

Aberdeenshire Council

Report to Councillors and the Controller of Audit on the 2007/08 Audit



31 October 2008



Aberdeenshire Council

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on the 2007/08 Audit**

Contents

Key Messages	1	Governance	13
Introduction	3	Performance	19
Financial statements	4	Final Remarks	28
Financial position	8	Appendix: Action Plan	29



Key Messages

Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by the council. We audited the financial statements and looked at aspects of performance management and governance. This report sets out our main findings, summarising key outcomes from the 2007/08 audit and the outlook for the period ahead.

Key outcomes from 2007/08 audit

We have given an **unqualified** opinion on the financial statements of Aberdeenshire Council. Although the council dealt well with the significant changes required by the 2007 Code of Practice on Local Authority Accounting, final accounts preparation processes and working papers require to be reviewed prior to the preparation of the 2008/09 financial statements to ensure the issues identified by our audit of the 2007/08 accounts, including procedures for accounting for tangible fixed assets, are addressed.

A general fund surplus of £3.2 million was achieved in the year due mainly to savings in capital financing costs and increased council tax income. As at 31 March 2008, the council's working balance was £12.5 million, £7.5 million in excess of its target. This excess has been used to increase the minimum working balance to £7 million, set up a Capital Fund and fund future commitments in respect of year end flexibility and ring fenced funding carried forward to 2008/09.

The council's audit of Best Value and Community Planning was completed in early 2008. This concluded that Aberdeenshire Council is clear about its overall direction and priorities, and has been effective in establishing a culture of continuous improvement. This has been helped by good working relationships between elected members and senior officers. The council has many of the building blocks of necessary to deliver Best Value, but better co-ordination is needed. The council's leadership needs to take a more strategic approach, making clearer choices about improvements and targeting resources to maximise the impact on delivery and efficiency. The council needs to follow through more rigorously to ensure that its intended outcomes and impact are achieved. Financial management is sound and people are motivated and committed although strategies need to be implemented for the management of assets and people. The council must do more to demonstrate the competitiveness of its services.

The council needs to improve its corporate governance arrangements including ensuring that procedures are in place to investigate and clear differences identified within reconciliations, which are a key element of the council's internal control system. In addition, the council acknowledges that insufficient progress was made with risk management during 2007/08 and that the absence of fully tested business continuity plans for the main financial systems exposes the council to significant risk should there be a major systems failure.



The council has yet to demonstrate that it has assessed its governance structures against CIPFA/SOLACE's revised framework 'Delivering Good Governance in Local Government' and update its local code of corporate governance.

The council has a good performance management framework in place supporting regular reporting of service performance to elected members. More can be done, however, to rationalise the quantity and quality of the information reported. Both senior and middle management need to take greater ownership of corporate and service performance and ensure that the tools in place are operating effectively.

Outlook for future audits

The council revised its strategic planning framework during 2007/08 following a review of business planning. Progress has been slower than planned with thematic service plans and local community plans not implemented by the target date of April 2008. The council has developed a framework for policy led budgeting but more needs to be done to complete the linkages between policies and budgets. Until the new strategic planning framework is fully implemented and there are clear linkages between the various planning documents, there is a risk that the council may be unable to deliver its priorities for improving public services for the people of Aberdeenshire.

The latest monitoring report for 2008/09 shows a projected overspend against budget of £3.5 million based on the position as at 31 August 2008. The council faces a number of significant financial pressures in the medium term. These include increased refuse collection and waste disposal costs, reduced income from planning applications and council tax income due to the downturn in the property market and the increased costs of fuel. The current economic climate is likely to add further pressure to the budget with the possibility of increased inflation, reduced investment income and higher than expected pay awards.

The community plan and strategic priorities formed the basis of the council's single outcome agreement with the Scottish Government. Work is currently underway to integrate the single outcome agreement's performance indicators into the council's performance management framework. Future single outcome agreements will be agreed by the community planning partnership and an away-day was recently held to develop monitoring arrangements for the 2009/10 single outcome agreement. The effectiveness of these arrangements will be crucial to demonstrating that community outcomes are being achieved.

The Best Value audit report highlighted a number of areas for improvement and, in June 2008, the council approved an improvement plan to address the issues raised in the report. We will monitor progress against the council's Best Value Improvement Plan through the normal audit process.

The co-operation and assistance given to us by the Aberdeenshire Council councillors and staff during the year is gratefully acknowledged.

Audit Scotland
October 2008



Introduction

1. This report summarises the findings from our 2007/08 audit of Aberdeenshire Council, the second year of a five year appointment. Findings are set out in four sections: financial statements, financial position, governance and performance. Within each of these sections we have also provided an outlook setting out key issues and concerns facing the council going forward.
2. The scope of the audit is set out in our Annual Audit Plan (AAP), which was submitted to the council in March 2008. The Annual Audit Plan set out our views on the key business risks facing the council and described the work we planned to carry out as part of the annual audit.
3. Overall conclusions about the council's management of key risks are discussed throughout this report. The Appendix sets out the key risks highlighted in this report which we wish to draw to the attention of councillors and the action planned by management to address them.



Financial statements

Introduction

4. In this section we summarise key outcomes from our audit of the council's financial statements for 2007/08. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
5. We audit the financial statements and give an opinion on:
 - whether they present fairly the financial position of the council and its expenditure and income for the year
 - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
6. We also review the Statement of Assurance by considering the adequacy of the process put in place by the council to obtain assurances on systems of internal financial control and assessing whether disclosures in the statement are consistent with our knowledge of the council.

Overall conclusion

7. We have given an **unqualified** opinion on the financial statements of Aberdeenshire Council for 2007/08.
8. The Local Government in Scotland Act 2003 requires councils to maintain and disclose trading accounts for significant trading operations, which are required to break even over a three year rolling period. The council's two statutory trading organisations made aggregate surpluses in the three years to 31 March 2008.
9. The council's un-audited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June. Final accounts preparation processes and working papers require to be reviewed to ensure there is an adequate package available for audit in future years (see paragraphs 12 to 18 for details). Audited accounts were finalised by the target date of 30 September 2008 and are now available for presentation to the council and publication.



Accounting practice

10. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice* (the 'SORP'). The 2007 SORP required a number of significant changes to be made to the 2007/08 financial statements to make them more consistent with the accounts of other public and private sector entities. The major changes include:
- accounting for financial instruments based on financial reporting standards 25, 26 and 29
 - replacement of the fixed asset restatement account and capital financing account by a revaluation reserve and capital adjustment account
 - provision for penalties under the Landfill Allowance Schemes.
11. Overall, we were satisfied that that the council prepared the 2007/08 accounts in accordance with the SORP.

Issues identified during the financial statements audit

12. The council adjusted the financial statements to reflect some of our audit findings. As is normal practice, immaterial unadjusted errors have been reported to the Director of Finance in our International Standard on Auditing (ISA) 260 '*Communication of audit matters to those charged with governance*' report. Details of significant accounting issues arising in the course of our audit are summarised below.

Key risk area 1

Accounting for tangible fixed assets

13. Tangible fixed assets totalling £600,000 are misclassified as debtors within the audited accounts due to an error in the identification of assets for sale and leaseback. The council has confirmed that procedures have already been revised to ensure that this does not happen in the future.
14. Audit testing revealed that documentation provided in support of the revaluation of the council's non-operational industrial and commercial assets was incomplete and identified inconsistencies between the valuations in the asset register and those in the portfolio provided by the valuer. At our request, the council compared all revalued assets within the asset register against the complete Portfolio List. This identified a further 19 incorrect entries resulting in a net understatement of tangible fixed assets of £111,000. This amount is not material and so has not been corrected in the audited accounts.



15. In addition, audit testing identified a duplicate asset, valued at £85,000, within the asset register (and audited accounts). At our request, the council reviewed its asset register in order to identify any other duplicate assets. Following this review, the Estates Manager concluded that *'having comprehensively reviewed the list I am firmly of the view that there are no duplications'*.
16. The council has agreed to review its procedures for valuing and recording fixed assets to prevent these situations from happening in the future.

Compliance with Best Value Accounting Code of Practice (BVACOP)

17. The audit identified two misallocations of expenditure and income between services within the BVACOP service expenditure analysis resulting in corrections to the audited accounts. Although not impacting on the net cost of services figure within the Income and Expenditure Account, misallocations impact on councils' abilities to compare costs on a consistent basis. We intend to review this area further as part of our 2008/09 audit.

Unspent grants at the year end

18. Audit testing identified two grants (National Priorities Action Fund and Supporting People) totalling £2.8 million that had been incorrectly treated as creditors rather than General Fund balances at the year end. This amount is not material and so has not been corrected in the audited accounts.

Identification and valuation of common good assets

19. There have been a number of Scottish parliamentary petitions concerning the proper recording, auditing and safeguarding of common good assets and this area continues to produce a significant amount of correspondence and complaints. In December 2007, Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued a guidance note for practitioners. The paper, which recognises the legislative distinction of the Common Good as a managed fund, requires disclosure of these funds within the local authority financial statements and that common good asset registers be put in place by March 2009.
20. Accounting guidance states that local authorities should take reasonable steps to ensure that common good fixed asset registers support the assets shown in the common good balance sheet. The council reviewed its assets during 2007/08 in an effort to identify any that were incorrectly classified as belonging to the council. In addition, when any asset is identified for disposal the title deeds are checked to see whether or not it is an asset owned by the common good fund. The council is of the opinion that it is taking reasonable steps to maintain the asset register. A title deeds search of all council assets would be time consuming, expensive and possibly inconclusive.



Legality

21. Each year we request written confirmation from the Director of Finance that the council's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included within our audit programmes. The Director of Finance has confirmed that, to the best of his knowledge and belief and having made appropriate enquiries of the council's management team, the financial transactions of the council were in accordance with the relevant legislation and regulations governing its activities.
22. We reported last year that local authorities with registered charitable bodies (registered trust funds) are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. In effect, this means a full set of financial statements is required for each trust fund, although the date of full implementation has been deferred by the Scottish Charity Regulator. The Office of the Scottish Charities Regulator (OSCR) has indicated that the interim measures introduced in 2006/07, can again be used in 2007/08 and reliance placed on the existing disclosures for trust funds in the council's financial statements, supplemented by appropriate working papers. The council has written to OSCR expressing its concerns about the administrative burden of moving to full compliance with the 2006 Regulations.
23. The council has identified a number of charitable trusts which have been inactive for a considerable period, or have outdated purposes and intends to approach OSCR with a view to reorganising its existing charities.
24. There are no additional legality issues, apart from the above, arising from our audit which require to be brought to councillors' attention.

Financial reporting outlook

IFRS adoption

25. Central government and NHS bodies are to move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2009/10. The government also announced its intention to publish Whole of Government Accounts on an IFRS basis from 2009/10. The intention is that local government will adopt IFRS for 2010/11, although there is a possibility that early adoption may be required in some areas and this might include PFI.



Financial position

Introduction

26. In this section we summarise key aspects of the council's reported financial position and performance to 31 March 2008, providing an outlook on future financial prospects, including our views on potential financial risks and pressures.

Council tax and the general fund

Operating performance 2007/08

27. The 2007/08 budget was based on a Band D council tax level of £1,141 after a £2.7 million contribution from the general fund. The council's net operating expenditure in 2007/08 was £459.6 million. This was met by government grants and local taxation of £448.2 million, resulting in an income and expenditure account deficit of £11.4 million. After taking into account statutory and non-statutory adjustments, a general fund surplus of £3.2 million was achieved in the year, which when added to the general fund balance brought forward from 2006/07 results in a general fund balance of £20.8 million at 31 March 2008.
28. Within this favourable outturn, there were a number of significant under and over spends against budget. Savings of £2.126 million were made in capital financing costs and underspends reported by Planning and Environmental Services (£1.015 million) and Transportation and Infrastructure Services (£1.177 million). Delays in recruiting staff to the procurement team resulted in procurement savings of £1.391 million not being achieved and contributed to the shortfall of £1.847 million in cross service savings at the year end. Income was also £1.556 million greater than budget due mainly to increased council tax income (£1.102 million) and PPP level playing field support (£0.376 million).

Key risk area 2

29. Last year we highlighted concerns about the number and scale of budget variances within Education, Learning and Leisure Services and concluded that more work was required to ensure that budgets were aligned with management responsibility and current levels of service delivery. This year, the Service reported an overall underspend of £0.323 million against its budget of £227 million, a significant improvement from last year.



Reserves and balances

30. Table 1 shows the balance in the council's funds at 31 March 2008 compared to the previous year. At 31 March 2008, the council had total cash backed funds of £56.4 million, an increase of £11.1 million on the previous year.

Table 1: Reserves and Funds

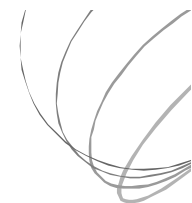
Description	31 March 2008 £ Million	31 March 2007 £ Million
General Fund	20.806	17.625
General Fund – Housing revenue account balance	29.365	22.406
Repair and Renewal Fund	4.709	3.769
Insurance Fund	1.567	1.558
	56.447	45.358

31. The council aimed to maintain a general fund working balance of £5 million during 2007/08. At 31 March 2008, the council had earmarked amounts totalling £8.3 million, leaving an unallocated balance of £12.5 million which is £7.5 million in excess of its target. The Policy and Resources Committee has recently agreed that this balance should be used to set up a Capital Fund of £2.3 million and to fund future commitments totalling £3.2 million in respect of year end flexibility and ring fenced funding carried forward to 2008/09. The Committee also agreed to increase the minimum working balance target to £7 million in order to reflect increases in the council's net expenditure.

Group balances and going concern

32. The widening diversity of service delivery vehicles used by local authorities means that group accounts are required to present fairly all the activities of councils. The overall effect of inclusion of all of the council's subsidiaries and associates on the group balance sheet is to reduce net assets by £232.4 million, substantially as a result of pension liabilities. All group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.

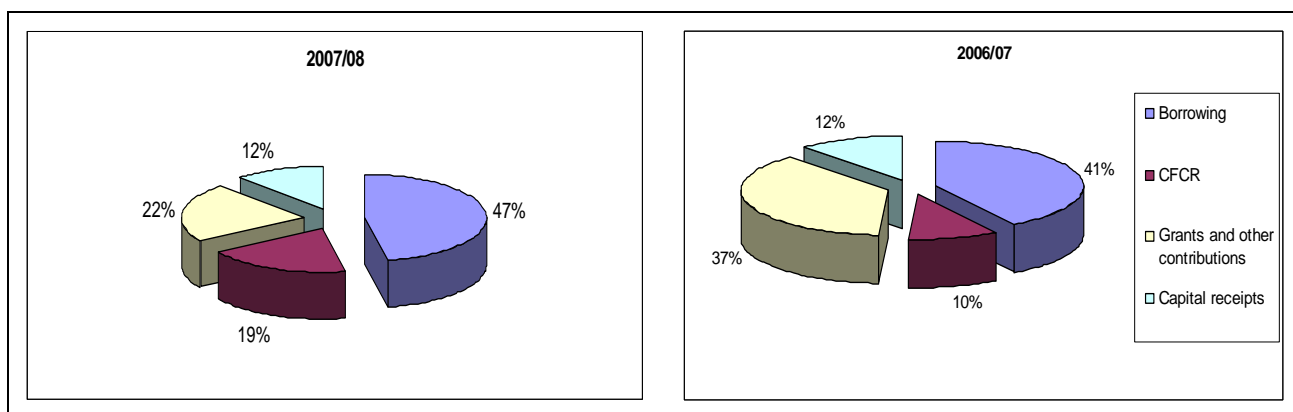
33. The council has an obligation to meet a proportion of the expenditure of the joint boards of which it is a constituent member. All of these boards (Grampian Police Joint Board, Grampian Joint Fire and Rescue Board and Grampian Valuation Joint Board) had an excess of liabilities over assets at 31 March 2008 due to the accrual of pension liabilities (see paragraphs 48 to 50 for more details). In total these deficits amounted to £750 million, with the council's group share being £267.3 million.



Spending on assets and long-term borrowing

34. Capital expenditure in 2007/08 totalled £54.8 million, falling from £56.8 million in 2006/07. Capital investment in the last two years was funded as shown in Chart 1 below.

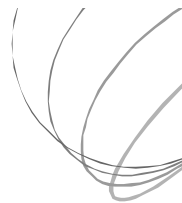
Chart 1: Sources of finance for capital expenditure 2007/08



35. The capital programme experienced slippage of £8.7 million during 2007/08, representing 14.8% of the planned programme. The majority of this was due to the timing of contracts rolling into 2008/09, of which £4.6 million related to planned improvements to the council's housing stock. Most of this slippage (£8.5 million) has been added to the 2008/09 capital programme. The council does not envisage that this will impact on contractors' ability to deliver the existing programme.
36. Although almost 85% of long-term borrowing at the year end matures after more than 10 years, the council has actively managed its exposure to variable interest rate movements with minimum debt exposed to variable rate risk.

Significant trading operations

37. The Local Government in Scotland Act 2003 replaced compulsory competitive tendering regulations with a duty to maintain and disclose trading accounts for significant trading operations (STOs), which are required to break even over a three year rolling period.
38. The council has two STOs: housing repairs and roads operations. In the three years to 31 March 2008, both met the statutory target.
39. The identification of significant trading operations is the responsibility of the council. LASAAC guidance suggests three tests should be applied to determine whether a trading operation falls within the ambit of the Act. If all three conditions are met then the service should be accounted for as a significant trading operations. The tests are:
- whether the service is provided in a competitive environment



- whether the service is provided on a basis other than recharge of cost and
 - a test of significance.
40. The council reviewed its catering activity during the year and concluded that it no longer met the conditions for a significant trading operation. We reviewed the council's process and confirmed that sufficient evidence is available to support the conclusion reached.

Financial outlook

2008/09 budget and council tax freeze

41. The council's revenue budget for 2008/09 was approved in February 2008 with no increase in council tax as required by the concordat between the Scottish Government and COSLA. Under this concordat councils agreed to freeze council tax levels for three years in return for some additional funding and the removal of some ringfencing. The council intends to review previously ringfenced individual spending areas totalling £21.5 million during 2008/09 but has no plans to make any changes to these during the current financial year.
42. The latest monitoring report for 2008/09 shows a projected overspend against budget of £3.5 million based on the position as at 31 August 2008. Key factors making up this overspend include increased refuse collection and waste disposal costs, and reduced income from planning applications (£1.271 million), reduced council tax income (£0.5 million) due to the downturn in the property market and the increased costs of fuel (£1.1 million). The current economic climate is likely to add further pressure to the budget with the possibility of increased inflation, reduced investment income and higher than expected pay awards not included in the forecast position as at 31 August 2008.
43. The relaxation of some ring fencing gives the council greater flexibility in the allocation of resources, but there is still pressure to identify and deliver efficiency savings. Based on the position as at 31 August 2008, the council estimates that up to £8 million savings will be required for 2009/10. Each Service has been asked to identify efficiency savings of 2% for consideration by the Management Team.

Key risk area 2

Equal pay and single status

44. The 1970 Equal Pay Act makes it unlawful for employers to discriminate between men and women in terms of their pay and conditions where they are doing the same or similar work, work rated as equivalent, or work of equal value. Employees who consider that they have been discriminated against in terms of pay can put forward claims to an Employment Tribunal.



45. During 2006/07 and 2007/08, the council paid a total of £21.6 million to settle the majority of equal pay claims made to date. As at 31 March 2008, 403 appeals were still outstanding. The council has provided for £2.4 million in its 2007/08 financial statements to cover the estimated one-off costs of these appeals. Any excess over this figure, including the costs of any new claims, will require to be met from existing budgets.
46. In 1999 a single status agreement was reached between Scottish local authorities and trade unions to harmonise the terms and conditions of manual and administrative, professional, technical and clerical workers. The council implemented the agreement on 1 July 2007 and backdated revised salaries for relevant employees to 1 January 2007. As at 31 March 2008, approximately 2,000 single status appeals remained outstanding. The 2007/08 financial statements include a contingent liability for these appeals as the outcome is uncertain and the liability cannot be accurately estimated.

Future capital programme

47. Capital plans for 2008/9 and 2009/10 anticipate annual capital expenditure of £49.6 million and £35.2 million respectively. This is expected to be funded by a number of sources including capital receipts, grants and other contributions, revenue funding and further increases in borrowing totalling £48 million over the two years.

Pension liabilities

48. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. In accounting for pensions, Financial Reporting Standard 17 (Retirement Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in very large future liabilities being recognised in the annual accounts.
49. The council's estimated pension liabilities at 31 March 2008 exceeded its share of the assets in the Aberdeen City Council Pension Fund by £167.59 million, increasing from £90.4 million in the previous year. Based on the last full actuarial valuation of the fund, the actuary has recommended that, in order to maintain the solvency of the fund, the council's contributions should be increased from 285% of employee contributions in 2007/08 to 300% in 2008/09.
50. The next full actuarial valuation will assess the position at 31 March 2008. This will determine contribution rates for 2009/10 and the next two financial years. Recent changes to the Local Government Pension Scheme regulations are expected to release some future financial benefits, while providing additional flexibility to future pensioners



Governance

Introduction

51. In this section we comment on key aspects of the council's governance arrangements during 2007/08. We also provide an outlook on future governance issues, including our views on potential risks.

Overview of arrangements in 2007/08

52. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. Based on the work undertaken, we concluded that the council needs to improve its corporate governance arrangements.
53. The council adopted a local code of corporate governance in June 2004 and each year publishes a Statement of Assurance on corporate governance signed by the Leader of the Council and the Chief Executive within its financial statements. The Statement concludes that the council's corporate governance arrangements were adequate and operating effectively during the year but highlights business continuity planning, risk management, and bank and payroll reconciliations as areas requiring improvement in 2008/09.
54. In 2007 CIPFA/SOLACE published a framework 'Delivering Good Governance in Local Government' which incorporates the six principles of the Langland's report 'Good Governance in Local Government' and sets out standards to help local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business. The council has yet to demonstrate that it has assessed its corporate governance structures against this framework and updated its local code.

Key risk area 3

Political Governance

55. The political context for councils changed significantly in 2007, with a new Scottish government and a shift to more coalition and minority administrations in local government. In common with many councils, the May 2007 elections resulted in a considerable number of new Aberdeenshire councillors, with 31 newly elected members out of 68. The council sought to address this challenge by providing a comprehensive programme of induction training. This training was open to all councillors (both new and returning) and attracted an attendance rate of 76% to at least some of the event, with 27 councillors attending all three of the days.



56. The council's 'A Guide to the Role and Duties of an Aberdeenshire Councillor' states that 'to play his or her full part as a Councillor requires a Councillor to be diligent in accepting the opportunities for training which are provided. It is expected that Aberdeenshire Council Councillors will undertake at least five days Continuous Professional Development (CPD) per annum'. In the period following the elections to 31 March 2008, only 15 (22%) of councillors could demonstrate that they had met this expectation.
57. Each councillor has been issued with a training needs assessment questionnaire but at the time of writing only 41 (60%) have been completed and returned to the council's training department. As at 30 September 2008, 43 (63%) councillors had a personal development plan in place. Audit Scotland is currently gathering information from councils in order to obtain a fuller picture of member training across Scotland.
58. The creation of multi-member wards has required new ways of working in order to support efficient representation and sharing of the workload. The council's arrangements for multi-member wards were approved in May 2007 with councillors encouraged to agree how to share their workload on a ward basis. So far, this approach seems to be working well but as multi-member wards are still fairly new in Scotland the practical issues will only become clearer as the new arrangements mature.

Scrutiny and Audit Committee

59. Effective scrutiny is central to good governance, with a significant role for councillors to scrutinise performance, hold management to account on service delivery and support the reform and modernisation agenda.
60. The Scrutiny and Audit Committee meets regularly to receive reports from internal and external audit. It also undertakes investigations into areas of concern. Involvement in these investigations helps councillors to increase their understanding of the concepts of scrutiny and audit as well as the functions and operation of the council.
61. In 2005/06, we reviewed the committee's effectiveness against CIPFA's guidance note '*Audit Committee Principles in Local Authorities in Scotland*' and concluded that it complied with the majority of the good practice principles and provided a sound contribution to the council's overall control environment. Our report made twelve recommendations to further improve the effectiveness of the committee.
62. Following the May 2007 elections, the membership of the committee changed significantly and a new chair was appointed. In the last year, there have been further changes to the committee including the appointment of another chair after a two month vacancy. These changes have impacted on the committee's progress with its programme of investigations.



63. Training and team building events have been provided to assist new councillors to understand the role of the committee and explain the processes and procedures involved in conducting an investigation. A handbook has also been produced to support councillors their role.
64. During the year we reviewed the committee's progress in implementing the recommendations included in our 2005/06 report. Overall, the council has made good progress with seven of the twelve recommendations fully implemented. More work is required, however, before the committee is fully compliant with the good practice principles. We intend to issue a separate report on the detailed findings from our review for consideration by the Committee by the end of the year.

Internal Audit

65. Internal audit plays a key role in the council's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. Each year we review the council's internal audit arrangements against CIPFA's Code of Practice for Internal Audit in Local Government 2006. Our review concluded that the internal audit section continued to operate in accordance with the code during 2007/08. Although there was some slippage against the audit plan, all work on which we planned to place reliance was completed and the relevant assurances were obtained

Systems of internal control

66. In his annual report for 2007/08 the Chief Internal Auditor provided his opinion that, based on the internal audit work undertaken during the year, reasonable assurance could be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2008 subject to two exceptions. The absence of fully tested contingency and business continuity planning in relation to the main financial systems continues to expose the council to significant risk should there be a major systems failure. In addition, insufficient progress has been made with regard to the council's Risk Management Strategy.

Key risk area 3

67. As part of our work to provide an opinion on the annual financial statements we assessed the extent to which we could gain assurance on a number of the council's main financial systems. We assessed the following central systems as having a satisfactory level of control for the purposes of our audit:
- main accounting system
 - budgetary control
 - payroll
 - debtors and income
 - creditors payments
 - council tax
 - business rates
 - housing rents



68. As a result of an internal restructuring, the council established a new reconciliation team during the year and staffed it with employees most of whom were unfamiliar with the council's reconciliations. This resulted in a backlog in the completion of reconciliations which was cleared in June 2008. Many of the year end reconciliations contained differences or unmatched items which have yet to be investigated and cleared. Whilst these are not material, either individually or cumulatively, and did not impact on our audit opinion, reconciliations are a key element of the council's internal control system. We have discussed our concerns with management and been assured that these differences/unmatched items will be investigated and cleared as a matter of urgency.

Key risk area 4

Prevention and detection of fraud and irregularities

69. At the corporate level, the council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include an anti-fraud and corruption policy and response plan, a whistle blowing policy, codes of conduct for elected councillors and staff, and defined remits for relevant regulatory committees.

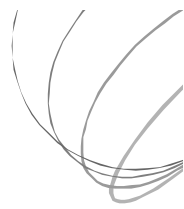
NFI in Scotland

70. In 2007/08, the council again took part in the National Fraud Initiative (NFI) in Scotland. NFI brings together data from public bodies to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud.

71. Last year we reported that the council had made little progress in investigating the housing and payroll matches arising from the 2006/07 NFI exercise due to a lack of resources allocated to the task. As at 30 September 2008, the majority of these matches have been reviewed and resolved.

72. In May 2008, Audit Scotland published a 'National Fraud Initiative in Scotland' report which highlighted that fraud and overpayments in excess of £9.7 million were identified as a result of the 2006/07 exercise. The council identified £26,000 of overpayments as a result of this exercise and reported two cases to the Procurator Fiscal. This relatively low incidence of identified fraud and overpayments provides assurance that the council's internal arrangements for preventing and detecting fraud are operating satisfactorily.

73. During 2007/08, the council agreed to participate in the NFI exercise to match council tax records with the electoral register in order to detect fraudulently claimed single person discounts. The council submitted its data in early 2008 and the results (data matches) were made available in early April. As at 30 September 2008, the council has made no progress with investigating these matches. We have been advised that this is because the council has instead decided to use Experian to undertake an alternative data matching exercise on their council tax single person discounts.



74. The 2008/09 NFI exercise commenced in October 2008/09. We will continue to monitor the council's involvement in NFI as part of our 2008/09 audit.

Housing and council tax benefits inspections

75. From April 2008, Audit Scotland took over responsibility for inspecting the housing and council tax benefit functions from the Department for Work and Pensions. Risk based inspections are being undertaken on a cyclical basis with all councils being inspected over an 18 month period. The council's inspection is currently ongoing with the findings due to be reported by the end of October 2008.

Data handling and security

76. Data handling and security has received increased public and media attention recently as a result of a number of national incidents relating to lost data. The council shares data with a number of organisations such as the Department for Work and Pensions and other government departments.
77. During 2007/08, we reviewed the council's arrangements for data handling and security and concluded they were satisfactory. Services have responsibility for local aspects of data handling and up to date policies, guidance and system documentation are in place, supported by appropriate technological and physical security measures. We made four recommendations for improvement, all of which were accepted by management.
78. The Scottish Government has set up a group of privacy and security experts to scrutinise how local government services handle personal data. This group will develop a set of guiding principles to inform future information management and security actions.

Payment card standards

79. The Payment Card Industry Data Security Standard (PCI/DSS) was developed by major credit card companies as a guideline to assist organisations that process card payments to prevent credit card fraud, hacking and various other security threats. Any organisation processing, storing or transmitting payment card data must be PCI/DSS compliant or risk losing their ability to process card payments. The council is currently working with its software provider to implement a certified PCI/DSS compliant version of its income receipting system. Although not yet required by its bank to confirm compliance, the council has plans in place to formally assess itself against the standard in order to identify any additional work required to ensure full compliance.

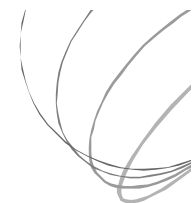


Governance outlook

Single outcome agreements

80. The concordat between the Scottish Government and COSLA sets out the terms of a new relationship between the Scottish Government and local government and underpins the funding provided to local government in the period 2008 to 2011. Central to the concordat is the single outcome agreement (SOA) between each council and the government which sets out each council's contribution to the government's 15 key national outcomes.
81. The existing commitments in council strategies and plans, including the community plan and strategic priorities, formed the basis of the council's SOA. Although representatives of the community planning partnership were involved in drafting the 2008/09 SOA, the agreement is between the council and the Scottish Government. In future SOAs will be agreed by the community planning partnership.
82. The SOA contains a number of performance indicators which will be used to demonstrate the progress made against each of the key national outcomes. Work is ongoing to integrate these into the council's performance management framework. As a first step, responsibility for progressing SOA actions and reporting on performance against them has recently been allocated to individual senior officers. In addition, the community planning partnership has recently held an away day to develop monitoring arrangements for the 2009/10 SOA. The effectiveness of these arrangements will be crucial to demonstrating that community outcomes are being achieved.

Key risk area 5



Performance

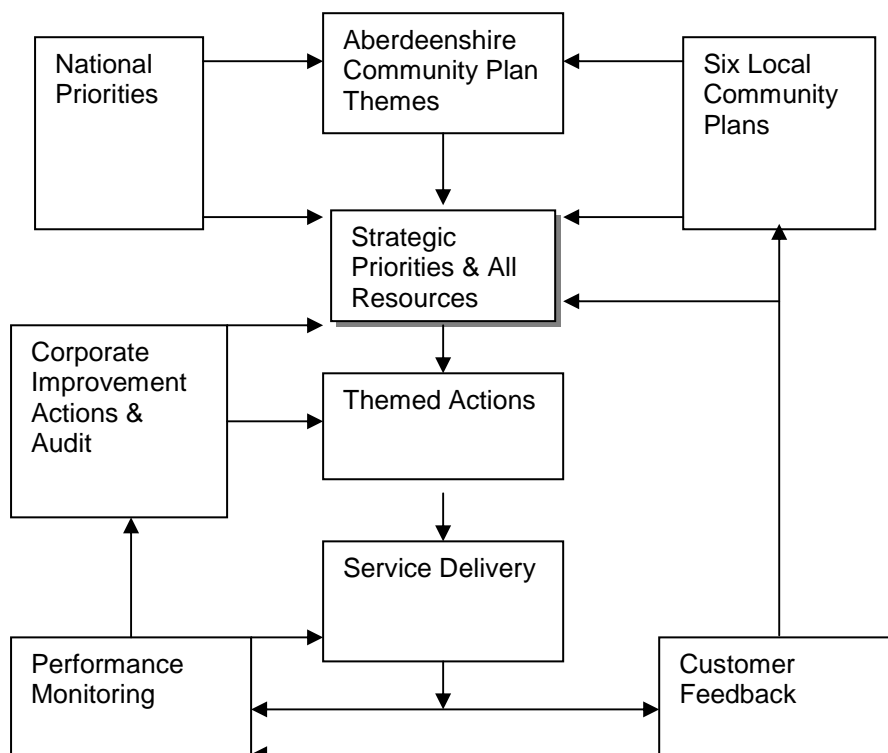
Introduction

83. In this section we summarise how the council manages its performance. We discuss the overall arrangements before focusing on the specific areas identified in our audit work. We comment on the findings of Audit Scotland's national performance studies, relating them to the council's situation. Finally, we give an outlook on future performance, including our views on the current status of identified risks.

Corporate objectives and priorities

84. The council's strategic planning framework (Exhibit 1) was revised during 2007/08 following a review of business planning. The framework aims to be fully integrated, linking corporate, service and local priorities and fully incorporating customer feedback and service performance management.

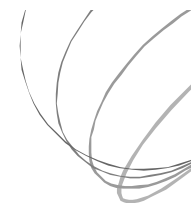
Exhibit 1 - New strategic planning framework



Source: Aberdeenshire Council



85. In November 2007, the council approved its strategic priorities (strategic plan) for the next four years. These are set out under the five community plan themes plus an additional theme of corporate improvement:
- community well being
 - jobs and the economy
 - lifelong learning
 - sustainable environment
 - developing our partnerships
 - corporate improvement.
86. A total of eighty-four actions underpin the council's thirty-three strategic priorities. Outcome measures have been developed and are linked to each theme with performance monitoring reports planned for submission to the Policy and Resources Committee on a six monthly basis. The first report, as at 31 March 2008, contained 'big picture' messages in a narrative style and was considered by the Committee in September. Work is ongoing to prepare more detailed monitoring reports measuring progress against each of the strategic priority actions and including financial and workforce utilisation data.
87. The new approach also requires the introduction of thematic service plans and local community plans. These were initially planned for introduction in April 2008 but this has not been achieved. The six local community plans have been drafted but have yet to be formally approved and the associated actions plans have yet to be developed.
88. The production of thematic service plans has been delayed by a year and these will not now be in place until 2009/10. In the interim, Service plans for 2008/09 have been prepared in the previous format by all but one Service. Housing and Social Work have instead updated their 2007/08 action plan with 2008/9 targets. The resulting plan is not SMART and does not include the resources required for its delivery.
89. The council has developed a framework for policy led budgeting but more needs to be done to complete the linkages between policies and budgets. Work is also ongoing to fully implement the system for incorporating customer feedback from the council's customer relationship management system into the strategic planning framework. Until the new strategic planning framework is fully implemented and there are clear linkages between the various planning documents, there is a risk that the council will be unable to deliver its priorities for improving public services for the people of Aberdeenshire.



Overview of performance in 2007/08

Best Value audit

90. The Local Government in Scotland Act 2003 established best value and community planning as statutory duties for local authorities. In response the Accounts Commission introduced new arrangements for the audit of best value based on a full review by a specialist team once every three years. In the intervening years short follow-up reviews are carried out by the local auditor.
91. The council received its best value audit during 2007/08, with the report published in June 2008. The following table summarises the conclusions in the report.

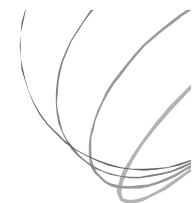
Table 2: Conclusions from the Best Value Audit

Aberdeenshire Council is clear about its overall direction and priorities, and has been effective in establishing a culture of continuous improvement. This has been helped by good working relationships between elected members and senior officers. The council has many of the building blocks of necessary to deliver Best Value, but better co-ordination is needed. The council's leadership needs to take a more strategic approach, making clearer choices about improvements and targeting resources to maximise the impact on delivery and efficiency. The council needs to follow through more rigorously to ensure that its intended outcomes and impact are achieved.

A good performance management framework is in place and scrutiny of performance is improving, but there is limited scrutiny of decision-making. Senior management must take more ownership of corporate and service performance. Financial management is sound and people are motivated and committed. Some arrangements such as risk management have been slow to develop. Strategies also need to be implemented for the management of assets and people. The council must do more to demonstrate the competitiveness of its services.

Some high-spending services such as education, housing and social work are performing well, but performance is mixed in others, such as planning, and there is scope for improvement in areas covered by statutory performance indicators. The council works well with its partners on individual projects, but improved leadership is required to ensure that Community Planning is effective in delivering better services and outcomes.

92. In June 2008, the council approved an improvement plan to address the issues raised in the report and agreed to monitor progress on a six monthly basis with an interim quarterly report to political group leaders. The first quarterly report (to 31 August 2008) has recently been prepared and uses a 'traffic light' system to grade progress against the actions in the improvement plan. As at 31 August 2008, all actions were classified as 'on schedule' or 'not yet started'. We will monitor progress against the council's Best Value Improvement Plan through the normal audit process.



Measuring performance

93. The council has a good performance management framework in place supporting regular reporting of service performance to elected members. More can be done, however, to rationalise the quantity and quality of the information reported. Both senior and middle management need to take greater ownership of corporate and service performance and ensure that the tools in place are operating effectively. Better links are also required to individual and team objectives and accountabilities.
94. As noted in paragraph 82, work is currently underway to integrate the SOA performance indicators into the council's performance management framework. The council should use this opportunity to review all of its existing performance indicators and map them against each of the eighty-four actions underpinning the council's thirty-three strategic priorities and the local outcome measures contained in the SOA. This will ensure there is an appropriate performance indicator for each action/outcome measure and that only relevant performance indicators continue to be monitored and reported.

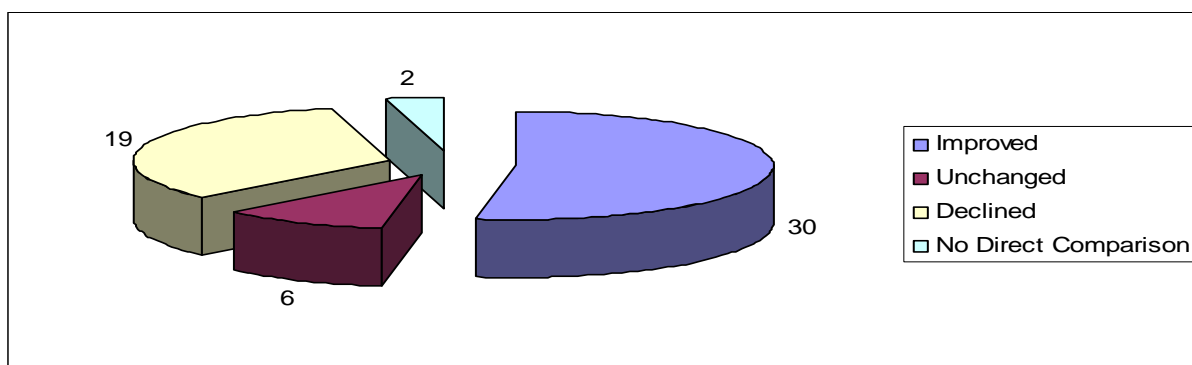
Key risk area 7

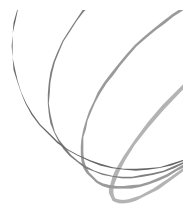
95. Work is also ongoing to provide more detailed and accessible information for monitoring performance against plans. Once rolled out to all Services, the council's 'Initiatives System' will allow performance to be monitored at a strategic level and give the option to drill down to more detailed operational information as required.

Statutory performance indicators

96. One of the ways of the council measures its comparative performance is through the statutory performance indicators (SPIs). The council uses the number of statutory performance indicators in the top quartile to measure the achievement of its vision of being the best council. In 2006/07, the council had 11 (13%) of its SPIs in the top band, reducing from 18 (23%) in 2005/06. Comparative figures for 2007/08 are not yet available.
97. In 2007/08, the council saw an improvement in just over half of its reported indicators:

Chart 2: Changes in SPIs between 2006/07 and 2007/08





98. Each year we review the council's arrangements for preparing the SPIs and assess the reliability of the resulting indicators. Overall, the quality of working papers provided to support the SPIs was variable. Three indicators (adult social work indicator 1 – community care assessments; cultural and community services indicator 3 – museum services; and cultural and community services indicator 4 – library stock) were assessed as unreliable in 2007/08 compared to none in 2006/07. We have requested a meeting with the council's SPI co-ordinator to discuss how arrangements for the preparation of the council's indicators can be improved in future years.

Key risk area 8

99. The council intends to report its performance against the SPIs, including its position in comparison with other councils to the Policy and Resources Committee in January 2009.

Public performance report

100. The council published its annual public performance report 'Serving Aberdeenshire – a guide to council performance 2007/08' in September 2008. The report provides information, under each of the council's six main themes, on the council's performance, its priorities, what is being delivered and how much it costs. Key actions are also identified for the coming year. The report provides a balanced view of the council's achievements during the year and includes the following highlights:

- Aberdeenshire has come out as the best place to live in Scotland in an independent survey commissioned by the Bank of Scotland. Factors taken into consideration included employment, the housing market, environment, education and health
- achievement and attainment in Aberdeenshire continues to be above the national average. In the seven National Priorities measures of attainment, Aberdeenshire is one of the top six local authorities in all but one of these measures.
- national recognition of the council's commitment to renewable energy including winning the Renewable Energy category in the Northern Star business awards.
- reducing the use of cars for school trips to below the 2010 target (21.5%) in the first year.

101. In September 2008, the council was named 'Best Large Council to Work For' following a survey of employees run by The Times newspaper which asked questions on leadership, their team, flexible working, personal growth and well being. Aberdeenshire Council was the only Scottish authority to be named in the top 25 councils in the UK and came out top overall when compared to councils of a similar size.



HMIE inspection

102. In October 2007, HM Inspectorate of Education (HMIE) undertook an inspection of the council's education functions and found that it demonstrated 'good' performance in nine of the ten quality indicators with one 'very good' performance. The main points for action were to increase the level of support and challenge for all sectors; ensure that attainment levels, learning experiences and staff expectations are consistently high in all establishments; build on emerging partnership working arrangements; and continue to review and improve the quality of the school estate.

National studies

103. Audit Scotland carries out a national study programme on behalf of both the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the council are described below. Further information on these studies and copies of the reports can be obtained from Audit Scotland's web page at www.audit-scotland.gov.uk

Sustainable waste management

104. In recent years significant new investment has been made to reduce the amount of waste sent to landfill. Our national report on sustainable waste management, published in September 2007, highlighted that:
- significant progress has been made in meeting interim recycling targets, but the rate varies considerably between councils. The percentage of municipal waste recycled and composted increased from 7% in 2001/2 to 25% in 2005/6
 - there has been slow progress in developing facilities to treat residual waste and there is a significant risk that EU landfill directive targets might not be met
 - increased recycling has led to increased costs for councils
 - all parties need to work more effectively together to make progress in waste minimisation, recycling and waste treatment.
105. The percentage of waste recycled/composted in Aberdeenshire has risen from 15.2% in 2005/06 to 30.3% in 2007/08. This is in line with the council's target of 30% and just under the 2007/08 national average recycling rate of 31.7%. During the year, the council reopened the refurbished Crow's Nest Recycling Centre in Banchory and invested heavily in new recycling facilities across the area. There are now more than 160 recycling points and centres in Aberdeenshire. The council has also extended its facilities to collect a range of electrical items in response to the European Union's Waste Electrical and Electronic Equipment (WEEE) directive.



106. The EC Landfill Directive sets limits on the disposal of biodegradable waste to landfill and requires the pre-treatment of waste prior to landfill. From 2008/09 onwards, Scottish councils will be allowed to trade landfill allowances. If one council performs better than its targets, it can sell its excess allowances to other councils. In 2007/08, the council exceeded its landfill allowance by around 10,600 tonnes (based on SEPAs figures). A provision of £0.344 million has been included in the 2007/08 financial statements for potential fines payable under this scheme. The Scottish Government has suspended fines pending a review.

Free personal and nursing care

107. Since July 2002, all councils have had systems in place to deliver free personal and nursing care (FPNC). People of all ages living in care homes are entitled to free nursing care and people over 65, living in any setting, are entitled to free personal and nursing care. Our national report about the financial implications of FPNC, published in September 2007, found that:

- individual councils have interpreted the legislation and guidance relating to food preparation differently
- councils should improve their information systems to enable them to collect comprehensive and accurate information on FPNC and other aspects of care and support services
- councils should provide clear information to older people on what is covered by FPNC
- councils should work with local health partners to evaluate the longer term consequences of reducing domestic homecare services.

108. The council has not charged for food preparation since December 2005. Information on free personal and nursing care is available on the council's website and includes links to Scottish Government guidance. In 2007/08, 2,597 people over the age of 65 received a free personal or nursing care package from Aberdeenshire Council.

Scotland's school estate

109. A major programme of school building renewal started at the end of the 1990s. The programme aims to create a school estate that is well designed, well built and well managed. Our national study, published in March 2008, concluded that the current rate of progress will take up to 20 years to remove all schools from poor or bad condition. The report recommends that the Scottish Government and councils improve arrangements and support future achievements through:

- better planning to set specific, measurable and meaningful targets for the school estate strategy
- greater use by councils of the Scottish Government guidance on future school design
- making environmental sustainability a key element of school design



- identifying and sharing good (and bad) practice in school design and estate management
- estimating pupil rolls for at least ten years ahead with a minimum annual review.

110. The council's school estate management plan was reviewed and updated during 2007/08 and priority areas have been included in its capital programme. The council continued to develop its school estate during 2007/08 with the opening of the new Lairhillock Primary School and a new nursery at Balmedie.

111. Balmedie Nursery is one of the council's most environmentally friendly buildings, incorporating recyclable material and renewable energy. The council has also installed a ground heat pump system to heat the new nursery at Auchenblae Primary School and a biomass boiler at Aboyne Academy to heat the school, swimming pool and community centre. The council aims to become a carbon neutral organisation in the short to medium term eg by the year 2020.

112. The majority of the council's school stock is categorised as in poor or bad condition. The council estimates that it will cost in excess of £206 million to progress its twenty-four priority projects, far in excess of what can be funded through prudential borrowing. In August 2007, the Chair of the Education, Learning and Leisure Committee and Director met with the Minister for Schools and Skills to raise the council's concerns about funding for improvements to the schools estate.

113. The council has projected school rolls for eight years ahead. Overall, rolls are falling but the pattern is not uniform across Aberdeenshire with aggregate rolls increasing in some areas due to new housing developments.

Overview of sport in Scotland

114. Public bodies spend on average £558 million a year on sport in Scotland. Councils are responsible for 90% of this expenditure. Most of the money is spent on providing and maintaining facilities as well as programmes to encourage participation and support individual athletes. Our national report, published in April 2008, found that:

- the provision of sports facilities and other services is fragmented, with no clear links between the government's national strategy for sport and councils' investment. The development of single outcome agreements is an opportunity to clarify and align the links between national and local strategies
- the level of participation and funding in sport has been declining and participation by younger people falls short of targets
- Sportscotland estimates that an additional £110 million a year is needed for the next 25 years to bring sports facilities up to an acceptable standard



- arrangements to deliver the 2014 Commonwealth Games are still being developed.

115. In May 2008, the Education, Learning and Leisure Committee agreed to develop a revised sports strategy with clear links to national outcomes and priorities, and which reflects an integrated approach to physical education, school sport and sport in the wider community. The strategy will be developed in consultation with internal and external stakeholder groups and is due to be finalised in February 2009.

116. Attendance at swimming pools and indoor sports facilities per 1,000 population continues to improve year on year in contrast with national trends, although in comparison with other councils participation is relatively poor with the council ranked in the lowest two quartiles for both indicators in 2006/07. During 2007/08, the council reviewed its 'learn to swim' service resulting in a significant reduction in waiting lists and an increase in the number of lessons available.

The impact of the race equality duty on council services

117. In November 2008, Audit Scotland will publish a national report about the impact of the race equality duty. The report will:

- examine the impact of the duty on council services and people from minority ethnic communities
- consider the main factors that affect the performance of councils on race equality
- set out how councils can improve their performance
- make recommendations to councils as well as to national bodies that are active in the equalities field and have a role to play in supporting councils meet their equality responsibilities.

118. We will review the council's arrangements for addressing the report's recommendations as part of our 2008/09 audit.

Performance outlook – opportunities and risks

119. In the course of our audit work we identified some of the strategic risks to Aberdeenshire Council delivering its stated objectives and priorities in the years ahead. The Best Value report published in June 2008 highlighted where improvements need to be made to address the key risks identified. Risk exists in all organisations which are committed to continuous improvement and, inevitably, is higher in those undergoing significant change. The objective is to be 'risk aware', and have sound processes of risk management, rather than 'risk averse'. Indeed, organisations that seek to avoid risk entirely are unlikely to achieve best value.

Key risk area 9



Final remarks

120. We have summarised our conclusions in the key messages section of this report. Attached is an action plan setting out the key risks identified by the audit which we are highlighting for the attention of councillors. Only high level risks are included in the plan. In response, officers have considered the issues and have agreed to take the specific steps set out in the column headed 'planned management action'. On occasion, officers may choose to accept the risk and take no action. Alternatively, there may be no further action that can be taken to minimise the risk. Where appropriate, the action plan clearly sets out management's response to the identified risks.
121. The Scrutiny and Audit Committee monitor progress made in implementing the planned management actions included in the Action Plan in March of each year.
122. The co-operation and assistance given to us by Aberdeenshire Council councillors and staff is gratefully acknowledged.



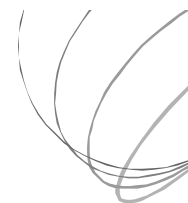
Appendix: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	12 to 20	<p>Financial statements</p> <p>Final accounts preparation processes and working papers require to be reviewed to ensure there is an adequate package available for audit in future years.</p> <p>Our audit of the 2007/08 financial statements identified a number of significant accounting issues which require to be addressed in the preparation of the 2008/09 financial statements including accounting for tangible fixed assets and unspent grants.</p> <p><i>Risk: the 2008/09 financial statements may not present fairly the council's financial position. If material amounts are involved, the accounts may be qualified.</i></p>	<p>Finance officers will meet with external audit to discuss concerns as part of the planning for the 2008/09 audit.</p> <p>Thereafter, any training issues identified for accountancy staff will be addressed and appropriate changes will be incorporated into the year end procedures for closing the accounts.</p>	Director of Finance / Head of Finance (Accountancy & Corporate)	<p>31 December 2008</p> <p>31 March 2009</p>



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
2	28 & 43	<p>Financial pressures</p> <p>Delays in recruiting staff to the procurement team resulted in procurement savings of £1.391 million not being achieved during 2007/08.</p> <p>Based on the position as at 31 August 2008, the council estimates that up to £8 million savings will be required for 2009/10. Each Service has been asked to identify efficiency savings of 2% for consideration by the Management Team</p> <p>Risk: failure to achieve the level of savings anticipated will increase financial pressures and may impact adversely on the quality of services provided.</p>	<p>The Unit remains under strength due to recruitment difficulties. The Head of Procurement is currently seeking to address the position by taking advantage of the current economic climate to attract candidates from other sectors of the economy. The position will be reviewed at the end of the calendar year.</p> <p>Procurement savings will continue to be monitored as part of the Revenue Budget monitoring process for 2008/09. Alternative savings will be identified when required in order to balance the budget.</p> <p>The Management Team and the Policy and Steering Group will consider efficiency savings as part of the budget process.</p>	<p>Director of Finance / Head of Procurement</p> <p>Director of Finance / Management Team</p> <p>Management Team</p>	<p>31 December 2008</p> <p>Ongoing</p> <p>12 February 2009</p>
3	53, 54 & 66	<p>Corporate governance arrangements</p> <p>The council has yet to demonstrate that it has assessed its corporate governance structures against CIPFA/SOLACE's revised framework 'Delivering Good Governance in Local Government' and update its local code of corporate governance.</p> <p>Insufficient progress has been made with risk management and there is an absence of fully tested business continuity plans for the main financial systems.</p> <p>Risk: the council's corporate governance arrangements may not comply with best practice.</p>	<p>The Council complies with the national code of governance and will review its arrangements as set out in the guidance notes 'Delivering Good Governance in Local Government'. This is not expected to reveal any areas of non-compliance.</p> <p>This is being addressed at a general level by the Council's recently appointed Risk Management Advisor. Finance officers will meet with the Risk Management Advisor and ICT to progress business continuity plans for financial systems.</p>	<p>Director of Law and Admin</p> <p>Directors of Personnel and ICT / Finance</p>	<p>30 November 2008</p> <p>Ongoing</p>



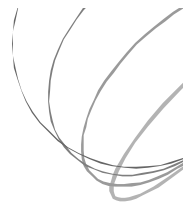
Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	68	<p>Reconciliations</p> <p>Many of the year end reconciliations contained differences or unmatched items which have yet to be investigated and cleared. Whilst these are not material, either individually or cumulatively, and did not impact on our audit opinion, reconciliations are a key element of the council's internal control system</p> <p><i>Risk: the internal control system cannot be operating effectively in the absence of appropriate procedures which ensure that all differences identified within reconciliations are adequately investigated and cleared. As a result, inputting errors may not be timeously detected and the council's financial position may be misstated.</i></p>	<p>Unmatched items from 2007/08 are being investigated and cleared.</p> <p>In 2008/09, unmatched items are being investigated and cleared more promptly.</p> <p>We will undertake an improvement project on the reconciliation process.</p>	<p>Director of Finance / Head of Finance (Exchequer)</p>	<p>31 December 2008</p> <p>Ongoing</p> <p>31 January 2009</p>
5	82	<p>Single outcome agreement</p> <p>Governance and performance management arrangements are currently being developed for the single outcome agreement.</p> <p><i>Risk: the council and its partners may fail to deliver the outcomes included in the single outcome agreement.</i></p>	<p>We will ensure that appropriate governance and performance management arrangements are built into the 2009/2010 single outcome agreement agreed with the Scottish Government.</p>	<p>Chief Executive / Head of Corporate Policy and Improvement</p>	<p>31 May 2009</p>



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
6	87 to 89	<p>Strategic planning framework</p> <p>The council's strategic planning framework was revised during 2007/08 following a review of business planning.</p> <p>The council has set its priorities for 2007-2011 but progress with other areas of the framework has been slower than planned. In particular, thematic service plans and local community plans were not introduced by the planned date of April 2008.</p> <p>The council has developed a framework for policy led budgeting but more needs to be done to complete the linkages between priorities and budgets.</p> <p><i>Risk: until the new strategic planning framework is fully implemented, there is a risk that the council will be unable to deliver its priorities for improving public services for the people of Aberdeenshire.</i></p>	<p>We will implement all documented plans that form part of the revised strategic planning framework (Strategic Priorities, Local Community Plans, Service Reports and Head of Service Work Programmes).</p> <p>Work is currently in hand to develop the current approach to policy led budgeting to the stage where there is a clear link between budgets and strategic priorities. We will implement the recommendations arising from the Scrutiny and Audit Committee's investigation before the 2010/11 budget process.</p>	<p>Chief Executive / Head of Corporate Policy and Improvement</p> <p>Director of Finance / Head of Finance (Accountancy & Corporate)</p>	<p>30 April 2009</p> <p>30 April 2009</p>



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
7	93 & 94	<p>Measuring performance</p> <p>The council has a good performance management framework in place but more can be done to rationalise the quantity of the information reported. The council should map its existing performance indicators against each of the actions underpinning the council's strategic priorities and the local outcome measures contained in the single outcome agreement to ensure there is an appropriate performance indicator for each action/outcome measure and that only relevant performance indicators continue to be monitored and reported.</p> <p><i>Risk: without appropriate performance indicators the council may be unable to deliver its priorities and the single outcome agreement.</i></p>	<p>We will map existing performance indicators against each of the actions underpinning the Council's strategic priorities and the local outcome measures contained in the single outcome agreement to ensure there is an appropriate performance indicator for each action / outcome measure and that only relevant performance indicators continue to be monitored and reported.</p>	<p>Chief Executive / Head of Corporate Policy and Improvement</p>	<p>30 November 2009</p>
8	98	<p>Statutory performance indicators</p> <p>The quality of working papers provided to support the SPIs was variable. Three indicators were assessed as unreliable in 2007/08 compared to none in 2006/07. We have requested a meeting with the council's SPI co-ordinator to discuss how arrangements for the preparation of the council's indicators can be improved in future years</p> <p><i>Risk: councillors and the public may not be provided with complete and accurate performance information.</i></p>	<p>One meeting has been held between external audit, the Council's SPI co-ordinator and a Service SPI co-ordinator. Meetings will be held with all other Service SPI co-ordinators.</p>	<p>Director of Finance / All Directors</p>	<p>31 March 2009</p>



Action Point	Refer Par No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
9	119	Best value audit The council's best value audit identified a number of areas for improvement. It is essential that these areas are taken forward as part of the council's improvement plans. <i>Risk: the council may not be able to demonstrate that it is fully delivering best value for the citizens of Aberdeenshire.</i>	A thirteen point improvement plan containing a large number of improvement actions was agreed by the Council on 26 June 2008. Progress is monitored regularly and will be formally reported to councillors every six months beginning in January 2009. However, several of the improvement actions are already complete and full completion is planned for September 2010.	Chief Executive / Head of Corporate Policy and Improvement	30 September 2010