



**HENDERSON LOGGIE**  
Chartered Accountants

**Aberdeen City Council**

**Risk Assessment, Annual Audit Plan  
and Fee Proposal 2009/10**

**External Audit Report No: 2010-01**

**Draft Issued: 29 January 2010**

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### **Restriction on Use**

This report has been prepared in accordance with our responsibilities under International Standards on Auditing and Audit Scotland's Code of Audit Practice for the audit of Aberdeen City Council.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Aberdeen City Council and its Audit and Risk 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
- 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 purpose of the audit, this information has not been independently verified.



# Executive Summary

## Introduction and Background

1. We have been re-appointed by the Accounts Commission as Aberdeen City Council's external auditors for the 5 year period from 1 April 2006 to 31 March 2011. This is our overall plan for the fourth year of our appointment. Our audit is governed by our letter of appointment, the Local Government Acts, auditing standards and Audit Scotland's Code of Audit Practice and Local Government Sector Plan.
2. This document outlines:
  - our audit framework
  - our audit approach
  - the planned audit outputs and our proposed fee
  - our audit team
3. Background and planning information has been gathered through discussion with the City Chamberlain, the Internal Audit Manager and other senior staff, and a review of the documents listed at Appendix IV. In gathering this information we have considered the Sector Plan, Priorities and Risk Framework document (PRF) and planning guidance issued to us by Audit Scotland for 2009/10. The plan and PRF are available on their website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Summary of Planned Audit Work

**Table 1: Planned Audit Outputs**

<b>Overall Planning</b>	Risk Assessment, Annual Audit Plan and Fee Proposal
<b>Governance</b>	Financial Statements Audit Plan (FSAP) Fraud Returns National Fraud Initiative (NFI) Questionnaire Follow-up Review – School Lets
<b>Performance</b>	PRG Overview Report Proforma Return Impact Assessments – National Studies
<b>Finance</b>	Communication of Audit Matters to Those Charged With Governance (ISA 260 Report) Audit opinion on financial statements Audit opinion on Whole of Government Accounts Year-end Management Letter if required # HB/CTB Subsidy Management Letter if required # Auditors' reports on grant claims and returns
<b>Overall Conclusion</b>	Report to Members and the Controller of Audit – Annual Report

# Outputs will only be required where there are significant issues to report arising from audit work.

## Proposed Fee

4. Based on the work we assess is required to discharge our audit responsibilities the total proposed fee for the 2009/10 audit is £491,875.

## Acknowledgements

5. We would like to take this opportunity to thank all the officers within the Council who assisted us in gathering information for this plan.



# Audit Framework

## Introduction

- 6. Our audit framework is set by our letter of appointment, the Local Government Acts, (primarily Part VII of the Local Government (Scotland) Act 1973), auditing standards, Code of Audit Practice, Local Government Sector Plan and ad hoc guidance issued by Audit Scotland.
- 7. This framework provides local authorities with an audit model that is wider than simply providing assurance on the financial statements and the internal control environment. This wider model covers finance, governance and performance.

## Code of Audit Practice

- 8. This plan takes account of the Code of Audit Practice (the Code) published by Audit Scotland in March 2007. This year we have not included full details of our audit responsibilities under the Code in our plan as this was included in previous years. The Code is available on Audit Scotland’s website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk). Alternatively, we can supply you with a copy of the Code.

## Audited Bodies’ and Auditors’ Responsibilities

- 9. Audit Scotland has issued a statement on audited bodies’ and auditors’ responsibilities in relation to all aspects covered by the audit process. The Code incorporates this statement into each section for easy reference. Attention is drawn to these relative responsibilities and a summary is included at Appendix I.

## Audit Objectives

- 10. Our objectives identified in the Code are summarised in Table 2.

**Table 2: Auditors’ objectives**

Key Area	Auditors’ Objective	Main Audit Output
<b>Financial statements</b>	Provide an opinion on audited bodies’ financial statements as required by the relevant authorities for the local government sector.	Audit opinion in financial statements. ISA260 Report.
<b>Corporate governance arrangements</b>	Review and report on, as required by relevant legislation and the Code, the Council’s corporate governance arrangements in relation to systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct, and prevention and detection of corruption; and the Council’s financial position.	FSAP, ISA260 Report, Annual Report.
<b>Performance management</b>	Review and report on, as required by relevant legislation and the Code, the Council’s arrangements for securing Best Value; complying with its community planning duties; aspects of managing its performance in relation to economy, efficiency and effectiveness in the use of resources; and for preparing and publishing statutory performance indicators (SPI).	Annual Report.

Source: Audit Scotland’s Code of Audit Practice



## Audit Framework

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### Planning Guidance

11. Audit Scotland's planning guidance for 2009/10 defines the core audit as the work that Audit Scotland provided for when setting the indicative fees for local authorities and specifies the following:
- Provide the Independent Auditors' Report placed on the financial statements (and any opinions on consolidation packs / whole of government accounts returns) by 30 September 2010
  - Provide an annual report on the audit addressed to the Council Members and the Controller of Audit by 31 October 2010
  - Communicate audit plans to those charged with governance
  - Provision of reports to management, as appropriate, in respect of our corporate governance responsibilities in the Code (including our involvement in the NFI)
  - Submit fraud returns to Audit Scotland
  - Certify grant claims (including HB/CTB Subsidy Claim) submitted by the Council that have been approved for audit by Audit Scotland. Appendix II lists the grants included in our 2009/10 audit fee
  - Discharge our responsibilities in connection with the Councils' publication of statutory performance information in accordance with the Accounts Commission's Annual Direction. For 2009/10 there is no requirement to provide an assessment of the reliability of individual SPIs to Audit Scotland
  - Provide existing evidence and intelligence for, and participate in, shared risk assessment (SRA) processes leading to the preparation of a three year rolling Assurance and Improvement Plan for each council and a national scrutiny plan. This includes the results of follow-up on councils' progress in implementing existing Best Value improvement plans
  - Contribute to Best Value audits and other scrutiny responses agreed through the SRA process
  - Undertake other work requested by Audit Scotland (eg exchanging information and intelligence about council performance, supporting the impact of national performance audit studies and contributing evidence for the local authority overview report).
12. Any audit work beyond the core audit will incur an additional fee.



## Audit Framework

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### Shared Risk Assessment and Joint Scrutiny Planning

13. This is a new area of responsibility for external audit and Audit Scotland's planning guidance includes the following information:
- Following the publication of the Crerar report in September 2007, the Scottish Government's response stated its aim of establishing a simplified and coherent approach to delivering local government scrutiny. All scrutiny bodies that engage with local government are working to establish a shared assessment of the risks in each council and to develop a range of proportionate approaches in response to the risk assessment.
  - Local Area Networks (LANs) have been established at each council. These bring together the local scrutiny representatives in a systematic way, with the common aims of joint scrutiny scheduling and planning, shared risk assessment and the delivery of a single corporate assessment through the Best Value 2 (BV2) audit process. As the Council's external auditors we are key members of the LAN for the Council.
  - The role of LAN representatives is to ensure that relevant data collected from councils and other sources by their organisation is analysed and brought to the LAN for discussion. All LAN members will discuss and agree a shared risk assessment (SRA) of the council and identify a proportionate scrutiny response.
  - All LAN members are expected to contribute to the drafting of the three year rolling Assurance and Improvement Plan (AIP) for the Council and to participate in ongoing evaluation and training. The AIP sets out the SRA of the Council and the proposed scrutiny response. It includes all scrutiny activity at corporate and service level but excludes scrutiny activity at individual unit level, such as school, residential home or day care centre.
  - The LAN will agree what the appropriate scrutiny response should be over the next three years (for 2010/11 to 2012/13), based on the results of the SRA. This should be proportionate and aligned to the assessed level of risk. It may include specific audit exercises, including reviews of aspects of governance or local studies, or other work to be undertaken in partnership between auditors and inspectorates. All such 'scrutiny response' work is subject to the SRA process, and auditors should not undertake exercises of this type without reference to the LAN.
14. As detailed earlier in paragraph 11 part of the core audit work for 2009/10 is a requirement to participate in the SRA processing leading to the preparation of the three year rolling AIP covering 2010/11 to 2012/13. Our plan and proposed fee for 2009/10 cover a transitional year and encompass the core audit work outlined at paragraph 11. This will include a review of the restated accounts for IFRS when available. The planned work has been discussed with the LAN lead.
15. The first meeting of the LAN for Aberdeen City was held in November 2009, with a further meeting in January 2010, where the SRA and AIP was discussed and drafted. Following a national review of the AIPs for all 32 councils, the Council should receive its AIP in April 2010.

## Audit Framework

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### Best Value and Community Planning

16. The Local Government in Scotland Act 2003 (the 2003 Act) introduced statutory requirements for both authorities and auditors in relation to Best Value and Community Planning. By April 2009 the Accounts Commission had completed the first round of Best Value (BV) audits in all 32 councils in Scotland. In October 2009, the Commission published its report Making an Impact: An Overview of the Audits of Best Value and Community Planning 2004-09.
17. The Accounts Commission is reviewing its approach to BV audits and is testing its revised approaches through five pathfinder audits. Following completion of these pathfinders, the revised approach (BV2), will be finalised and applied to a future programme of audits commencing from May 2010.
18. The timing and coverage of full BV2 audits will be agreed as part of the AIP. A key component of the SRA will be the extent to which implementation of any BV improvement plan has been progressed. As the local auditors we will continue to be responsible for conducting follow-up reviews to assess progress against agreed improvement priorities which will be reported in our annual report and feed into future risk assessments.
19. Aberdeen City Council's first full Best Value report was issued in May 2008. The Commission requested a follow-up report on progress, which was published in July 2009. This follow-up work was carried out in conjunction with SWIA and HMIE follow-up activity. The progress report concluded that:

*"the Council has taken prompt action in implementing plans to address the issues highlighted in the Best Value audit report and in the Accounts Commission's findings. It has put in place wide-ranging and significant new arrangements to support improvement. The unaudited financial statements for 2008/09 show a better than expected outcome, but the Council still faces a challenging financial situation, which is exacerbated by the current economic climate. The full impact of the action taken to date has yet to flow through and the council understands that there is still a long way to go before it can demonstrate the attributes of a Best Value council. The changes to date provide a solid foundation to support ongoing improvement".*

### Single Outcome Agreement

20. The BV2 audit approach takes full account of Single Outcome Agreements (SOAs). Audit Scotland's planning guidance for 2009/10 directs us to develop a view on the approach the Council and its partners are taking on:
  - developing governance and accountability arrangements to support SOAs
  - ensuring explicit links are made between high-level SOA outcomes and more detailed service-level outcomes, outputs and activities
  - ensuring SOAs are supported by robust resource planning arrangements
  - ensuring SOAs are supported by robust performance management and reporting
  - reporting progress towards SOA outcomes to the Scottish Government, in line with guidance on annual reporting
  - undertaking Public Performance Reporting (PPR) on progress towards SOA outcomes, including linking SOA outcomes and indicators with other forms of PPR such as SPIs.
21. We will report our findings in our Annual Report.



## Audit Framework

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### Performance Reporting and Statutory Performance Indicators

22. The 2008 Direction represents a significant shift in approach to the statutory performance indicators (SPIs) in recognition of the changing environment in which local authorities are operating. Significantly fewer specified indicators are required to be reported although councils are encouraged to select appropriate measures, reflecting their priorities, from their mainstream performance management and reporting arrangements, covering corporate and individual service performance.
23. The audit approach has been revised in recognition of this shift and new audit guidance was issued by Audit Scotland in January 2010. We are no longer required to assess the reliability of individual indicators or to provide an opinion on a year-end return to Audit Scotland. Our emphasis will be on the arrangements and systems that the Council uses to generate performance results and consequent reports. Our work may include some sampling of data to test reliability, but it is the Council's responsibility to ensure the accuracy and relevance of all performance information. We plan to place reliance on Internal Audit work in this area.
24. The statutory deadline for councils to place details of SPIs in the public domain by 30 September is unchanged. It is the council's responsibility to ensure that appropriate arrangements are in place for the collection and publication, and our duty to review and report on these arrangements. It is the council's responsibility to ensure that the data is accurate and reliable.
25. The findings of our audit will be included in our Annual Report, together with commentary on the Council's 2009/10 performance.
26. Our 2008/09 Annual Report included comments on a few of the 2008/09 SPIs published by the Council. National rankings for the 2008/09 SPIs were published by Audit Scotland in December 2009. A summary of the Council's position is included at Appendix III.
27. In November 2009, Council officers submitted a detailed analysis of the 2008/09 SPIs to the Corporate Policy and Performance Committee. It noted that, as part of the Council's performance management system, each Service will be reporting to the relevant Committee of the Council showing performance against SPIs. This will include recommendations for actions for further improvement. A further report was submitted to January 2010 meeting of the Corporate Policy and Performance Committee, which considered the Council's performance in an all-Scotland context.





## Audit Framework

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### Audit Scotland National Studies

28. Audit Scotland undertakes a number of centrally directed performance audits each year. The Code directs us to participate in these at a local level, if required. One aspect of this participation during 2009/10 will be the presentation to the Council (where appropriate) of local information in relation to individual national studies. This is a developing aspect of national reporting and will be discussed further with officers and the Audit and Risk Committee in due course.
29. Audit Scotland planning guidance directs us to provide information on how the Council has responded to national reports three months and one year following publication, with the nature and level of information required varying across different studies and different bodies.
30. Details of reports on Audit Scotland national studies published between November 2008 and August 2009 were included in Appendix IV to our report 2009/08 Report to Members and the Controller of Audit 2008/09. One-year follow-up will be undertaken during 2009/10.
31. The following reports on centrally directed studies have been published since August 2009 or are due for publication in 2010:
  - Scotland's Public Finances (published November 2009)
  - Environmental Overview (published January 2010)
  - Delivering Efficiencies
  - Physical Recreation Services
  - Managing Unit Costs
  - Looked after Children in Residential Settings
  - Councillors and Officers: Working Together in Local Government
  - Road maintenance: a follow-up report



## Audit Approach

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### Audit Approach

32. We plan our audit to meet the objectives discussed at paragraph 10 under guidance from Audit Scotland and in accordance with the requirements of the Code and applicable auditing standards.
33. Our approach is risk-based and designed to be robust, efficient, challenging and fair. Key features of our approach are the integration of work for the finance, governance and performance strands of our remit; a focus on key national and local issues and associated risks; financial statement audit procedures that maximise assurance from existing internal control processes; and maximum reliance on internal audit work.

### Risk Assessment

34. We begin by gaining an understanding of the key national and local issues facing the Council and the associated risks. We assess the likelihood of the risk occurring and the impact this could have on delivery of services and the financial position. We then assess the control arrangements that the Council has in place to manage these risks, and whether the risk has been reduced to an acceptable level. We also consider the Council's decision-making, governance and performance management frameworks. Audit Scotland's Sector Plan, planning guidance and PRF contribute to the identification of issues to be considered in this stage of our work.
35. Information is gathered from a series of interviews with senior officers and a review of key Council documents. We also obtain information from the Council's Internal Audit Manager, through discussion and review of relevant reports. (See Appendix IV for documents reviewed).
36. The key national risks identified from our planning process, based on Audit Scotland's PRF and Sector Plan, are summarised in Table 7 at Appendix V, together with the associated audit actions and outputs. Our 2008/09 PRF Report (report 2009/02) reviewed these risk areas. As part of our 2009/10 planning, we have had discussions with officers who have confirmed that they believe the Council has taken action or has plans in place to mitigate all of the risks identified in Table 7. Table 8 at Appendix V summarises specific local risks and our proposed audit action.
37. During 2009/10, our ongoing monitoring will include:
  - Attendance at Council and Committee meetings, together with review of reports and minutes
  - Attendance at the Audit and Risk Committee
  - Discussion with officers
  - Reliance on internal audit
  - Follow-up of National Studies
38. Proposed timings for final reports and the Audit and Risk Committee meeting to which these will be presented are summarised in Table 4 at paragraph 57.

### Financial Control Evaluation

39. The financial control environment will be considered at an early stage of our work to update our documentation of the key controls that can be relied upon for the production of figures for the financial statements.



## Audit Approach

40. Where possible we will seek to place reliance on the controls tested by internal audit where they report that the controls are working effectively. Where internal audit do not perform tests on key controls we will reassess our audit work and either test the operation of the key controls or carry out substantive testing as part of the financial statements audit. Our findings will be reported in our Financial Statements Audit Plan.

### Reliance on Internal Audit Work

41. The Code directs us to maintain effective co-ordination with internal audit and place the maximum possible reliance on their work. In accordance with ISA 610 – Considering the Work of Internal Audit, we have reviewed the framework for the provision of internal audit services. Our review included consideration of compliance with CIPFA’s 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom.

42. In previous years we established that we could place reliance on their work, although there have been issues with resources that have impacted on delivery of planned work. For 2008/09, an external firm was appointed to carry out a series of audits to ensure delivery of the agreed audit plan. For 2009/10, a similar approach is being taken, therefore we will need to update our assessment when this work is complete.

43. We review all internal audit reports and consider their findings for the performance and governance aspects of our audit. From our review of the internal audit plan for 2009/10, we have identified specific reviews on which we will seek to place reliance for our audit of the financial statements and for the performance and governance aspects of the audit as noted in Table 3.

**Table 3 – Reliance on Internal Audit Work**

<b>Financial Statements</b>	<b>Performance and Governance</b>
<ul style="list-style-type: none"> <li>• Budget Management Process</li> <li>• Financial reporting readiness</li> <li>• Bank Reconciliations</li> <li>• General ledger feeder systems</li> <li>• Other general ledger account reconciliations</li> <li>• Treasury Management</li> <li>• Accounts receivable and collections</li> <li>• Housing Capital Expenditure and repairs budgets</li> <li>• IT Asset Management</li> <li>• IT General Controls</li> <li>• CRM/ Parking Fines</li> </ul>	<ul style="list-style-type: none"> <li>• Inspectorate improvement plans follow-up work</li> <li>• Governance Review</li> <li>• Risk Management Framework</li> <li>• Contract Management Process</li> <li>• Investment Appraisal Process</li> <li>• External Management Information/ SPIs</li> <li>• Business Continuity Planning</li> <li>• Marischal College</li> <li>• Arms length organisations (trusts)</li> <li>• IT Security</li> <li>• ICT Options</li> </ul>

44. Further areas may be identified following completion of our initial financial control evaluation (see para 39 and 40 above).

45. We will perform detailed file reviews in order to obtain the necessary evidence to enable us to place reliance upon internal audit work. We will report the extent of our actual reliance and the level of assurance gained in our Financial Statements Audit Plan. Our audit approach and our audit fee are dependent on the availability by 31 May 2010 of those reports on which we plan to place reliance and upon the expectation that the reviews will find Council systems to be at least adequate.

46. The findings of our review of internal audit work will be reported in our Financial Statements Audit Plan. Further work will be reported in our Annual Report if required.



## Audit Approach

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### Reliance on Work of Other Inspection Bodies

47. We are required by the Code to contribute to the “whole organisation” approach to inspection through co-ordination amongst auditors, inspectors and other scrutiny bodies. We therefore place reliance on the reported results of the work of statutory inspectorates in relation to corporate or service performance and may monitor progress with implementation of action plans resulting from these reviews. Our reliance will also be informed by the LAN and shared risk assessment as detailed at paragraph 13 above.

### Communication and Reporting

48. Auditing standards require us to communicate throughout the audit with those charged with governance. We have agreed that such communication will be through the Audit and Risk Committee. For matters relating specifically to the audit of the financial statements, communication will be with the Committee together with the City Chamberlain.
49. The main means of communication with Members during the course of the year will be through our reports and our attendance at the Audit and Risk Committee. We will also attend a selection of meetings of the Community Planning Partnership, the Council and committees. Our formal reporting to all Members will be through our annual report produced at the conclusion of each audit year.
50. We will communicate regularly with officers throughout the audit year to plan and conclude individual projects, maintain an overview of the Council’s business risks, and discuss any new issues that emerge. This communication should be two-way, and we encourage officers to have early discussions with us on any issues that may give rise to audit comment at a later date. We also welcome feedback on our audit approach.
51. Throughout our audit, we identify areas for improvement and encourage compliance with accepted best practice. At the conclusion of each project we will discuss our findings and recommendations for action with management prior to issuing a draft report, which will include our recommendations within an action plan. Recommendations will be graded by importance.
52. A draft report will be issued to allow the Council officers to confirm the factual accuracy of the report and to provide a response to any recommendations within an action plan. This includes details of the responsible officer and reasonable timeframes to be allocated for each of the agreed actions. Once this is completed, the final report will be issued to lead officers and submitted to the next Audit and Risk Committee. Our proposed reporting timetable is included in Table 4 at paragraph 57.



# Planned Audit Outputs and Fee Proposal

## Reliance on Council Action and Working Papers

53. In assessing our audit activity we have sought to place reliance on internal audit work where key controls are tested. Following on from previous years' discussions about improvements and current action plans we expect that adequate records and working papers will generally be available as audit evidence and that officers will respond to requests for information within a reasonable timeframe. Our Financial Statements Audit Plan will identify specific supporting working papers that we expect to be available with the draft financial statements.

## Planned Audit Activity and Outputs

54. Appendix V records the planned audit activity that we assess is required to discharge our audit responsibilities.
55. Table 4 summarises our timetable for the outputs in which we plan to report our audit activity. The outputs highlighted # in Table 4 will only be required where there are significant issues to report arising from our audit work.
56. We will monitor our progress against our plan and report this to each meeting of the Audit and Risk Committee.
57. To inform our work we will have regular meetings with officers, and review minutes of meetings and reports presented to the Council and its committees. As we identify new issues we will bring these to the attention of management and the Audit and Risk Committee, where appropriate.

**Table 4: Timetable for Planned Audit Outputs**

Planned outputs	Date of final report	Audit & Risk Committee date
<b>Planning</b>		
Risk Assessment, Annual Audit Plan and Fee Proposal	18/02/10	02/03/10
<b>Governance</b>		
Financial Statements Audit Plan	27/05/10	08/06/10
Fraud returns	As req'd	N/A
NFI Questionnaire	26/02/10	N/A
Follow-up Review – School Lets	TBA	TBA
<b>Performance</b>		
PRG Overview Report Proforma Return	30/09/10	N/A
Impact assessments – National Studies	TBA	TBA
<b>Finance</b>		
Communication of Audit Matters to Those Charged With Governance – ISA 260 Report	Sept 2010	26/10/10
Audit opinion on financial statements	30/09/10	N/A
Audit opinion on the Whole of Government Accounts	30/09/10	N/A
Year-end Management Letter if required #	29/10/10	02/12/10
HB/CTB Subsidy Management Letter #	TBA	TBA
Auditors' reports on grant claims and returns (including HB/CTB subsidy)	As required	N/A
<b>Overall Conclusion</b>		
Report to Members and the Controller of Audit – Annual Report	29/10/10	02/12/10

(TBA – dates still to be arranged)



# Planned Audit Outputs and Fee Proposal

## Determining the Annual Audit Fee

- 58. The audit of the Council will be completed under the 'fee for the audit' concept. The agreed fee for the Council audit requires to be set within the indicative fee range notified by Audit Scotland to the Chief Executive in November 2009.
- 59. The indicative fee range for the Council in 2009/10 is £446,950 to £506,850. This includes Audit Scotland's overhead recovery charge of £177,400.
- 60. Placement within the range depends on the level of work we consider requires to be undertaken and is influenced by the number and level of risks facing the Council. It assumes that internal audit reports and other working papers will be available timeously and be of sufficient quality, and that no major revisions are required to the financial statements. It also assumes, following on from discussions in previous years, that management's control and review of the accounts completion process is rigorous and robust. Our audit activity and ultimately the level of fee may require to be reassessed where this is not the case.
- 61. For 2009/10 particular influences on the placement in the range are:
  - implementation of IFRIC 12 principles (relating to PFI/ PPP accounting) in 2009/10
  - preparation for the introduction of IFRS compliant accounts in 2010/11 and the need to restate the balance sheet at 1 April 2009 on an IFRS basis
  - input into the SRA process
  - input in following up progress made against the recommendations in Audit Scotland's national studies
  - the new SPI arrangements for 2009/10
  - attendance at Council and other meetings which requires a more senior mix of staff
  - additional work re HB/CTB prior years' subsidy claims.
- 62. From our risk assessment and our assessment of the skill mix that we believe is required to complete the identified programme of work and deliver the outputs noted in Table 4, our total proposed fee for 2009/10 is £491,875. The fee assumes eight days for the IFRS work. Additional work beyond eight days will result in an additional fee.

**Table 5 - Proposed Fee**

<b>Financial year</b>	<b>2009/10</b>
	<b>£</b>
Proposed audit fee	314,475
Audit Scotland fixed charge	<u>177,400</u>
<b>Total proposed fee</b>	<b>491,875</b> =====



## Planned Audit Outputs and Fee Proposal

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### Arrangements for Additional Audit Work

63. Where we are required to undertake work that was not provided for within the initial audit plan, the agreed fee may be revised, within the indicative range, in conjunction with the Council. Fees outwith the indicative range require express agreement from Audit Scotland.
64. Indicative fees do not include additional work, such as PFI/PPP projects. Fees for additional work will be agreed separately following approval from Audit Scotland.
65. Audit Scotland, on behalf of the Accounts Commission, will on occasion request us to investigate correspondence from the public and agree an additional fee for the initial work. This will be financed through the Audit Scotland fixed charge. Where further work is directed by Audit Scotland an additional charge to the Council may be required. This will be discussed with management should this occur.



## Audit Team

66. The audit team have experience of the public sector, and local authority sector in particular, and have developed an understanding of the issues faced by the Council. Table 6 provides contact details and responsibility of each of the key team members.

**Table 6: Key Team Members**

<b>Team member</b>	<b>Role and responsibilities</b>	<b>Contact details</b>
<b>Cathie Wyllie</b> Engagement Partner	The audit team is headed by Cathie Wyllie as engagement partner. Cathie is responsible for the overall delivery of our services to the Council and liaison with the Audit and Risk Committee.	Tel: 01382 594784 cbw@hendersonloggie.co.uk
<b>Ian Robbie</b> Consulting Partner	Ian is responsible for follow-up work on Non-Domestic Rates and other ad-hoc issues from previous years.	Tel: 01224 322 100 ijr@hendersonloggie.co.uk
<b>Margaret Richardson</b> Audit Director	Margaret is responsible for the overall delivery of the financial statements audit.	Tel: 01382 594786 mar@hendersonloggie.co.uk
<b>Karlyn Watt</b> Manager	Karlyn is responsible for managing the day to day delivery of the audit and will be the main point of contact for financial statements, best value and performance audit. She will also be the main contact for grant audit work.	Tel: 01224 322 100 kaw@hendersonloggie.co.uk
<b>David Archibald</b> Manager	David is the main point of contact for NFI and SPI work.	Tel 01382 594748 dma@hendersonloggie.co.uk
<b>Kenneth Brooker</b> Assistant Manager	Kenneth is responsible for managing the delivery of the financial statements audit in relation to Revenues, Council Tax and Housing Benefit, and the review of the Subsidy Claim.	Tel: 0131 226 0201 kib@hendersonloggie.co.uk
<b>Steve Cartwright</b> Partner	Steve is available as an independent partner to deal with any comments or complaints.	Tel: 01382 200055 scc@hendersonloggie.co.uk





## Audit Team

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### Confirmation of Independence

67. Ethical Standard 1, Integrity, Objectivity and Independence, issued by the Auditing Practices Board (APB), requires that external auditors should ensure that those charged with governance are appropriately informed on a timely basis of all significant facts and matters that bear upon the auditors' objectivity and independence.
68. We confirm that Henderson Loggie has procedures in place to ensure compliance with APB Ethical Standards. We confirm that in our professional judgement we are independent of Aberdeen City Council and our objectivity and independence have not been compromised in any way. There are no relationships between Henderson Loggie and the Council, its members and senior officers that may reasonably be thought to bear on our objectivity and independence. Henderson Loggie does not (and will not) provide any consultancy or non audit services to the Council.



## Appendix I – Respective Responsibilities

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### **Respective Responsibilities of Members, Officers and Auditors**

Each public sector body is accountable for the way in which it has discharged its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests upon both members and officers of a public sector body.

That responsibility is discharged primarily by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources and by the preparation, maintenance and reporting of accurate and informative accounts.

It is our responsibility to undertake an independent appraisal of the discharge by management of its stewardship responsibilities, to enable us to give an assurance that those responsibilities have been reasonably discharged.

The Council and the City Chamberlain's responsibilities for the Financial Statements are set out in the Financial Statements. Our responsibility is to form an independent opinion, based on our audit, on the abstract of accounts and report that opinion to you.

We are required to review whether the annual governance statement reflects compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the corporate governance procedures or its risk and control procedures.



## **Appendix II – Grant Claims included in Fee Proposal**

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Housing and Council Tax Benefits Subsidy Claim

Non Domestic Rates Income Return

Criminal Justice Social Work Services Annual Financial Statement

Education Maintenance Allowance

Transfer of Functions to the National Health Service – Unfunded Elements of Superannuation Benefits



## Appendix III – Statutory Performance Indicators

The following analysis is drawn from information published in December 2009 by Audit Scotland and relates solely to those indicators which were ranked.

	Q1	Q2	Q3	Q4	Total
Adult Social Work	2	4	2	8	16
Corporate Management	2	5	3	0	10
Cultural & Community Services	5	1	2	4	12
Development Services	0	1	2	2	5
Education & Children's Services	9	3	3	4	19
Housing	2	5	2	3	12
Protective Services	1	2	2	0	5
Roads & Lighting	3	5	0	1	9
Waste Management	2	1	1	2	6
Number of Indicators in each quartile	26	27	17	24	94
% in middle quartiles (Q2 + Q3)		46.81%			

### Number of indicators ranked in Top 3 for Scotland 6

Percentage of all Head and Deputy Head Teachers that are women

Percentage of secondary school teachers who are women

Percentage of all teachers in all schools who are women

Percentage of homecare clients receiving personal care

Number of occasions that terminals are accessed per 1,000 population

The number of visits to / usages of council funded or part funded museums per 1,000 population

### Number of indicators ranked in Bottom 3 for Scotland 2

Respite care for children 0 - 17 with disabilities per 1,000 population: Total hours daytime respite provided

Average number of hours per week to complete community orders



## Appendix IV – Documents Reviewed

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### Audit Scotland and other Regulatory Guidance

Planning guidance

Code of Audit Practice

Current Priorities and Risks Framework (PRF)

Local Government Sector Plan 2008-2011

Technical bulletins

The SORP

### Previous Year's Audit Reports

Report to Members and Controller of Audit for 2008/09

Financial Statements Audit Plan 2008/09

ISA260 Report for 2008/09

PRF returns for 2008/09

Follow-up Reviews 2008/09

Property Sales Investigation Follow-Up Report 2008/09

Year-end Management Letter for 2008/09

HB/CTB Management Letter (2007/08 Audit)

### Other Bodies Reports

The Audit of Best Value and Community Planning – Progress Report July 2009

Joint Interim Follow-Through Inspection of Services to Protect Children and Young People in the Aberdeen City Area June 2009

Performance Inspection of Social Work Services Follow-Up Report July 2009

Multi-Agency Inspection Follow Up Substance Misuse Services in Grampian 2009

### Council Documents

Single Outcome Agreement 2009-2010

Previous year's audited accounts

Current year budgets for capital and revenue

Current year budget monitoring reports and budget papers

Various Minutes of the Council and its Committees

Local Code of Corporate Governance

Internal Audit plan 2009/10 and recent reports

Financial regulations, standing orders, order of reference of committees, scheme of delegation to officers etc

Corporate and Service Risk Registers

Best Value Improvement Plan

Public Performance Reports and Newsletters



## Appendix V – National and Local Risk Analysis and Plan

During 2009/10, our ongoing monitoring will include: attendance at Council and committee meetings; review of reports and minutes; discussion with officers; reliance on internal audit; and follow-up national studies.

**Table 7 - National Issues Risk Analysis and Plan**

Key risks	Audit actions	Planned output
<p><b>Vision and Strategic Direction</b></p> <p>Aims and objectives set out in the Community Plan, the Single Outcome Agreement and the Corporate Plan may not be properly supported by more detailed strategies and operational plans. <b>PRF 57</b></p> <p>The aims and objectives may not be informed or influenced by a good understanding of the views of service users or the needs of local communities. <b>PRF 57</b></p> <p>Lack of clarity over members' strategic leadership role, or poor working relationships between members or between members and officers may have an adverse influence on the impact and efficacy of the council and its services. <b>PRF 61</b></p> <p>If member training and development is not effective it will not address specific objectives or lead to improvements in performance, and address competency areas such as partnership working. <b>PRF 62</b></p>	<p>Ongoing monitoring.</p> <p>We will continue to monitor and review the Council's Codes, regulations and Guidance for officers and members and the extent to which members are being supported effectively. We will also review the interaction between elected members and senior officers at our attendance at Community Planning Partnership, Council and committee meetings.</p>	<p>Annual Report</p>

## Appendix V – National and Local Risk Analysis and Plan

Table 7 - National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Partnership Working and Community Leadership / Engagement</b></p> <p>The Council may not be fulfilling its duties under the Local Government in Scotland Act 2003 to initiate, facilitate and maintain a Community Planning Partnership (CPP). <b>PRF 70</b></p> <p>The Council may not provide effective leadership to ensure partners are committed to Community Planning and have a shared vision for the community which is evidence based and reflects local needs. <b>PRF 78</b></p> <p>Consultation and engagement with local communities and service users may be poorly coordinated or insufficiently linked to wider community empowerment activity. <b>PRF 83</b></p> <p>The Council may lack clear arrangements for linking Community Planning priorities to financial and service planning processes, including those of partners, resulting in insufficient resources being available to deliver agreed outcomes. <b>PRF 87</b></p>	<p>Ongoing monitoring.</p> <p>We will monitor the Council's and CPP's budget and resource reports for evidence of the delivery of key outcomes and priorities in the key plans.</p>	<p>Annual Report</p>

## Appendix V – National and Local Risk Analysis and Plan

Table 7 - National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Governance and Accountability</b></p> <p>The operation of the Council may not be based on sound decision-making supported by appropriate structures and processes. <b>PRF 93</b></p> <p>The Council may not be able to demonstrate that it has taken informed and transparent decisions. Decisions may not be subject to effective scrutiny, challenge and risk assessment. <b>PRF 100</b></p> <p>The reasons for establishing an external organisation or for supporting an existing external organisation, the intended benefits and the links with the Council's objectives may not be clear. The extent of or limitations on financial commitment to such organisations, or the circumstances in which the funding relationship will be reviewed may not be clear. <b>PRF 104/5</b></p>	<p>Our review of the Council's governance framework will be informed by the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework' and the guidance note for Scottish authorities. We will monitor the Council's action to implement the framework and any use of the self-assessment framework. We will also review any changes to the Council's Local Code, the Internal Audit Manager's annual review statement and the Annual Governance Statement included in the draft financial statements. There will be some reliance on internal audit work in this area.</p> <p>We will review, monitor and report on the scrutiny and governance arrangements in place by attending the Audit and Risk Committee and some Council and other relevant committee meetings. We will review Council and committee papers and minutes.</p> <p>Ongoing monitoring.</p>	<p>Financial Statements Audit Plan</p> <p>Audit opinion on the financial statements</p> <p>ISA260 report</p> <p>Annual Report</p>



## Appendix V – National and Local Risk Analysis and Plan

Table 7 - National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Performance Management and Improvement</b></p> <p>Priorities and objectives may not be clearly articulated at corporate or service level or may lack specific and measurable outcome targets. As a consequence, resources may not be targeted effectively at priority areas and there is a risk that councils may not achieve their aims. Councils should have clearly defined corporate priorities which are identified and cascaded through plans, including the community plan, corporate and service level plans. These plans should contain measurable performance targets. <b>PRF 126</b></p> <p>The Council's performance indicators may not measure the right things, meaning that the Council may be unable to demonstrate the quality, effectiveness or cost of its services. <b>PRF 130</b></p> <p>The Council may not have systems to collect relevant information to report on the delivery of agreed outcomes, in particular those included in the new SOA. <b>PRF 130</b></p> <p>Performance information may not be produced on a timely basis and be quality controlled to ensure it is robust. <b>PRF 131</b></p>	<p>We will maintain an overview of the approach the Council and its partners are taking to monitoring performance against the SOA. In particular we will review how the planned outcomes and targets are underpinned by resource plans and sound performance management. We will also review other key plans and performance monitoring reports to ensure there are clearly defined corporate priorities that are cascaded through the Council plans and that measureable outcome and performance targets are set.</p> <p>We will review the systems and arrangements for collecting, recording and publishing performance information (including Statutory Performance Indicators) to ensure the Council is measuring the right things that demonstrate the quality and effectiveness or cost of its services.</p> <p>We will review the systems and arrangements that the Council and its partners put in place to collect the relevant information to report the delivery of agreed outcomes, in particular those developed for the new SOA.</p> <p>We will review the Council's internal quality control processes for ensuring that this information is produced to the required deadlines and is robust.</p>	<p>Annual Report</p>



## Appendix V – National and Local Risk Analysis and Plan

Table 7 - National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Risk Management</b></p> <p>The Council may not be clear on what the overall strategy for risk management is or in communicating how this should work in practice. <b>PRF 153</b></p> <p>The Council may not be effectively managing corporate / strategic risks to the achievement of its key objectives. <b>PRF 155</b></p> <p>The Council may not effectively manage departmental risks, which could impact on the quality of service delivery and could contribute to failure to achieve corporate objectives. <b>PRF 158</b></p>	<p>We will review the Council's progress in implementing the outstanding recommendations reported in our Follow-up Review 2006/07 (Report 2007/06 issued in October 2007). We plan to place reliance on Internal Audit work in this area.</p>	<p>Annual Report</p>

## Appendix V – National and Local Risk Analysis and Plan

Table 7 - National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Use of Resources – Financial Management</b></p> <p>Priorities from the SOA, Community and Corporate Plans may not have been properly costed and planned for and the Council's revenue and capital plans may not link to these priorities. <b>PRF 197, 199, 204</b></p> <p>The financial planning process may not be aligned to the Corporate and Service planning processes and timetables. <b>PRF 197</b></p> <p>The plans may be relatively short term and may not consider longer term affordability and whole life funding and investment requirements. <b>PRF 198</b></p> <p>The budget setting process may not be outcome based and may fail to take account of the reporting of the attainment of key priorities. <b>PRF 204</b></p> <p>Efficiency savings or demand led service requirements may not be met due to cash limits and mounting cost pressures. <b>PRF 205, 206</b></p>	<p>We will review the SOA, Community and Corporate Plans in conjunction with the agreed capital and revenue plans for linkage with priority outcomes.</p> <p>We will review capital and revenue budget setting and monitoring papers throughout the year together with a review of the Council's strategy for maintaining reserves and balances and the Council's longer term funding strategy reports.</p> <p>We will consider the clarity of links between revenue budgets and capital plans and the stated priorities within the key plans and consider if all existing and known future commitments are properly accounted for. We will review virements and the Council's accounting for additional grants and funding as part of our year-end audit.</p> <p>We will review the annual efficiency savings report and ongoing budget monitoring reports.</p>	<p>Financial Statements Audit Plan</p> <p>Annual Report</p>



## Appendix V – National and Local Risk Analysis and Plan

Table 7 - National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Use of Resources – People Management</b></p> <p>The implementation of Single Status will continue to affect employer/employee relations and may affect service delivery and the achievement of corporate objectives and performance improvement. The ongoing costs of equal pay, single status and age discrimination may not be properly budgeted for. <b>PRF 238</b></p> <p>A comprehensive workforce strategy, covering issues such as health and safety, equalities, business continuity and succession planning may not be in place. <b>PRF 241</b></p> <p>Arrangements for managing absence may not be effective in tackling abuse and work-related causes of ill-health and in supporting staff so that they can return to work. <b>PRF 249</b></p>	<p>Ongoing monitoring.</p>	<p>Annual Report</p>

## Appendix V – National and Local Risk Analysis and Plan

Table 7 - National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Use of Resources – Asset Management</b></p> <p>Asset management may not be viewed as an integral part of the strategic and business planning process, with the result that business planning may not be supported by the most appropriate asset base. The financial consequences of acquiring, holding and maintaining assets may not be recognised in financial planning. <b>PRF 267</b></p> <p>Information on asset condition and suitability may not be used to inform management proposals for new investment and maintenance plans. Key performance indicators in relation to cost and utilisation may not be available or may not be used to maximise the use of assets and identify efficiency savings. <b>PRF 269</b></p> <p>The Council may not have established which assets to which it has title are common good assets. <b>PRF 270</b></p>	<p>Ongoing monitoring.</p> <p>We will review the Council's and Common Good Funds' fixed asset registers as part of our year-end audit work.</p>	<p>Financial Statements Audit Plan</p> <p>Annual Report</p>



## Appendix V – National and Local Risk Analysis and Plan

Table 7 - National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Use of Resources - Procurement</b></p> <p>The Council's procurement strategy may not be fit for purpose. The Council may fail to engage fully with the procurement centres of excellence. <b>PRF 289</b></p> <p>The Council may not be able to demonstrate that their procurement and governance arrangements comply with the standards set out in the McClelland report. <b>PRF 289</b></p>	<p>Ongoing monitoring.</p>	<p>Annual Report</p>



## Appendix V – National and Local Risk Analysis and Plan

Table 7 - National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Use of Resources – Information Management</b></p> <p>The Council may fail to achieve the desired outcomes if government initiatives and directives (including the OneScotland portal, Scotland Performs, the National Performance Framework and Single Outcome Agreements) are not sponsored at the appropriate level and progress is not reported on a regular basis. <b>PFR 312</b></p>	<p>Ongoing monitoring.</p>	<p>Annual Report</p>
<p><b>Services</b></p> <p>Council services may fall below acceptable standards and fail to meet statutory requirements. <b>PRF pages 60-63</b></p>	<p>Ongoing monitoring.</p>	<p>Annual Report</p>

## Appendix V – National and Local Risk Analysis and Plan

Table 7 - National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Cross Cutting Issues</b></p> <p><b><i>Equality and Diversity</i></b></p> <p>If the Council cannot evidence its approach to equalities and its performance, it risks being criticised by the electorate, the workforce and Equalities and Human Rights Commission. <b>PRF 37</b></p> <p>The Council may be unable to give a clear, evidence-based account of its performance against its duties in relation to equalities issues, including race, gender, disability, age, sexual orientation and religion / belief. <b>PRF 36</b></p> <p><b><i>Sustainability</i></b></p> <p>Across Scotland, the primary focus of council efforts has been on waste management and energy management. There is a risk that progress towards the government's wider sustainability agenda and proposed targets will be insufficient. <b>PRF 42</b></p> <p>Implementation of the local waste management strategy is important from an environmental perspective, however the immediate financial risk for the Council is that failure to achieve nationally set targets on waste reduction measures will have a financial penalty.</p> <p>Targets for energy and water efficiency and management of the Council's carbon footprint will be increasingly challenging in the current financial climate.</p>	<p>Ongoing monitoring.</p>	<p>Annual Report</p>



## Appendix V – National and Local Risk Analysis and Plan

Table 8 - Local Issues Risk Analysis and Plan

Key risks	Audit actions	Planned output
<p><b>Move to an Annual Governance Statement</b></p> <p>In previous years, the Council has included both a Statement on the System of Internal Financial Control and a wider Statement on the Local Code of Corporate Governance with the draft financial statements presented for audit. Scottish local authorities are now encouraged to prepare and publish an Annual Governance Statement, in accordance with <i>Delivering Good Governance</i>, in place of the previous statements. There is a risk that these changes may impact on the Council's ability to put new arrangements in place before the accounts preparation deadline. The statement should be approved at a meeting of the Council (or delegated committee) and signed by the chief executive and a leading member.</p>	<p>We will monitor and review the Council's processes for producing the Annual Governance Statement within the annual accounts.</p> <p>We will also review the statement as part of our year-end audit of the financial statements to ensure that it complies with the guidance and the SORP.</p>	<p>Audit opinion on the financial statements</p> <p>Annual Report</p>

## Appendix V – National and Local Risk Analysis and Plan

Table 8 - Local Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Managing the Budgets and Achievement of Budget Savings</b></p> <p>The 2009/10 budget included ambitious savings totalling £26.625 million. Recent reporting to the Finance and Resources Committee has indicated that while the Council is projecting an increase in the General Fund of £8.442 million in comparison with a budgeted breakeven position, this is only being achieved by one-off savings of £6.201 million through reduced Capital Financing Costs as a result of a reduced capital programme and a £5.997 million saving as a result of a review of past VAT claims. The operational budget cost pressures are currently predicted to exceed the budget by £4.247 million.</p> <p>In preparing for the 2010/11 budget, the Council agreed at its meeting on 16 December 2009 to a range of savings amounting to £23.070 million to help produce a balanced budget.</p>	<p>We will monitor the projected outturns through review of monitoring papers throughout the year together with attending a selection of Budget Monitoring Board and Resources Management Committee meetings.</p>	<p>Annual Report Financial Statements Audit Plan</p>

## Appendix V – National and Local Risk Analysis and Plan

Table 8 - Local Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Internal Audit Service</b></p> <p>The key risk to the Council is that it has insufficient resources within its Internal Audit section to fulfil its corporate governance role in demonstrating that it has an effective system of internal financial control in place.</p> <p>The Internal Audit section is currently under resourced as several rounds of recruitment have failed to secure appropriate candidates. It was agreed at the Audit and Risk Committee in January 2010 that the Internal Audit service should be fully outsourced. An external firm has been appointed to carry out specific projects within the 2009/10 Audit Plan and a tendering process is underway for the Internal Audit provision for 2010/11.</p>	<p>Delivery of the Internal Audit Plan will be monitored through reports to the Audit and Risk Committee.</p> <p>We will review provision of the out-sourced service to ensure we can place reliance on their work.</p>	<p>Financial Statements Audit Plan</p> <p>Annual Report</p>

## Appendix V – National and Local Risk Analysis and Plan

Table 8 - Local Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>2009 SORP</b></p> <p>The Council's annual accounts may not comply with the SORP.</p> <p>For 2009/10, the most significant change to the SORP is in respect of the accounting requirements for private finance initiative (PFI) and similar contracts. Accounting treatment for PFI and similar contracts is no longer based on FRS5 but on an interpretation of IFRIC 12 Service Concession Arrangements contained in the Government's Financial Reporting Manual.</p> <p>There are also amendments in respect of accounting for non-domestic rates and council tax.</p>	<p>We will discharge our responsibilities for the audit of the financial statements in accordance with International Standards on Auditing and Quality Control (UK and Ireland), and Ethical Standards, applicable Practice Notes and guidance issued by the Auditing Practices Board. We will use the CIPFA disclosure checklist to ensure compliance with statutory requirements and the SORP for accounting presentation and disclosure.</p>	<p>Audit Opinion on the Financial Statements</p> <p>ISA260 Report</p> <p>Annual Report</p>
<p><b>FRS 17, Retirement Benefits, Disclosure</b></p> <p>Legislation may not be in place to allow FRS 17 pension costs for the new police and fire pension schemes to be reversed out in the Statement of Movement on General Reserve Balance and replaced with the actual amounts paid through the financial ledger.</p>	<p>In 2008/09, the accounts of Grampian Joint Police Board and Grampian Fire and Rescue Board had a qualified audit opinion, in that they showed a true and fair view of the financial position, with the exception of the FRS 17 issue.</p> <p>The Council's Group accounts were not qualified as the impact was not considered to be material. If the required legislation is not in place for 2009/10, we will review the impact on the Group accounts before signing our audit opinion.</p>	<p>Audit Opinion on the Financial statements</p> <p>ISA 260 Report</p> <p>Annual Report</p>

## Appendix V – National and Local Risk Analysis and Plan

Table 8 - Local Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Whole of Government Accounts</b></p> <p>The Council's Whole of Government Accounts (WGA) submission may not meet the certification deadline of 30 September 2010.</p> <p>The deadline for submission of the audited 2009/10 WGA to the Scottish Government has been brought forward by one month compared with 2008/09.</p>	<p>We will have early discussions with the Finance team to agree a timetable that allows adequate time for completion of the required audit work before 30 September 2010.</p>	<p>Audit Opinion on the Whole of Government Accounts</p>
<p><b>HB/CTB Subsidy – Potential Clawback</b></p> <p>The Department of Works and Pensions (DWP) may clawback subsidy where the annual claim is qualified, based on both actual and extrapolated overpayment errors.</p>	<p>During our work to certify the annual subsidy claim, and clear queries from the DWP, we will liaise closely with the Council's Benefit's team to agree claim errors and discuss action to address issues giving rise to errors.</p>	<p>Audit Opinion on Subsidy Claim</p> <p>Qualification letter and management letter if required</p>

## Appendix V – National and Local Risk Analysis and Plan

Table 8 - Local Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>International Financial Reporting Standards (IFRS)</b></p> <p>The Council may not be fully prepared for compliance with revised requirements for the financial statements from 2010/11.</p> <p>From 2010/11, local authority accounts must be prepared in accordance with International Financial Reporting Standards (IFRS). An IFRS-based Code of Practice on Local Authority Accounting is currently being prepared which will replace the SORP from 2010/11.</p> <p>The Council will need to restate 2009/10 comparative information onto an IFRS basis, and disclose a restated 1 April 2009 IFRS-based balance sheet. From initial discussions, the Council are making progress in preparing for full IFRS implementation.</p>	<p>We will review the Council's planning for and progress with the implementation of IFRS.</p> <p>We will review the IFRS restatement once the work has been completed. Our findings will be reported to management at an early stage and summarised in our annual report. We plan to place reliance on Internal Audit work in this area.</p>	<p>Annual Report</p>
<p><b>Current Economic Climate</b></p> <p>In the current economic climate, there is likely to be even greater pressure on funding across the public sector, with an increased emphasis on savings and efficiencies.</p>	<p>We will continue to monitor the position from our attendance at Council and committee meetings and our ongoing review of revenue monitoring and budget preparation reports. We will request a formal update from Officers for our Annual Report.</p>	<p>Annual Report</p>



## Appendix VI – Acronyms

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AIP	Assurance and Improvement Plan	LAN	Local Area Network
APB	Auditing Practice Board	NFI	National Fraud Initiative
BV	Best Value	PFI/ PPP	Private Finance Initiative/ Public Private Partnership
CIPFA	Chartered Institute of Public Finance and Accountancy	PRF	Priorities and Risk Framework
CPP	Community Planning Partnership	PRG	Performance Reporting Group (Audit Scotland)
CRM	Customer Relations Management	PPR	Public Performance Reporting
DWP	Department of Works and Pensions	SHR	Scottish Housing Regulator
FRS	Financial Reporting Standards	SOA	Single Outcome Agreement
FSAP	Financial Statements Audit Plan	SOLACE	Society of Local Authority Chief Executives
HB/ CTB	Housing Benefit/ Council Tax Benefit	SORP	Statement of Recommended Practice
HMIE	Her Majesty's Inspectorate of Education	SPI	Statutory Performance Indicator
ICT	Information and Communication Technologies	SRA	Shared Risk Assessment
IFRIC	International Financial Reporting Interpretations Committee	STO	Statutory Trading Organisation
IFRS	International Financial Reporting Standards	SWIA	Social Work Inspection Agency
ISA	International Standards on Auditing	TBA	To be agreed
IT	Information Technology	WGA	Whole of Government Accounts