority Accounting.</p> <p><b>To be actioned by: Corporate Accounting Manager</b></p> <p><b>No later than: 30 June 2011</b></p>		<p>The Council has invested significant time in ensuring that the Council's procedures and systems have been reviewed and updated as necessary to ensure compliance with IFRS for the Statement of Accounts to 31 March 2011. The Council met the statutory deadline of 30 June 2011 for submission of their 2010/11 Statement of Accounts to the Controller of Audit.</p>	
		Grade	C		
<p>Discussions have been ongoing for some time between OSCR and LASAAC regarding the staged application of the Charities (Scotland) Regulations 2006. Until they are concluded it is recommended that local authorities continue to make disclosures in respect of trust funds that are consistent with previous years. The disclosure requirement in the SORP in respect of trust funds is not included in the Code. However, failure by local authorities to disclose details of the nature and amount of trust funds in their accounts would necessitate the preparation and audit of separate accounts for charities in order to satisfy the requirements of section 106 of the Local Government (Scotland) Act 1973.</p> <p><b>(Para 53 2009/10 Report to Members)</b></p>	<p><b>R2</b> Pending the outcome of discussions with OSCR the Council must decide between making the appropriate trust fund disclosures in the 2010/11 accounts and making arrangements for the separate audit of these funds.</p>	<p>The Council will make the appropriate trust fund disclosures in the 2010/11 accounts.</p> <p><b>To be actioned by: Central Accounting Manager</b></p> <p><b>No later than: 30 June 2011</b></p>		<p>Discussions are still ongoing between OSCR and LASAAC regarding the implementation of the 2006 regulations. Should these discussions not have concluded for the closure of the 2011/12 accounts then the appropriate adjustments to disclosures will be made.</p>	
		Grade	C		



## 7. 2009/10 Action plan updated

Observation and risk	Recommendation	Management response		Progress to date
<p>To date the preliminary review of all parks and open spaces and other assets for three of the 10 common good areas has been undertaken. The review process still has some elements to be completed and then the appropriate Committee will be required to determine which, if any, assets not currently recorded in the Common Good, should be included. This process may require inclusion of assets not previously included in any Council or Common Good records and the transfer of assets that are currently recorded in the Council's accounts.</p> <p><b>(Para 58 2009/10 Report to Members)</b></p>	<p><b>R3</b> The assets that have been identified as potential Common Good assets should be taken through the remainder of the verification process as soon as possible and transfers and corrections should be made where these are required.</p>	<p>The assets that have thus far been identified as potential Common Good assets will be reviewed by the Common Good Review Project Board to verify Common Good status and will thereafter be reported to Committee. Note that no transfer of assets between Council and Common Good Balance Sheets will be undertaken until the accounting treatment for Common Good properties has been agreed.</p> <p>To be actioned by: Head of Property Services</p> <p><b>No later than: 31 March 2011</b></p>		<p>The assets that have been identified as Common Good Assets of the former burghs of Blairgowrie, Aberfeldy, Kinross and Coupar Angus, as well as all the parks throughout Perth and Kinross which are considered to form part of the Common Good have all been approved by the Common Good Review Project Board and the findings have been sent to the relevant Community Councils for comment. The title reviews for the former burghs of Abernethy and Alyth are ready to be reviewed by the Project Team. Only any changes resulting in a movement in Balance Sheets will be reported to Committee.</p> <p>The necessary transfers of properties arising in 2010/11 have been undertaken and verified as part of the Final Accounts completion and audit process.</p> <p>Responsibility for this action should be amended to Head of Legal Services.</p> <p>(Refer to paragraphs 59 to 61 on page 9)</p>
		Grade	A	



## 7. 2009/10 Action plan updated

Observation and risk	Recommendation	Management response		Progress to date
<p>The status of the LASAAC guidance on Common Good Funds is that it is Best Practice and as such the Council is recommended to comply with it. The deadline for full compliance was 31 March 2009 and on current rates of progress the Council still has a significant amount of review to undertake to allow it to fully comply.</p> <p><b>(Para 58 2009/10 Report to Members)</b></p>	<p><b>R4</b> The seven remaining Common Good areas should have their reviews completed as soon as possible, with each completed review being taken to Committee as soon as it is ready without waiting for all areas to be completed.</p>	<p>Reviews for the seven remaining areas will be undertaken using available resources and with regard to maintaining service delivery in other areas of work. The outcome of reviews for each of the seven areas will be reported separately to Committee following completion of the verification process by the Common Good Review Project Board.</p> <p><b>To be actioned by:</b> Head of Property Services</p> <p><b>No later than: ongoing</b></p>		<p>The remaining reviews are ongoing and will be verified by the Common Good Review Project Board with only any amendments to disclosure in Balance sheets being reported to Committee.</p> <p>Responsibility for this action should be amended to Head of Legal Services.</p> <p>(Refer to paragraphs 59 to 61 on page 9)</p>
<p>The Audit Sub-Committee in September 2010 approved a new six month plan for 2010/11 which should allow the service to get back onto the normal audit timing for their annual plan in 2011/12. This plan was produced following a risk assessment made with input from an external advisor. The final plan was not accompanied to the meeting by the full risk analysis.</p> <p><b>(Para 130 2009/10 Report to Members)</b></p>	<p><b>R5</b> In future a summary of the full audit universe risk analysis and the audit needs assessment should be submitted to the Audit Sub-Committee with the draft annual audit plan so that members can have input to the risk assessment and thereafter the prioritisation of projects to be carried out. This will also allow members to consider any alternative work that the Council may be undertaking that can mitigate risks that Internal Audit do not have the resources to cover.</p>	<p>The full audit universe risk analysis will be submitted to the Audit Sub-Committee along with the Annual Internal Audit Plan for approval.</p> <p><b>To be actioned by:</b> Chief Internal Auditor</p> <p><b>No later than:</b> 31 March 2011</p>		<p>The Internal Audit Plan for 2011/12, accompanied by the full audit universe risk analysis was approved by the Audit Sub Committee at its meeting of 9 March 2011 (Report No. 11/112 refers).</p>
		Grade	B	





## 7. 2009/10 Action plan updated

Observation and risk	Recommendation	Management response		Progress to date
<p>The approved 2010/11 plan includes two projects covering main financial system (Payroll and Housing / Council Tax benefit). Internal Audit service is using a shortened plan period to re-establish itself and we have been assured that the balance between main financial systems and other projects will be restored in future. It is important to ensure going forward that financial internal controls are adequately covered by internal as well as external audit work.</p>	<p><b>R6</b> A balance between testing controls in main financial systems and other projects should be included in future Internal Audit plans based on a full risk assessment of all areas.</p>	<p>There is likely to be an increase in the number of main financial systems audits being undertaken within the 2011/12 Internal Audit plan, however the risk-based Internal Audit plan has a significantly wider scope than the financial systems and as such, it will be necessary to await the outcome of the risk analysis undertaken for the 2011/12 planning process.</p> <p><b>To be actioned by:</b> Chief Internal Auditor</p> <p><b>No later than:</b> 31 March 2011</p>		<p>The Internal Audit Plan for 2011/12, accompanied by the full audit universe risk analysis was approved by the Audit Sub Committee at its meeting of 9 March 2011 (Report No. 11/112 refers).</p>
		<b>Grade</b>	<b>C</b>	

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

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



## Appendix I – Audit Scotland national studies

Report	Publication date	Summary of findings	Action taken per Perth & Kinross Council
<b>Getting it right for children in residential care</b>	September 2010	This reports examined how effectively councils use their resources on residential placements for their looked after children and identifies areas for improvement. This work complemented the Scottish Government's strategic review of residential child care services in Scotland, conducted by the National Residential Child Care Initiative. (NRCCI).	Report considered by Education and Children's services senior management team in January 2011. Key points considered as part of annual self-evaluation in summer 2011.  From AS Impact assessment submitted July 2011
<b>Physical recreation services in local government</b>	October 2010	This report examined how physical recreation services are delivered, how Councils plan and manage physical recreation services, how much is spent and where, and how services are performing and their impact. It also explored Councils' link with ALEOs, but did not try to compare different models of service delivery or consider which is best. Arrangements used to deliver services vary considerably in terms of size and the types of services provided, and each is expected to take account of local circumstances and the requirements of Best Value.	Report considered by the Perth & Kinross Sport and Active Recreation Forum in December 2010. PKC produced a Strategic Framework which took cognisance of the report, the Framework approved by the Life Long Learning Committee in March 2011.  From AS Impact Assessment submitted in July 2011.
<b>Improving energy efficiency: a follow-up report</b>	December 2010	This audit re-evaluated the performance of the public sector in improving energy efficiency. It followed up the key recommendations from Audit Scotland's 2008 report, and looked at how prepared public bodies are for the CRC Energy Efficiency Scheme.	No formal reporting has taken place, although the Council considered the 2008 report and had produced and formally approved an Energy Management and Conservation Policy. The Council has since update their policy and a report was submitted to the Strategic Policy and Resources Committee in September 2011- Report 11/465 is available on the website.  From A.S. impact assessment submitted in July 2011 and updated for recent report.



## Appendix I – Audit Scotland national studies

Report	Publication date	Summary of findings	Action taken per Perth & Kinross Council
<b>An overview of local government in Scotland 2010</b>	January 2011	This report provided an overview on the issues arising from local authority audits. Its aim was to provide both a review of recent audit work and an overview of the challenges facing local government in 2011 and beyond. The report includes action points for Councils and key questions for Councillors	<p>This report was submitted to the Scrutiny Committee together with a covering report by the Head of Business Transformation that outlined the Council's position. Both reports were considered by members and officers in June 2011. They also went to the Strategic Policy and Resources committee in June 2011. (PKC report 11/315) HL attended the meeting and introduced the report. The Chief Executive also attended and spoke about 'Getting it right first time' The Head of Democratic services advised the committee that the current template for training for officers and members would also be reviewed and updated to take account of points raised in the report.</p> <p>From minute of Scrutiny Committee meeting. Overview questionnaire completed and submitted to A.S. In April 2011</p>
<b>The cost of public sector pensions in Scotland</b>	February 2011	This report sets out information on the costs of the six main public sector pension schemes in Scotland. It is intended to supplement the independent Public Services Pensions Commission's review and provide clarity, transparency and understanding on the costs and key features of the main schemes that operate in Scotland. It sets out how the schemes operate within the UK framework, how costs are controlled and the governance arrangements for the schemes.	



## Appendix I – Audit Scotland national studies

Report	Publication date	Summary of findings	Action taken per Perth & Kinross Council
<b>Maintaining Scotland's roads: a follow-up report</b>	February 2011	The overall aim of the audit was to review the extent to which the recommendations in <i>Maintaining Scotland's roads</i> have been implemented and what has changed as a result.	<p>A report on Roads Maintenance Backlog was considered at the June 2011 Enterprise &amp; Infrastructure Committee. A 2010 SCOTS AM study concluded that it would require almost £60 million to return carriageways in the area to a good state of repair. The Roads Service is to develop a new maintenance strategy and bring it to a future committee.</p> <p>Both the original and follow-up report have been considered by the SCOTS AM Project Steering (officer) Group to ensure that the recommendations are included in the advice and framework issued as part of the AM project. (Per B. Renton's comments)</p>
<b>How councils work: an improvement series for councillors and officers – Arm's length external organisations (ALEOs): are you getting it right?</b>	June 2011	This is the second report in Audit Scotland's "how councils work" series. It is aimed at Councils that are considering setting up ALEOs to deliver services, as well as those with existing ALEOs. It is designed to promote and encourage good practice in the way ALEOs are set up and operated. The report will be of particular interest to officers and councillors who are responsible for monitoring ALEO performance or who serve on ALEO boards.	<p>As part of its transformation programme, the Council has examined the way in which culture and leisure services are delivered. Consideration has also been given to the services delivered by the Council's established arm's length providers for such services, Horsecross and Live Active Leisure. A review was undertaken which identified key drivers for change in relation to these arm's length delivery arrangements. At its meeting on 28 September 2011, in agreeing a set of proposals resulting from the review, the Council agreed that, in ensuring that the new model had effective governance and accountability arrangements, these should reflect good practice in terms of guidance from Audit Scotland regarding Arm's Length External Organisations (ALEO's), and from the Office of the Charities Regulator (OSCR).</p>



## Appendix I – Audit Scotland national studies

Report	Publication date	Summary of findings	Action taken per Perth & Kinross Council
<b>Transport for health and social care</b>	August 2011	The overall aim of the audit was to assess the efficiency and effectiveness of transport for health and social care in Scotland. It assessed how well agencies work together to plan and deliver transport for health and social care to meet local needs. Where possible, it has identified potential savings and good practice examples.	A briefing note on this report was prepared for Senior Management and the key recommendations will be considered by the Environment Service Senior management Team on 10 November in preparation for submission of a report to a subsequent Audit Sub-Committee. (Per F McKay's comments)
<b>Scotland's public finances: addressing the challenges</b>	August 2011	The report provided an overview of the financial environment facing the public sector in Scotland the cost pressures faces. It outlined what the public sector is doing to respond to current and future budget reductions, and highlights a number of key risks and issues that the public sector needs to manage in responding to the challenges.	Data return Scotland's Public Finances – Managing the Challenges Ahead completed and submitted to Audit Scotland 17/1/11.  The issues raised in this report have been discussed by the Head of Finance and the EOT as part of the deliberations on budget strategy.
<b>Modernising the planning system</b>	September 2011	The audit aimed to assess whether recent reform and modernisation of the planning system is making it more economic, efficient and effective. It evaluated the overall progress made by the public sector in modernising the planning system and the impact that modernisation is having on Council's performance in managing planning applications. The private sector also has a role to play in modernising the planning system; however, this was not looked at as part of this audit.	Perth & Kinross Council Planning MOWG reviews performance regularly and will discuss this report at a future meeting. A new team structure was introduced in October 2011 to provide greater focus on dealing with types of application rather than being geographically based and anticipate a performance boost as a result. (Per F McKay's comments)

# Appendix II

## Acronyms

AIP	Assurance and Improvement Plan	LGPS	Local Government Pension Scheme
ALEO	Arms Length External Organisations	NRCCI	National Residential Child Care Initiative
BMIP	Business Management and Improvement Plans	NFI	National Fraud Initiative
BV	Best Value	OSCR	Office of Scottish Charity Regulator
BVIP	Best Value Improvement Plan	PCA	Procurement Capability Assessment
CFCR	Capital from Current Revenue	PFI/PPP	Public Finance Initiative / Public Private Partnership
CIP	Corporate Improvement Plan	PKC	Perth & Kinross Council
CIPFA	Chartered Institute of Public Finance and Accountancy	SCG	Strategic Coordinating Group
COSLA	Convention of Scottish Local Authorities	SOA	Single Outcome Agreement
CPP	Community Planning Partnership	SOLAR	Society of Lawyers and Administrators in Scotland
CRCEES	Carbon Reduction Commitment Energy Efficiency Scheme	SOLACE	Society of Local Authority Chief Executives
EOT	Executive Officer Team	SORP	Statement of Recommended Practice
FRS	Financial Reporting Standards	SPI	Statutory Performance Indicators
HRA	Housing Revenue Account	SP&R	Strategic Policy and Resources Committee
IFRS	International Financial Reporting Standards	SRA	Shared Risk Assessment
IAS	International Accounting Standards	SWIA	Social Work Inspection Agency
IIL	Investment in Learning	VIT	Virtual Improvement Team
ISA	International Standard on Auditing	WGA	Whole of Government
ISLA	Initial Scrutiny Level Assessment		
LAN	Local Area Network		
LASAAC	Local Authority (Scotland) Accounts Advisory Committee		