

Aberdeen City Council

Annual report on the 2011/12 audit



Prepared for Members of Aberdeen City Council and the Controller of Audit
October 2012

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2011/12 audit findings

We have given an unqualified opinion on the financial statements of Aberdeen City Council and its group.

In 2011/12, the council spent £748 million on the provision of public services, with £678 million on revenue services and the remainder on its capital programme. In recent years there has been an improving trend by services in managing their budgets. For 2011/12, there was an overall surplus of £3.9 million. At 31 March 2012, the general fund balance was £31.4 million of which unallocated balances amounted to £11.3 million.

The Explanatory Foreword to the council's financial statements includes a range of nationally agreed indicators which show that the council can evidence effective financial management of its budget and collection of in-year council tax debt, is maintaining unallocated reserves in line with its agreed strategy and is managing capital within the constraints of the prudential code.

The council generally has satisfactory governance arrangements in place but in relation to the administration of housing benefits, further improvement is required. This will be challenging for the council alongside the implementation of welfare reform.

The council also needs to give more consideration to its scrutiny role in relation to the companies and other organisations within its group structure. This will be an important governance aspect for the council in taking forward its plans to create two companies to manage adult social care services and property maintenance. These plans have important implications for staff, service users and the delivery of balanced budgets.

The council has a monitoring framework linked to its five-year business plan with regular reporting to the management team. It has reported stable or improving performance across the majority of its local performance indicators, along with improvements in the majority of reported statutory performance indicators.

Outlook

Looking ahead, the financial outlook for public spending for the period 2012/13 to 2014/15 remains challenging. The high level figures for Scotland announced in the UK Comprehensive Spending Review indicate significant funding reductions in these years and effective planning will be required from councils to address this.

The council recently concluded an extensive Priority Based Budgeting exercise which is the basis for its five-year business plan, approved in August 2011 and covering the period 2011-16. The plan set out £71.5 million of essential savings which need to be achieved if the council is to deliver a balanced budget in the coming years. While there has been some reduction in future financial pressures arising from the Scottish Government's implementation of a funding floor, the council also needs to respond to national reform of services such as police, fire, the integration of social work and health care and welfare benefits.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Aberdeen City Council. The nature and scope of the audit were outlined in the Audit Plan presented to the Audit and Risk Committee on 28 February 2012 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year in which we made recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of Aberdeen City Council.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and are taking the specific steps in the column headed "management action". We do not expect all risks to be eliminated or even minimised. What we expect is that Aberdeen City Council understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to members and the Controller of Audit and should form a key part of discussions with the Audit and Risk Committee, either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the council. The information in this report may also be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
6. The management of Aberdeen City Council is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
7. The co-operation and assistance given to us by Aberdeen City Council members, officers and staff is gratefully acknowledged

Financial statements

8. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
9. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
10. Auditors review and report on, as appropriate, other information published with the financial statements, including the explanatory foreword, annual governance statement and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

Audit opinion

11. We have given an unqualified opinion that the financial statements of Aberdeen City Council for 2011/12 give a true and fair view of the financial position and expenditure and income of the council and its group for the year. We also certify that the accounts have been prepared properly in accordance with the relevant legislation, applicable accounting standards and other reporting requirements.

Legality

12. Through our planned audit work we consider the legality of the council's financial transactions. In addition the Head of Finance has confirmed that, to the best of his knowledge and belief, the financial transactions of the council were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

Annual Governance Statement

13. The financial statements contain an Annual Governance Statement (the statement) signed by both the Leader of the Council and Chief Executive. As part of our annual audit, we review the disclosures made in the statement and the process for obtaining sufficient assurance to inform its content.
14. Following discussions during the audit process, the statement was revised to give wider consideration of group governance. The quality of the statement has improved and the council continues to strengthen governance arrangements in respect of the group. We noted that it would be good practice to require group entities to provide the council with regular

performance monitoring information against targets alongside annual assurances on the operation of their internal controls.

Refer Action Plan No. 1

15. In line with good practice, arrangements should be put in place to ensure the Audit and Risk Committee considers and approves the statement in June each year before the financial statements are submitted for audit. The committee should also scrutinise group performance arrangements on a regular basis, thus increasing awareness and understanding of the council's group financial statements.

Refer Action Plan No. 2

16. We were satisfied with the disclosures made in the revised statement and the adequacy of the process put in place by the council to obtain assurances from its service directors.

Remuneration Report

17. We are satisfied that the remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011. The disclosures within the 2011/12 financial statements include all eligible remuneration for the relevant council officers and elected members.

Accounting issues

18. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). We are satisfied that the council prepared the 2011/12 financial statements in accordance with the Code.

Accounts submission including whole of government accounts (WGA) return

19. The unaudited financial statements were submitted to the Controller of Audit in advance of the target date of 30 June. The working paper package to support the financial statements was however, provided for audit over a number of weeks. We experienced some delay in receiving explanations to clarify the audit trail between working papers and key financial statements. There were also occasions where audit resources were reallocated to other tasks pending receipt of working papers. These factors increased the pressure on both audit and finance teams to ensure the necessary assurances were collated to deliver the audit opinion on schedule.
20. However, finance and audit worked together to conclude the audit and the financial statements were certified by the target date of 30 September 2012. The financial statements are now available for presentation to members and for publication.
21. 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. For 2011/12, Scottish local authorities were required to submit an audited WGA return to the Scottish Government by 5 October 2012. In view of the time required to resolve issues and make adjustments to the pack to reflect the council's audited accounts, we submitted the audited consolidation pack on 19 October 2012.

22. We have agreed with the Head of Finance that it will be useful to reflect on our respective processes for the preparation and audit of the financial statements and WGA return to identify improvements for the 2012/13 audit. We plan to contribute to the council's '2012/13 Accounting Guidance Information Pack' to provide a shared understanding of working paper requirements and increase awareness of scheduling of audit activity. This will assist in prioritising for the timely availability of supporting evidence.

Refer Action Plan No. 3

Presentational and monetary adjustments to the unaudited accounts

23. In line with International Standards on Auditing 260 *Communication of audit matters to those charged with governance*, we reported the conclusions of our audit to the Audit and Risk Committee on 25 September 2012.
24. Several errors were identified during the audit and the most significant were corrected in the accounts. In overall terms, the corrected amounts had a net effect of decreasing net cost of services and increasing earmarked balances within the General Fund by £2.951 million. This largely related to amendments for unspent grant balances incorrectly included as creditors and future commitments wrongly included as provisions. A number of presentational amendments were also processed to improve the disclosures within the accounts.
25. Adjustments were not made for other errors identified during the audit. These errors, while more than clearly trivial, are immaterial to the accounts as a whole. Had an adjustment been made, there would have been an increase on net cost of services by £0.196 million and a decrease in the general fund balance of £0.343 million. Following discussions with the Head of Finance, we concurred with officers' proposals not to adjust the accounts for these amounts.

Exceptional Items

26. The council's comprehensive income and expenditure account includes material amounts which were categorised as Exceptional Items. These related to a reduction in provisions of £10.5 million which increased resources available and a charge of £26.2 million to recognise the likely non-collection of debt from Aberdeen Exhibition and Conference Centre (AECC).
27. During 2011/12, the council reviewed provisions held at 31 March 2011 and consequently decided they could be reduced by £10.5 million. This included a reduction of £5.9 million in respect of potential equal pay claims and a reduction of £1.4 million for anticipated penalties connected with the Landfill Allowance Scheme. We reviewed the methodology and documentation provided by officers and were satisfied that the council had adopted a reasonable approach in estimating the level of provisions required.
28. AECC is included in the council's group accounts as a wholly owned subsidiary. Historically, AECC has relied on an annual subsidy from the council and has also received loans of £26.2 million which were due for repayment between 2017 and 2021. In 2010, the council decided to bring land around the centre and any proposed development plans for the area within council control and restrict AECC's business to that of managing and running

conferences and events. During 2011/12, new arrangements were formalised within a service level agreement and AECC set out future aims within a business plan. The financial element of this plan did not include provision for repayment of the £26.2 million loans.

29. As part of the council's review of AECC business, plans were put in place to remove its debt burden and transfer land to the council. In June 2012, the council approved in principle to write off amounts owed by AECC and therefore 100% provision for non-collection of the £26.2 million was made within the council's 2011/12 accounts. We were in agreement with the council's accounting treatment in respect of this matter.
30. There is strong council support for the exhibition centre and the need for the local economy to continue to have such a facility. Independent economic impact assessments for the area have estimated AECC's contribution to the local economy as being in excess of £100 million per annum. The financial support provided to AECC has been a regular feature of council business since local government reorganisation and we have noted that, whenever decisions have been taken about AECC, members were generally provided with appropriate economic results including the contribution provided by the facility in supporting the oil industry. In making its decision regarding the write off, the council received robust information and can demonstrate that value for money was one of the factors considered.

Prior year adjustments (Heritage assets)

31. For the first time in 2011/12, the Code required local authorities to account for tangible heritage assets in accordance with Financial Reporting Standard (FRS) 30 Heritage assets. Heritage assets are those that are intended to be preserved in trust for future generations and are held and maintained principally for their contribution to knowledge and culture. The council identified heritage assets of £128.668 million largely representing the city art gallery's fine art collections. With the exception of Glasgow City Council who reported £1,400 million, Aberdeen identified and reported the highest value of heritage assets across Scottish local government. We were satisfied with the approach adopted by the council in the identification of heritage assets and its implementation of FRS 30 requirements. As this is a change in accounting policy, the previous year's balance sheet figures have been appropriately restated in accordance with International Accounting Standard (IAS) 8.

Pension costs

32. Aberdeen City Council is a scheduled body of North East Scotland Pension Fund which is a multi-employer defined benefit scheme. In accordance with pensions accounting standard IAS19 'Retirement Benefits', the council has recognised its share of the net liabilities for the pension fund in the balance sheet. The valuation at 31 March 2012 provided by the scheme's actuaries increased the council's share of the deficit from £228.255 million as at 31 March 2011 to £257.577 million as at 31 March 2012. The large increase is due to changes in actuarial assumptions such as salary increases, mortality levels and rates of inflation. Actuarial assumptions in general were lower this year with the result that scheme liabilities increased.

33. Exhibit 1 shows Aberdeen's net liability compared to previous years. This deficit does not require an immediate cash injection but is intended to be funded by increased contributions over the long term.

Exhibit 1: IAS19 Net Pension Liability/Deficit

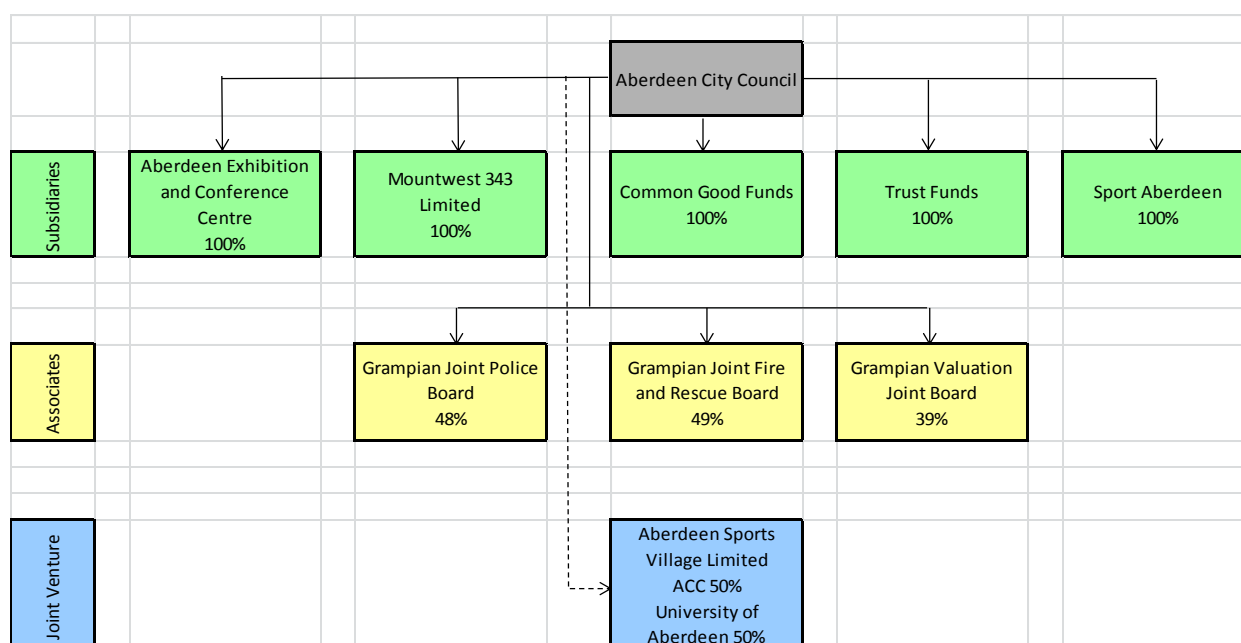
	2011/12 £000	2010/11 £000	2009/10 £000
Fair Value of Assets	744,506	846,722	738,366
Liabilities - present value of defined benefits obligations	(1,002,083)	(1,074,977)	(1,014,493)
Net Pension Liability/Deficit	(257,577)	(228,255)	(276,127)
Discount rate	4.9%	5.5%	5.5%

Source: Aberdeen City Council Statement of Accounts 2011/12

Group accounts

34. The diversity of service delivery vehicles used by local authorities means that consolidated group financial statements are required to give a true and fair view of the activities of the council. To enable the preparation of group financial statements, councils are required to consider their interests in all entities including companies, joint ventures and statutory bodies.
35. The council has interests in 5 subsidiaries, 3 associates and one jointly controlled entity which are consolidated in the group accounts. These interests have been included in group accounts in accordance with the Code and are shown in Exhibit 2.
36. International Standard on Auditing (ISA) 600 'Using the work of another auditor' requires us to consider a number of matters relating to the audit of group entities included within the financial statements of the council. As part of this process we issue questionnaires to auditors of material group entities and obtain audited accounts for all subsidiaries and associates. Based on this work we draw members' attention to the following matters:
- in accordance with recommended accounting practice, key policies for component bodies such as pension costs and the valuation of non-current assets at market value have been aligned with the council's accounting policies. Where this was not possible, we were satisfied that the amount was not material to the group accounts.
 - all bodies within the group received unqualified audit opinions on their 2011/12 financial statements.

Exhibit 2 – Aberdeen City Council Group Structure



Source: Aberdeen City Council Statement of Accounts 2011/12

Trust Funds

37. Aberdeen City Council has 50 registered charitable trusts. Charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006 meaning a full set of financial statements is required for each trust fund. However, the Office of the Scottish Charities Regulator (OSCR) has deferred full implementation until 2013/14 allowing the council to continue to rely on existing disclosures for trust funds in the council's financial statements supplemented with additional working papers. The council is currently going through an exercise to amalgamate the trust funds to reduce the overall number.

Common Good Fund

38. As at 31 March 2012, the value of the Common Good Fund stood at £73.853 million, an increase of £6.670 million from the value in the previous financial year. This increase was largely attributable to the increase in the value of the investment property held by the fund.
39. In December 2007, the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued guidance covering the common good. The council complies with this guidance as it prepares a separate disclosure in the council's financial statements and the assets are separately identified in the council's asset register.
40. The guidance note also states that local authorities should take reasonable steps to ensure that common good asset registers support the assets shown in the common good balance sheet. In common with other councils, Aberdeen's view is that reviewing the title deeds at point of sale represents "reasonable steps" for maintaining the asset register as a title deeds search of all council assets would be time consuming and prohibitively expensive.

41. Restrictions over the alienation or disposal of common good assets continue to be governed by the law of common good. No issues were identified through our routine audit activity during 2011/12 in relation to the treatment of common good asset.

Outlook

42. The council is considering establishing a Local Authority Trading Company (LATC) for Adult Social Care services as an option to deliver £2.5 million of savings to the council over a 5 year period. The company would be a wholly owned subsidiary of the council and around 600 staff would transfer from the council to the company. If implemented, changes could start from 1 April 2013. In respect of the financial statements, there will be range of issues to consider and resolve in terms of separately identifying and disclosing the transactions and outstanding liabilities for the services to be transferred and any potential workforce reduction and early retirement costs.

Refer Action Plan No. 4

Financial position

43. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
44. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
45. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

46. In 2011/12, Aberdeen City Council spent £747.6 million on the provision of public services including £69.1 million on its capital programme. In delivering these services the council generated an accounting loss of £64.7 million. Adjustments are, however, required to this accounting deficit to reflect the statutory funding arrangements in place. Once these are taken into account, the council increased its usable (cash backed) reserves by £4.1 million during 2011/12. This is set out in Exhibit 6.

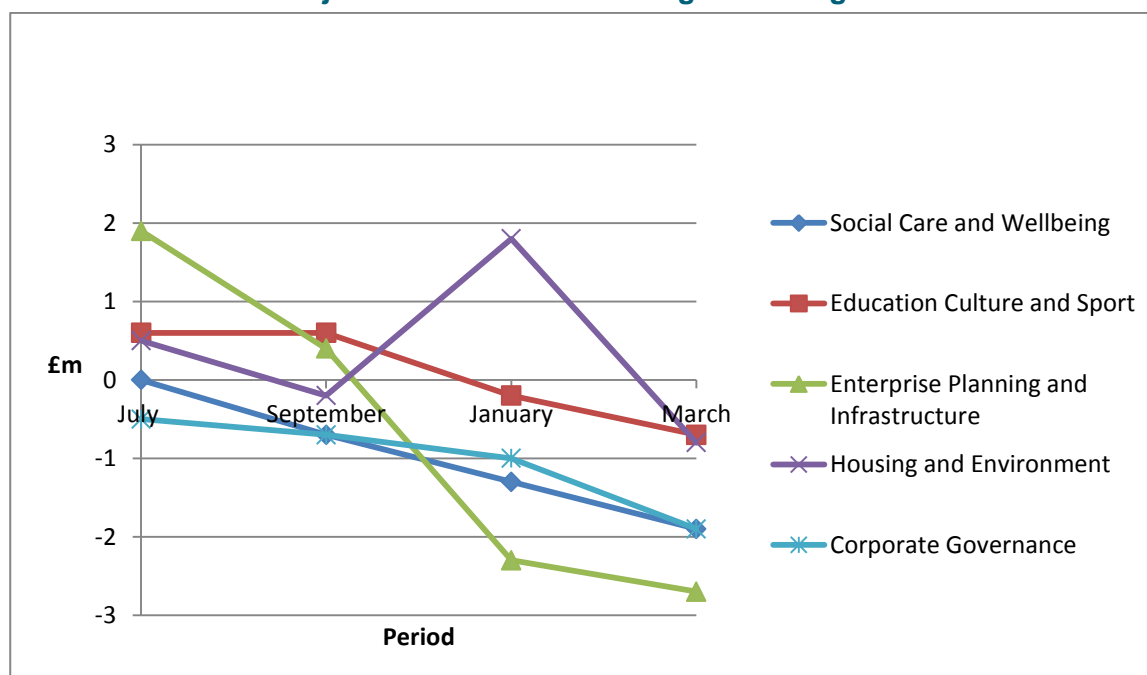
Budgetary control

47. Overall, a favourable outturn of £3.9 million was achieved by the council for 2011/12 and further explanation is provided throughout this section of the report. In relation to the council's key frontline services, Exhibit 3 shows an increasing trend towards underspends in recent years.
48. Exhibit 4 shows the departmental projected results as reported on a regular basis to members and highlights the on-going attention to savings during the year. It should be noted however, that the level of variance is low in percentage terms for each department.
49. Corporate Budgets were overspent by £6.8 million having taken account of a planned contribution of £8.8 million from surpluses delivered by significant trading operations. The main reason for the overspend was the exceptional item mentioned earlier in paragraph 26 in respect of the non-collection of AECC debt.

Exhibit 3 - Service (underspend)/ overspend

	2011/12 £ million	2010/11 £million	2009/10 £ million
Key Services			
Education, Culture and Sport	(0.7)	1.8	1.3
Housing and Environment	(0.8)	(0.6)	(0.1)
Social Care and Wellbeing	(2.2)	(7.8)	1.5
Enterprise Planning and Infrastructure	(3.0)	2.6	0.5
Corporate Governance	(2.8)	(1.4)	(2.0)

Source: Aberdeen City Council Revenue Monitoring 2009/10, Statement of Accounts 2010/11 & 2011/12

Exhibit 4 - 2011/12 Projected Outturn Variance against Budget

Source: Aberdeen City Council Revenue Budget Monitoring

50. During the year, architectural services transferred from Enterprise, Planning and Infrastructure (EP&I) to Housing and Environment. In addition, internal recharges were removed from service budgets which in effect transferred budgets from Education into EP&I. This largely explains the reasons for the movements between revised budgets for key front-line services shown in Exhibit 5

51. As set out in Exhibit 5, the council received additional government funding of £0.5 million between setting its budget in February 2011 and its revised budget position in June 2011. The outturn position shows that funding subsequently increased by a further £3 million represented by additional Scottish Government funding of £1 million and the balance relates to council tax income from second homes earmarked for affordable housing projects.

Exhibit 5 - Outturn against budget 2011/12

	Approved Budget - February 2011	Revised Budget – June 2011	Revised Budget after service changes	Outturn	Outturn variance
	£000	£000	£000	£000	£000
Key Services					
Education, Culture and Sport	182,775	180,551	173,409	172,212	1,197
Housing and Environment	44,542	44,195	41,198	39,318	1,880
Social Care and Wellbeing	125,665	121,810	120,060	117,823	2,237
Enterprise Planning and Infrastructure	30,986	31,479	44,679	41,268	3,411
Corporate Governance	26,724	28,091	28,532	25,801	2,731
Total General Fund Services	443,350	443,834	444,904	443,035	1,869
Funding	443,350	443,834	444,904	446,944	2,040
General Fund Surplus	0	0	0	3,909	3,909

Source: Aberdeen City Council Revenue Budget 2011/12, Revenue Budget Monitoring

52. At 31 March 2012, the council had total usable funds of £60.3 million and as Exhibit 6 demonstrates, this is an increase of £4.1 million compared to the previous year largely due to an increase in the capital fund which is held within statutory reserves. The unallocated general fund balance was held at £11.3 million. The council's policy is to maintain free balances at £11.3 million which is approximately 2.5% of revenue expenditure. This was achieved in respect of 2011/12.

Exhibit 6: Reserves

Description	31 March 2012	31 March 2011
	£ million	£ million
General Fund (unallocated)	11.3	11.3
General Fund (earmarked balances)	20.1	24.2
Housing Revenue Account (unallocated)	4.3	4.5
Housing Revenue Account (earmarked balances)	2.7	2.4
Statutory and other reserves	21.8	13.6
Capital grants unapplied	0.1	0.3
Total	60.3	56.2

Source: Aberdeen City Council Statement of Accounts 2011/12

53. CIPFA's Directors of Finance Group has developed a suite of financial indicators for councils. The indicators will assist in evaluating a council's financial sustainability and the affordability of financial plans and could be used to compare financial performance across comparator councils. The indicators also demonstrate the effectiveness of the financial management arrangements. We were pleased to note that the Head of Finance had incorporated the indicators in the Explanatory Foreword to the annual accounts. These show that the council can evidence effective financial management of its budget and collection of in-year council tax debt, is maintaining uncommitted reserves in line with its agreed strategy and is managing capital within the constraints of the prudential code.

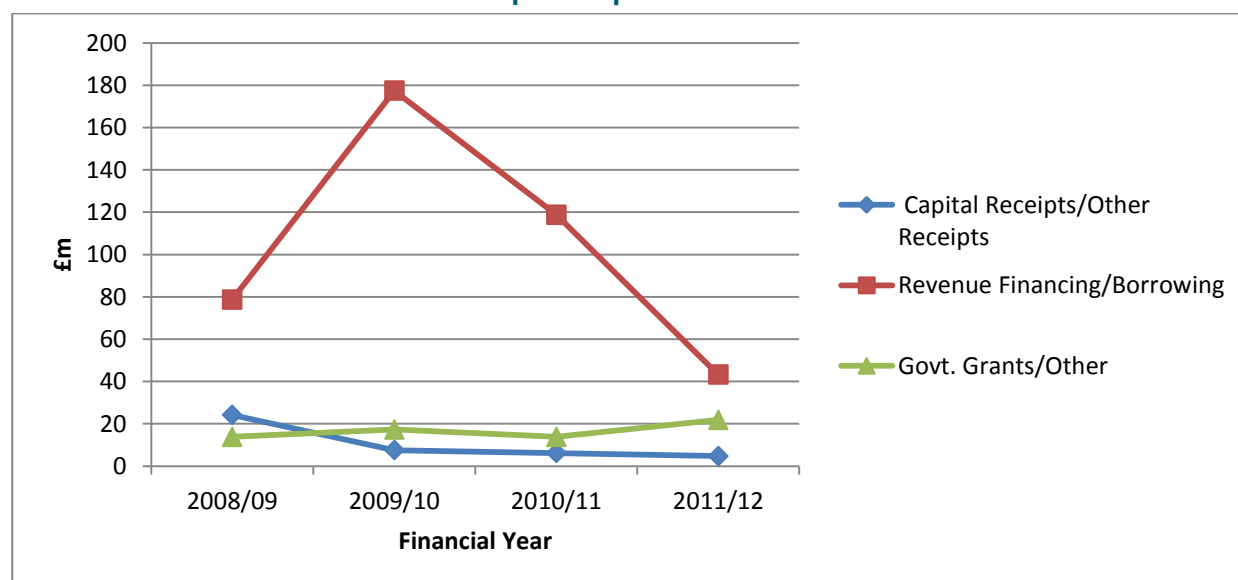
Capital investment and performance 2011/12

54. The financial statements show additions to the council's property, plant and equipment of £69.1 million, the majority of which relates to roads and other infrastructure. Including other asset categories and non-asset creating expenditure, this produces a total for capital expenditure in 2011/12 of £73.8 million. Although this is a reduction from £116.4 million in 2010/11, the outcome is in line with plans implemented by an officer led capital asset management group for the council to have a more affordable capital programme.
55. The trend in sources of funding for capital financing is reflected in Exhibit 7. In recent years, the council's flagship capital project has been the re-development of Marischal College as the council's new headquarters. The council has also developed plans for a significant capital expenditure project to regenerate Union Terrace Gardens in the city centre, known as the City Gardens Project (CGP). The estimated costs of the CGP were around £120 million, to be met by private contributions and Tax Incremental Financing (TIF) funding. A local referendum, held

on 1 March 2012, resulted in a majority in favour of the City Gardens Project. However in August 2012, the council voted to reject the CGP in favour of a package of smaller regeneration projects within the city centre. Options to finance these latest plans are currently being considered.

56. During 2011/12, the Marischal College was brought into use as the council's new headquarters. Consequently, the former main office building, St Nicholas House, was earmarked as a prime city centre location for redevelopment and was placed on the market. A sub-committee of the Finance and Resources Committee was set up to consider the options arising from initial stage of marketing the site. It is too early to determine what the disposal proceeds might be and/or what additional cost the council will incur should it decide to contribute or be a partner in the future development.

Exhibit 7 - Sources of finance for capital expenditure 2008/09 – 2011/12



Source: Aberdeen City Council Statement of Accounts

Treasury management

57. Treasury management activities are reported twice a year to the council and the strategy is updated annually. As at 31 March 2012, Aberdeen City Council held short term investments of £42 million (£20 million at 31 March 2011). The increase was largely due to temporary deposits held on behalf of the North East Scotland Pension Fund as a result of additional employer contributions received from scheduled bodies at the year end.
58. All borrowing undertaken by the council should be in accordance with the Prudential Code which requires the council to demonstrate that it is affordable and sustainable. For 2011/12, the council demonstrated tighter control of its capital programme and consequently, it was in a position to maintain its net borrowing at £558 million from 31 March 2011 to 31 March 2012.

59. When the affordability of the current level of borrowing is considered, PFI borrowing needs to be included. On this basis, overall net borrowing amounts to £666 million. This is 29.6% of total assets, which compared to other Scottish authorities, is below the median figure of 34.5%.

Financial planning to support priority setting and cost reductions

60. The Aberdeen City Council Business Plan was approved by the council in August 2011 and covers a five-year planning cycle from 2011-16. As part of the development of the business plan, the council undertook an extensive Priority Based Budgeting (PBB) exercise that reviewed all costs incurred, considered all services being delivered and, having defined strategic priorities, developed a change programme which included a package of service options to deliver £71.5 million of savings by 2015/16. This is an essential savings programme to assist the council to deliver a balanced budget in the years ahead.
61. Stage 1 within Exhibit 8 shows the council's projections when the 2011/12 budget was agreed in February 2011. On the assumption that there were no changes in service provision, the cumulative budget shortfall estimated at that point for the 5 years to 2015/16 was £105 million of which £71.5 million was to be delivered through the agreed package of savings leaving a balance of £33.8 million to be funded by other means.
62. During 2011, officers concluded their current PBB activities and consequently amended the future 5-year projections. In December 2011, revised 2011/12 figures reduced the shortfall from £33.8 million to £15.8 million.
63. As part of the development of the 2012/13 revenue budget the council was able to revise the future estimates for funding and expenditure. Summary figures are set out in Stage 2 within Exhibit 8. Funding levels were forecast to rise as a result of the Scottish Government's implementation of the 85% funding floor, while overall cost pressures were reduced following a further review of forecast assumptions and an assessment of progress in delivery of the agreed savings packages. This revised forecast reflected a reduced cost base having taken service reduction identified through the savings packages into account. In February 2012, a further savings package of £2.5 million was agreed to deliver a balanced budget for 2012/13 and the revised shortfall position at 2016/17 was estimated at £10.2 million. Financial forecasts and progress against savings packages are routinely reviewed and monitored as part of regular monitoring reported to the management team and members.

Refer Action Plan No. 5

Asset management

64. A corporate asset management group was established in 2010 to ensure the capital programme was developed in line with council priorities and was affordable. Bids for funding are now more carefully considered before inclusion in the capital plan. The group has senior representation from services and reports to management team on a regular basis.

65. A Corporate Asset Management Plan (CAMP) was under development during 2012. This is an overarching plan covering property, fleet, open space, housing, ICT and infrastructure assets. Asset Management Plans for each of these asset groups will support the CAMP and provide a link between the management of assets and the council's strategic priorities. For example, a plan was implemented for property assets in 2009 and is updated annually and during 2012 a roads asset plan was approved by members. This is referred to further in paragraph 109.

Exhibit 8: Movement in Financial Position 2011/12 – 2016/17

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Stage 1 Assumptions – No change in services						
Funding	(460,587)	(441,662)	(434,959)	(431,560)	(431,354)	
Expenditure	476,164	491,655	511,500	526,276	536,717	
Shortfall 10/02/11	15,577	49,993	76,541	94,716	105,363	
Savings Agreed 10/02/11	(15,577)	(39,735)	(57,195)	(65,308)	(71,575)	
Revised Shortfall 10/02/11	0	10,258	19,346	29,408	33,788	
Increase Income Projections 06/12/11		(3,559)	(750)	(1,480)	(6,060)	
Reduced Cost Projections 06/12/11		(3,099)	(10,867)	(18,906)	(19,629)	
Revised Shortfall 06/12/11		3,600	7,729	9,022	8,099	15,714
Stage 2 Assumptions – Reduced cost base taking agreed service reduction into account						
Funding		(459,600)	(461,821)	(465,244)	(471,908)	(475,947)
Expenditure		462,198	466,902	469,327	474,883	485,877
Shortfall 09/02/12		2,598	5,081	4,083	2,975	9,930
Savings Agreed 09/02/12		(2,598)	(2,435)	(2,426)	(2,418)	293
Revised Shortfall 09/02/12		0	2,646	1,657	557	10,223

Source: Aberdeen City Council Revenue Budget 2011/12 and 2012/13, Report to Finance & Resources 06/12/12.

Workforce reduction

66. Between 2009 and 2011, the council implemented significant organisational restructuring in response to the financial crisis it experienced at that time. This included workforce reduction and early retirement. Although the council has the occasional number of staff taking exit packages, there is no major programme of workforce reduction currently required to balance the budget. The council does however deliver regular savings through vacancy management.

67. The implementation of single status was several years ago and the management of equal pay claims was largely addressed through the use of compromise agreements. The council has a relatively low number of outstanding equal pay claims and therefore reduced the amount of the equal pay provision included in its financial statements at 31 March 2012. This was referred to earlier at paragraph 27.

Partnership working

68. In response to a request from the Cabinet Secretary for Finance, Employment and Sustainable Growth, the Accounts Commission, with scrutiny partners, has led development work on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships. Initial audits are being undertaken in Aberdeen, North Ayrshire and Scottish Borders with reports due to be published in Spring 2013. These early audits will inform the evolving methodology and approach for the audits of subsequent partnerships.
69. The Priority Based Budgeting process identified an Alternative Delivery Model (ADM) as a means of working with an external strategic partner. The model involved outsourcing various functions of the Corporate Governance service as a potential efficiency saving. However, in March 2012, the council's Finance and Resources Committee cancelled the ADM project in favour of taking forward an internal transformation programme to deliver a similar level of savings.

Outlook

2012/13 budget reporting and financial forecasts beyond 2012/13

70. In August 2012, the 2012/13 outturn forecast reported to members was an underspend of £2.182 million, around 0.5% of budget. This position has arisen due to increased income from shared buildings, vacancy management and reduced waste disposal costs.
71. The council's 5 Year Business Plan 2012/13 – 2016/17 sets out its strategic objectives and priorities for the period. As detailed in paragraphs 60 to 63, the council is forecasting a budget shortfall each year. Comprehensive savings packages have been agreed and need to be delivered to enable the council to be in a position to balance budgets. Included in those packages are options to set up 2 wholly owned companies to deliver council services. Plans are being progressed to set up a local authority trading company to deliver adult social care while a Limited Liability Partnership (LLP) is being considered for managing property repairs. These plans have important implications for staff, service users and in the delivery of balanced budgets.
72. In the short term, the council expects relative financial stability as savings packages in 2012/13 and 2013/14 are anticipated to deliver an outturn in line with a balanced budget. Beyond that, however, the medium to long term outlook for public sector finance remains significantly challenging so councils will need to plan accordingly,

Governance and accountability

73. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
74. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
75. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
- corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption
76. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

77. After the local elections in May 2012, the administration of the council changed from a Scottish National Party/Liberal Democrat coalition to a Labour/Conservative/Independent Alliance coalition. There were 17 (40%) new members out of a total of 43 members. Each elected member has a personal development plan from which training can be tailored to an individual's needs. In addition, elected member briefing sessions are held when necessary to provide detailed information on complex issues.
78. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support the modernisation agenda. The Audit and Risk Committee provides the main scrutiny mechanism within the council. In line with good practice, the committee is chaired by the Leader of the main opposition party in the council. The remit of the committee is in line with good practice principles set out in CIPFA's Guidance Note 'Audit Committee Principles in Local Authorities in Scotland'.
79. While we are generally satisfied that the committee operates effectively, we would wish to work with officers to increase the committee's scrutiny of the council's financial statements. The link between the budget outturn and the financial statements is quite complicated but important for the committee to understand. The 'financial position' section of this report should

provide a helpful commentary on this matter. Although the accounts are submitted to full council in June, the cycle of committee dates was such that the Audit and Risk Committee did not consider them until September when the matters arising from the audit were discussed. This did not provide the right opportunity for scrutiny of the financial statements. We would suggest that steps are taken to enable the committee to have an opportunity to consider the unaudited accounts in the June cycle of meetings.

80. Training should be provided to enable elected members become more engaged with the content of the financial statements and the linkages with the budget monitoring outturn information. This would better equip members to challenge officers on reported figures.

Refer Action Plan No. 2

Internal control

81. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
82. Internal audit for the council is provided by PricewaterhouseCoopers. Generally, we seek to rely on the work of internal audit wherever possible and in respect of 2011/12, we concluded that reliance could be placed on their work. International Standards on Auditing (ISAs) require evaluation of critical financial systems and testing of key controls on an annual basis. In reaching conclusions, audit work should be based on controls and transactions across the financial year. For 2011/12, reviews of financial systems by internal audit were largely completed in the early part of the financial year and while this provided some assurance, we were required to undertake additional testing to ensure coverage across the year. We have however agreed a strategy for 2012/13 which will ensure improved sharing of the work between internal and external audit and wider coverage of systems across the year by internal audit.
83. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements
84. The Head of Finance holds the council's statutory chief financial officer role. He attends council and management meetings and has direct access to members and other chief officers. For 2011/12, the council was able to demonstrate compliance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Prevention and detection of fraud and irregularities

85. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
86. The council has appropriate arrangements in place to help prevent and detect fraud and irregularity. These arrangements include, for example, a counter fraud 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.

NFI in Scotland

87. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise started in October 2010 and was reported upon in May 2012. The next round of NFI commenced in September 2012, and expands the range of data sets and bodies.

Housing and council tax benefits

- Performance audit

88. A risk assessment was previously carried out on Aberdeen City Council's benefits service in October 2009 when Audit Scotland identified ten risks to continuous improvement. These were reported to the Chief Executive in November 2009. The council submitted an action plan in January 2010 to address these risks. In Summer 2012, a follow up review was undertaken by Audit Scotland as part of a planned timetable of performance audits. The council submitted a revised self-assessment in August 2012 along with supporting evidence, and an updated action plan. The findings from the follow up review are due to be reported in November 2012.

- Housing benefit subsidy

89. In previous reports to members, Henderson Loggie reported on the level of errors found when examining cases in connection with the audit of the council's housing benefit subsidy claims. This meant that the council had overclaimed subsidy leading to a recovery of £0.849 million by the Department for Work and Pensions (DWP) in respect of the 3 year period to 31 March 2010. The outcome of the 2010/11 audited claim has yet to be determined by DWP.
90. In 2011/12, we continued to find a significant number of errors in our case review of benefit claims. Consequently, further samples have been selected in order that focused work can be undertaken on the areas of specific concern. On conclusion of this additional work, errors will be extrapolated in consultation with benefits staff and reported to DWP who will then determine if there are financial implications for the council. The 2011/12 subsidy claim will be certified by 30 November 2012. Thereafter, we will provide management with an analysis of

the types of errors found in order that further steps can be taken to improve benefit processing arrangements.

Refer Action Plan No. 6

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

91. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and that they have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the overall arrangements in Aberdeen City Council are satisfactory.

Complaints Handling Procedures

92. The council participated in the working group established in 2011 by the Complaints Standards Authority. This enabled the council to prepare an effective implementation programme for the introduction of the standardised local authority Complaints Handling Procedures (CHP). The council submitted details of the revised CHP confirming compliance with the Scottish Public Sector Ombudsman's Implementation Guide for Complaints Handling Procedures in August 2012. We will monitor the new arrangements as part of the 2012/13 audit.

Outlook

93. The Welfare Reform Act 2012 received royal assent in March 2012. The Act provides for the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013. Councils will face challenges in understanding and acting upon welfare reform changes. The introduction of Universal Credit will also have a significant impact on councils' strategies and plans in areas such as housing, asset management, finance, ICT and customer service. Councils will be challenged during this period of change to maintain service delivery and performance around housing benefit claims.
94. As part of our work on the 2012/13 audit, we will consider the council's preparedness for introduction of these changes, and how it is developing and taking forward its strategies and plans to address the risks arising from these changes.

Best Value, use of resources and performance

95. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
96. As part of their statutory responsibilities, the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
- a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
97. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments
98. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
99. This section includes a commentary on the Best Value and performance management arrangements within the council. Any headline performance outcomes and measures used by the council are also noted and we comment on relevant national reports.

Management arrangements

Performance management

100. The Aberdeen City Council Business Plan was approved by the council in August 2011 and covers a five-year planning cycle from 2011-16. The plan is subject to ongoing review and update. The business plan reflects the council's strategic priorities and details specific, priority-based actions. Performance monitoring sits alongside the business plan focusing on achievement of the plan and regular monitoring by elected members of progress in implementing the council's strategic priorities.
101. The overall responsibility for corporate monitoring lies with the Corporate Policy and Performance Committee (CPPC). There is also a Corporate Performance Management

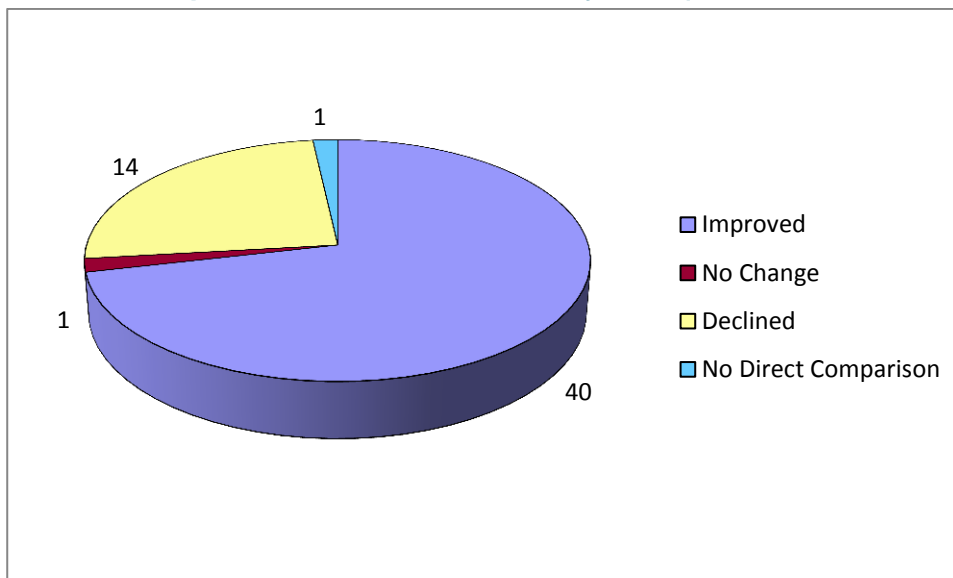
Group who is consulted on all changes to the framework. Regular performance exception reports are presented to each of the council's service committees highlighting performance outwith agreed target levels. A recent review confirmed that exception reporting is not consistent across services and required further development. This is being addressed by CPPC.

Overview of performance in 2011/12

Statutory performance indicators

102. In 2011/12, a total of 25 Statutory Performance Indicators, with 56 individual performance measures were required. The majority of these show improving performance as Exhibit 9 illustrates.

Exhibit 9: Improvements demonstrated by SPIs (Total 56 measures from 25 indicators)



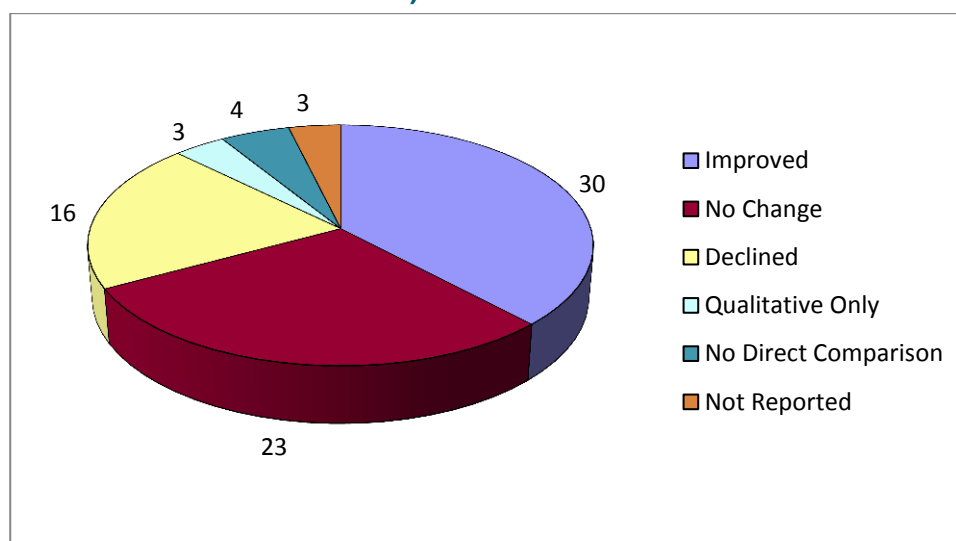
Source: Aberdeen City Council SPI data returns

103. The improved indicators include sickness absence levels, percentage of Council Tax income due which was received and processing time for planning applications. The measures which showed a decline included rent arrears and attendance at libraries and swimming pools.

Aberdeen City Council performance measurement outcomes

104. In addition to the Statutory Performance Indicators, councils are required to publish a range of performance information sufficient to demonstrate that they are securing Best Value across a defined range of services and criteria. Aberdeen City Council have therefore developed a further 48 local performance indicators including 74 performance measures and 3 qualitative assessments. The majority of these have remained stable or improved in 2011/12 as demonstrated in Exhibit 10.

Exhibit 10: Improvements demonstrated by local performance indicators (Total 74 measures from 48 indicators)



Source: Aberdeen City Council SPI data returns

- 105.** Examples of improving performance included the percentage of food hygiene visits completed by the due date, repairs to street lights and the number of children on the child protection register. The measures which declined during the year included the cost of the Accountancy and Human Resource services and the time to process new benefit claims and changes to existing claims.
- 106.** The 3 indicators which were not reported in 2011/12 were the council's carbon footprint, educational outcomes for looked after children and satisfaction with the council. In each case, no current data was available to calculate the indicator. The Corporate Performance Management Group is to review the non-specified indicators during 2013.

Local performance reporting

- 107.** In 2010, Audit Scotland agreed a targeted approach to following-up a small number of performance audit reports each year to promote local impact. During 2011/12 *'Maintaining Scotland's roads: a follow-up report'*, which was published in February 2011, was selected for follow up. The aim of the follow-up review was to assess the progress the council had made in improving the management of roads maintenance, focusing on road asset management planning, performance management and maximising value for money.
- 108.** Aberdeen City Council is responsible for a local road network of 913 km with a gross replacement value of over £1.014 billion. Funding required for routine maintenance is £2 million per annum with a further £200 million estimated for backlog repairs to reinstate carriageways to fully acceptable standards.
- 109.** A Roads Asset Management Plan (RAMP) was approved by the Enterprise, Planning & Infrastructure Committee in September 2012. The RAMP describes the approach Aberdeen

City Council will use in managing its infrastructure network and provides a base-line from which improvements to the roads service can be measured.

National performance reports

110. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are detailed in Exhibit 11. In most cases these are shared with elected members and the management team.

Exhibit 11: A selection of National performance reports 2011/12

- The National Fraud Initiative in Scotland
- An overview of local government in Scotland - challenges and change in 2012
- The role of community planning partnerships in economic development
- Arm's-Length External Organisations (ALEOs): are you getting it right?
- Transport for health and social care
- Commissioning social care
- Modernising the planning system
- Grampian Fire and Rescue Service Best Value Audit
- Scotland's public finances: addressing the challenges
- Community Health Partnerships

Source: www.audit-scotland.gov.uk

Progress against audit risks identified in the Shared Risk Assessment

111. The first Assurance and Improvement Plan (AIP) for Aberdeen City Council was published in July 2010. That document set out the planned scrutiny activity for the council for the period April 2010 to March 2013 based on a shared risk assessment undertaken by a local area network (LAN) of scrutiny partners.
112. The AIP has been updated twice since 2010 with the latest version being reported to the council's Audit and Risk Committee in June 2012. At that point, the LAN had reviewed progress in the attainment of the objectives in the Single Outcome Agreement. This assisted in the identification of future audit and scrutiny activity. In many cases, we said that we would monitor key service developments and further evidence of performance and comment within this report. The following paragraphs note the position against areas of uncertainty highlighted in the LAN's Audit and Improvement Plan Update (AIP) 2012 - 2015. The council, together with its Community Planning Partners is responsible for evidencing performance and each partner will have varying degrees of influence over each area.

Leadership and Culture

113. The LAN's 2011 AIP reported that *"All groups on the council need to work more productively together and demonstrate a clearer focus on the needs of the local area. In addition, improvements need to be made in member officer relations to create a position of mutual trust and respect founded on a clear understanding of the distinctive roles that officers and members play within the council. The current situation creates risks to the efficient and effective conduct of business."* In response to this the council undertook a self-evaluation activity which drew the Audit Scotland 'Roles and working relationships: are you getting it right?' report.
114. In order to take an independent approach to the self-evaluation, an independent consultant was engaged by the council to carry out the review in December 2011. A final report on the self-evaluation process was presented to the Audit and Risk Committee in September 2012. While there has been a change in elected members as a result of the May 2012 elections, it was recognised that the key messages and recommendations from the review were relevant and valid.
115. The committee approved the recommendations to enhance further development of effective working relationships between elected members and officers. We will review the extent of improvement observed in this area as part of our 2013 AIP update.

Housing and Environment

116. At the time our assessment, the Scottish Housing Regulator continued to have concerns about the council's plans to meet homelessness targets and its management of gas safety and intended to monitor these areas through self-assessment activity. LAN colleagues will consider the outcome of this scrutiny activity as part of the next SRA refresh.

Social Care and Wellbeing

117. There has been significant service redesign, improved performance management and the introduction of a framework for self-evaluation in all areas of the Social Care and Wellbeing service. At the time of issue of the 2012 AIP, the LAN felt that it was too early to assess the level of impact of the changes on the services.
118. The Care Inspectorate undertook an Initial Scrutiny Level Assessment (ISLA) during 2012 which considered the impact of these changes on the service. The results of this review are expected to be published in December 2012 and will be considered as part of the 2013 AIP update.

Financial Position

119. The LAN considered the financial position of the council to be an area of uncertain scrutiny risk. Primarily, this was as a result of the overall uncertainty of funding levels despite the Scottish Government announcing proposed allocations for 2012/13 – 2014/15 in early 2012. We have commented on the council's financial position earlier in this report.

Outlook

120. There are currently no plans for Best Value work in Aberdeen City Council. However, the AIP did include activity by other scrutiny bodies over the next three years including:
- Care Inspectorate – Initial Scrutiny Level Assessment (ISLA) review (2011/12)
 - Scottish Housing Regulator – follow up on progress with SHQS, gas safety and homelessness and focused self-evaluation work in areas of uncertainty in the AIP (2011/12)
121. In April 2011, the Equality Act 2010 introduced a new public sector ‘General Duty’ which encourages equality to be mainstreamed into public bodies’ core work. The Scottish Government subsequently consulted on a set of ‘Specific Duties’ which came into force in May 2012. There is also a requirement to publish a set of equality outcomes no later than 30 April 2013. We will consider progress made by the council in implementing these requirements as part our 2012/13 audit.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan	20 February 2012	28 February 2012
Assurance and Improvement Plan	20 April 2012	12 June 2012
Report to those charged with governance on the 2011/12 audit	19 September 2012	25 September 2012
Audit opinion on the 2011/12 financial statements	28 September 2012	27 November 2012
Audit opinion on the 2011/12 Whole of Government accounts consolidation pack	19 October 2012	N/A
Report to Members on the 2011/12 audit	31 October 2012	27 November 2012

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Management Action	Responsible Officer	Target Date
1	14	<p>Governance arrangements in respect of group entities should be strengthened.</p> <p>Risk:</p> <p><i>Risk - If group companies are not adequately monitored, this could lead to non-compliance with companies' legislation. The group may not be delivering on its objectives.</i></p>	<p>Following recent consideration by the Head of Finance, the council is developing its group reporting to ensure that regular financial and non-financial information is incorporated into the Corporate Performance Reporting arrangements. Internal Audit are engaging in a review of group entities that will provide additional findings and recommendations upon which to continue to strengthen group governance.</p>	Corporate Accounting Manager	31 March 2013
2	15 & 80	<p>There is scope to improve the effectiveness of the Audit and Risk Committee by clarifying its role in respect of scrutiny of the financial statements and group governance.</p> <p><i>Risk - Scrutiny arrangements within the council may be insufficient or do not comply with good practice.</i></p>	<p>As a consequence of the change in councillors following the May 2012 council elections the council has put in place a training programme with councillors on a range of subjects, which includes specific training in relation to the role of the Audit and Risk Committee. Further consideration will also be given to the practicalities of scrutiny of financial statements being undertaken prior to the completion of the Draft Statement of Accounts.</p>	Head of Finance	30 June 2013

Action Point	Refer Para No	Risk Identified	Management Action	Responsible Officer	Target Date
3	22	<p>A review of the arrangements for the preparation and audit of the financial statements and WGA return should be undertaken to identify improvements for 2012/13 and beyond.</p> <p>Risk: The target date for submission of audited accounts is not met. Delays in delivery of working papers impact on resources.</p>	<p>Review and feedback sessions with accounting staff and auditors will take place during November / December to identify the improvements that can be achieved in relation to the preparation and audit of the Statement of Accounts and to set out the timetable for year end close as at 31 March 2013.</p>	Corporate Accounting Manager	31 December 2012
4	42	<p>Early consideration should be given to the accounting requirements to be met within the council's accounts if the new LATC and LLP are established.</p> <p>Risk: Accounting requirements are not met leading to a qualified opinion on the financial statements.</p>	<p>A programme of work has been in place for a number of months to ensure the delivery of the financial support by the council.</p>	Chief Accountant	31 March 2013

Action Point	Refer Para No	Risk Identified	Management Action	Responsible Officer	Target Date
5	63	<p>The council has a significant programme of savings to implement in delivering its 5 year business plan.</p> <p>Risk: A balanced budget is not delivered</p>	<p>Continued development of financial monitoring and scrutiny continues on a regular basis, with a Finance Framework having been developed to improve the link between Finance and Budget Holders. A review of savings achievement / progress is controlled by the Programme Management Office and the early identification of changes, including change control procedures, are overseen by the Performance Boards, which includes the Chief Executive.</p>	Chief Accountant	Ongoing
6	90	<p>Improved arrangements should be implemented for benefit processing.</p> <p>Risk: Continued clawback of subsidy sought by DWP and increased reputational risk to the council.</p>	<p>The team has in place a regular checking regime for benefit processing and this is under review with the objective of tackling errors effectively and timeously by revising and tightening the checking arrangements and to enhance it. A focus on improving the speed of processing claims also has an impact and the council is actively managing the staffing resources it has to ensure claims are completed in a timely manner.</p>	Revenue and Benefits Manager	Ongoing