



Fife Council

Annual Report on the Audit to Fife Council and the Controller of Audit 2010/11

September 2011



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Executive Summary

Financial statements

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

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

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

Use of resources

The council achieved a general fund surplus of £15.737m in 2010/11. The general fund balance brought forward of £29.8m at 1 April 2010 increased to a cumulative net surplus balance of £45.537m at 31 March 2011. Of this balance, £20.691m has been earmarked for specific purposes, which leaves an unallocated general fund balance of £24.846m. The unallocated general fund balance is above the level included within the council's approved reserves policy. At present balances are being maintained above this level as an essential element of the funding of ongoing costs arising from workforce change.

The council spent £144.170m on capital expenditure in 2010/11. This compares with an approved capital programme for the year of £195.768m. The under spend represents 26% of the programme and will be carried forward into the 2011/12 programme. The capital investment plan over the next few years is significant. Whilst changes in assumptions in relation to future levels of funding provided by the Scottish Government and capital receipts will inevitably lead to changes in the capital programme delivered, the council should continue to work on improving the delivery and scheduling of the plan.

The council is now at a challenging point in implementing its workforce change strategy. Included in the 2010/11 accounts are costs totalling £16.8m. These costs relate to 509 staff and cover the costs of redundancy payments, discretionary compensation and costs of added years and the strain on the pension fund costs. Of this £4.7m was paid before the year end and a further £12.1m has been provided within the 2010/11 accounts. A contingent liability has also been disclosed for the further reduction of over 1,400 staff, which is estimated at a total cost of £38.6m.

Performance

Fife Council is continuing to review and develop its performance management arrangements. The council is currently developing an electronic performance reporting tool but has not set out formal timescales for its implementation and roll out across the council.

The current performance reporting arrangements do not always support effective scrutiny or comparison with previous years' targets or other local authorities. Targets and objectives are not identified for all of the council's indicators in its single outcome agreement and the council's reporting on national issues for local government does not include an action plan for addressing areas of weakness.

In order to meet the requirements of the 2008 SPI direction, the council has decided to report the full range of its 164 council plan indicators as non-specified indicators. The range of indicators identified by the council ensures coverage of SPI 1 and SPI 2. The council plans to report the performance of its 25 specified indicators by 30 September 2011.

The council continues to report high levels of sickness absence. The council's absence levels are above the average for Scottish local authorities. By reducing sickness absence to the national average the council could potentially make significant savings.

Governance

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

Looking forward

In June 2011 the council considered a policy framework and strategy for the development of the revenue budget for the following three year period to 2014/15. The framework identified an estimated revenue budget gap for 2012/13 of £21m rising to £89m by 2014/15. Services have been asked to revisit initial savings proposals for 2012/13 and 2013/14.

Conclusion

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

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

Scott-Moncrieff
September 2011

Introduction

1. This report summarises the findings from our 2010/11 audit of Fife Council. The scope of the audit was set out in our External Audit Annual Plan, which was presented to the Standards and Audit Committee at the outset of our audit.
2. The main elements of our audit work in 2010/11 have been:
 - Audit of the financial statements, including a review of the annual governance statement
 - Review of corporate governance arrangements, internal financial controls and financial systems
 - Review of transition to international financial reporting standards
 - Review of IT service and support management
 - Review of competitiveness arrangements
 - Review of sustainability
 - Audit of statutory performance indicators
 - Review of the council's response to Audit Scotland's national study reports, including a targeted follow up of "improving public sector purchasing" and "sustainable waste management"
3. We have prepared detailed reports on a number of the areas noted above. The key issues arising from these outputs are summarised in this annual report.
4. Fife Council's Assurance and Improvement Plan (AIP), developed by the Local Area Network of external scrutiny bodies and published in July 2010, sets out the scrutiny activity proposed for the council for the period up to March 2013. A refresh of the council's AIP was carried out in 2011 to reflect recent work carried out by local scrutiny representatives. The council's AIP identifies a range of risks and improvement need for the council, both at corporate and service levels. Overall, however, the strengths identified outweigh the risks. Reflecting this conclusion, the AIP does not identify plans for any major scrutiny activity to be carried out. A series of tailored exercises, looking at specific issues, however are planned including, in 2011, a review of competitiveness arrangements and sustainability. Progress on these two reviews is commented on in this annual report.
5. The report is addressed to Fife Council and the Controller of Audit and will be published on Audit Scotland's website, www.audit-scotland.gov.uk.

Financial Statements

Introduction

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

Our responsibilities

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

Independence

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

Legality

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

- Reviewing minutes of relevant meetings
- Enquiring of senior management and the council's solicitors the position in relation to litigation, claims and assessments
- Performing detailed testing of transactions and balances

12. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

Responsibility for the Statement of Accounts

13. It is the responsibility of the council and the Executive Director of Finance and Resources to prepare the financial statements in accordance with the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 2010/11 Code). This means:

- Preparing financial statements which give a true and fair view the financial position of the council and its income and expenditure for the year then ended
- Maintaining proper accounting records which are up to date
- Taking steps for the prevention and detection of fraud and other irregularities

Overall conclusion

14. Our audit report is included on pages 136 and 137 of the annual accounts and is addressed to members of Fife Council and the Accounts Commission for Scotland. The report was issued on 27 September 2011 and is unqualified. We also certify that the accounts have been prepared properly in accordance with applicable law, accounting standards and other reporting requirements.

15. Fife Council is required under Regulation 4 of the Local Authority Accounts (Scotland) Regulation 1985 to submit a copy of an abstract of their accounts to the Controller of Audit by 30 June. We can confirm that Fife Council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June.

16. The quality of the financial statements prepared by the council is of a high standard. This is a demonstration of the council's finance officials' commitment to consistently improve the disclosure of Fife Council's financial and accounting information to stakeholders. Our thanks go to staff at Fife Council for their assistance with our work.

Format of the Accounts

17. The financial statements should be prepared in accordance with the 2010/11 Code. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which give a true and fair view of the financial position and transactions of a local authority and to prepare group financial statements where there are material interests in subsidiaries, associates or joint ventures.

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

Audit Adjustments

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

Key areas of audit focus and significant findings

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

Transition to International Financial Reporting Standards

25. As noted in paragraph 19, in 2010/11 the council was required to comply with the Code. The 2010/11 Code is the first code based on international financial reporting standards (IFRSs). The move to an IFRS based Code resulted in a number of significant changes in accounting practice. The council was required to restate its 2009/10 financial statements to provide prior year comparatives in the 2010/11 financial statements. The council was also required to prepare an

opening IFRS based balance sheet as at 1 April 2009. During the year, we audited the council's restated 2009/10 financial statements and opening balance sheet as at 1 April 2009. Overall we concluded that the restated financial statements were appropriate for use as comparative amounts for the council's 2010/11 financial statements.

Fife Council Pension Fund

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

Remuneration Report

27. Scottish local authorities are now required to prepare a Remuneration Report as part of their annual statutory accounts, as set out in the Local Authority Accounts (Scotland) Amendment Regulations 2011. The Remuneration Report is a statement in its own right rather than a supplementary note to the accounts and discloses remuneration and pension entitlement details for the council's senior councillors and senior employees including salary, expenses and allowances and accrued pension benefits. The report also includes the number of employees whose remuneration was in excess of £50,000. The Scottish Government has published finance circular 8/2011 "*Local Authority Accounts – The Remuneration Report*" which assists local authorities in implementing the new requirements.
28. Certain disclosures in the remuneration report are subject to audit including:
- Remuneration disclosures required by paragraphs six to eight of the Schedule of Regulations. These paragraphs set out the disclosures on remuneration of relevant persons. Remuneration includes salary, fees and bonuses and other similar payments, excluding pension payments, from a local authority or its subsidiaries
 - Pension benefit disclosures required by paragraphs nine to twelve of the Schedule of Regulations
 - Pay band disclosures required by paragraph four of the Schedule of Regulations
29. We have reviewed the relevant disclosure and confirmed that they have been properly prepared in accordance with the applicable regulations.

Group Accounts

30. The Code requires authorities to consider all their interests in external organisations, including limited companies and other statutory organisations, to determine if the organisations should be consolidated into the council's financial statements. Fife Council has reported its interest in three associates in its group accounts; Fife Sport and Leisure Trust, Arts and Theatres Trust Fife and Fife Coast and Countryside Trust. 2010/11 was the first year Fife Coast and Countryside Trust was consolidated into the group. All bodies within the group received unqualified audit opinions from their external auditors.
31. We have audited the group accounts prepared by the council and the judgements made by the council regarding those entities included or excluded from the group accounts. The audit report covers our audit opinion on the group accounts and is unqualified. The overall effect of inclusion of all the council's associates on the group balance sheet is to reduce net liabilities by £1.758m.

Employee benefits

32. The Code requires the council to account for employee benefits in accordance with international accounting standards. The council is also required to comply with statutory guidance issued in finance circular 3/2010 "*Statutory guidance on accounting for short term accumulating compensated absences*" and 8/2010 "*Accounting for police and fire injury benefits*". Employee benefits are all forms of consideration given by an authority in exchange for services rendered by employees. Authorities are required to recognise the cost of providing employee benefits in the period in which the benefit is earned by the employee, rather than when it is paid or payable. It includes short term benefits, such as untaken annual leave, post employment benefits, such as retirement benefits and termination benefits, such as early retirement or voluntary redundancy schemes.

Short term benefits

33. Short-term benefits include items such as holiday pay, flexi-time leave and time off in lieu. A liability for short-term benefits of £22.599m was included in the 2009/10 restated financial statements. As at 31 March 2011, this had increased to £23.788m. In accordance with the statutory guidance (finance circular 3/2010), the council has made an adjustment to exclude the value of this charge when determining the movement on the general fund for the financial year. The charge has been transferred to an employee statutory adjustment account. During our audit we reviewed the council's approach to estimating this liability and concluded that the approach was in accordance with applicable guidance.

Retirement benefits

34. The council has reflected the requirement of International Accounting Standard 19 (IAS 19) on employee benefits within its accounts. The net retirement benefits liability as at the 31 March 2011 was £1,150.918m (table 1):

Table 1: Fife Council net retirement benefits liability				
	2010/11	2009/10	2008/09	2007/08
	£m	£m	£m	£m
Local Government Pension Scheme	382.040	688.789	288.358	102.012
Teachers Additional Benefits	61.378	58.615	43.019	43.085
Police	501.500	567.300	358.300	352.900
Fire	174.200	202.400	136.500	138.500
Police injury benefits	20.300	23.400	15.300	
Fife injury benefits	11.599	14.200	9.300	
TOTAL	1,150.918	1,554.704	850.777	636.497

Source: Fife Council's Annual Accounts 2010-11

35. The council is reporting a 'net liability' position on its balance sheet (£413.546m) as a result of these pension liabilities. Where the pensions liability is a major factor in presenting a net liability position the statutory funding arrangements for the pensions liability, which typically allows the liability to be met from future revenue sources, will normally ensure that the authority is able to continue public service provision and to meet its liabilities as they become payable. The retirement benefit liabilities in respect of police and fire pensions are effectively underwritten by the Scottish Government and funded through general revenue grant.
36. The Chancellor's decision to allow the valuation of public sector pensions to be based on the Consumer's Price Index (CPI) instead of the Retail Price Index (RPI) has had a significant impact on this year's valuation of the pension schemes. Fife Council has reported a past service gain due to the change from RPI to CPI of £165.816m. This has significantly reduced the net pension liability. The fair value of the employer assets on the local government pension scheme has also improved during the year (by £119.847m). This also contributes to the reduced net pension liability position reported as at 31 March 2011.

Police and fire injury benefits – change in accounting policy

37. In previous years, actuaries have calculated the liability associated with police and fire injury benefits on the basis of benefits currently in payment. In 2010/11, the basis has changed to include an estimate of active members who may be paid benefit in the future. This is considered to be a change in accounting policy and as such Fife Council has restated its prior year financial statements to reflect this. The impact of this on the financial statements is to increase other retirement liabilities in 2009/10 by £25.7m. The revised net liability position at 31 March 2010 was £804.585m. There was no impact on the net liability position at 31 March 2011.

Workforce change

38. During 2010/11 a workforce change programme was initiated in which workforce reductions would occur as part of a council-wide programme of improvements and efficiencies to deal with significant budget reductions projected over the next four years.
39. Included in the 2010/11 accounts are costs totalling £16.8m. These costs relate to 509 staff and cover the costs of redundancy payments, discretionary compensation and costs of added years

and the strain on the pension fund costs. Of this £4.7m was paid before the year end and a further £12.1m has been provided within the 2010/11 accounts. A contingent liability has also been disclosed for the further reduction of over 1,400 staff, which is estimated at a total cost of £38.638m

40. We reviewed the accounting treatment of the provision in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* and the council’s compliance with section 51a Local Government (Discretionary Payment & Injury Benefits) (Scotland) Regulations 1998 and found compliance with these items to be satisfactory.
41. The council applied for consent to borrow £30m to fund the costs of workforce change. The Scottish Government provisionally approved borrowing consent of £10m although in practice the council has not been required to use this borrowing. Funding for workforce change costs to date has been financed through general fund net cost of services.

Equal Pay Provision

42. In the 2005/06 financial statements, Fife Council recognised a provision relating to equal pay compensation following acceptance of liability for claims. The value of the provision was just under £30m and represented claims from approximately 4,000 employees. During 2006, £27.5m of the provision was utilised by payments being made to those affected.

31 March 2006 £m	31 March 2007 £m	31 March 2008 £m	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m
29.566	2.052	2.533	8.300	14.200	9.813

Source: Fife Council annual accounts

43. Some members of staff chose to take their case to an employment tribunal in the hope of obtaining a higher compensatory payment. During 2010/11 the council paid out £4.387m from its provision. The provision is only an estimate of what the actual settlement level may be when the cases are heard at tribunal. We have reviewed the provision and found it to be in accordance with the Code and IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

Leases

44. The Code requires the council to account for leases in accordance with IAS 17 “*Leases*”. A lease is an agreement whereby the lessor conveys to the lessee in return for payment the right to use an asset for an agreed period of time. The Code requires leases to be classified as either finance or operating leases and sets out rules for differentiating between these categories of leases. The council has updated its accounting policies to reflect the definitions and accounting arrangements for leases under the Code. As part of its exercise to restate the 2009/10 financial statements, the council also reviewed all its leases to ensure correct classification and accounting treatment in accordance with the Code. We have reviewed the council’s accounting

treatment of its leases and concluded that the council has complied with the requirements of the Code and IAS 17 – *Leases*. We did however note the following with regard to lease dilapidations.

45. Many property leases include tenant repairing clauses for dilapidations. They typically require the tenant to return the property to the landlord at the end of the tenancy in a specified condition. Provision should tend to be made for estimated costs of dilapidation repairs spread over the period of tenancy. Within the 2010/11 accounts the council recognises a dilapidation provision in relation to two leases. It is acknowledged that further leases with dilapidation clauses exist. The council should consider instances where the lease agreement requires the asset to be put back to its original condition.

Action plan point 1

Significant Trading Operations

46. The Local Government in Scotland Act 2003 requires local authorities to maintain and disclose trading accounts for significant trading operations (STOs). Each STO is required to breakeven over a rolling three year period. Fife Council's financial statements include a STO covering its building services operations. Building Services reported a profit of £2.175m in 2010/11 (£6.338m 2009/10). The three year cumulative surplus for building services is £16.049m.
47. Under the terms of the Act the identification of significant trading operations is the responsibility of individual authorities. When considering the status of potential trading operations the council applied a number of tests to determine the trading status of each activity and its level of significance. Following the last assessment in 2011, the council concluded that Building Services was the only significant trading operation. We consider Fife Council's assessment of which activities should be classified as STO's to be reasonable.
48. In our 2009/10 annual report, we noted that the levels of profit made by building services were considerably more than other building and construction companies, and suggested that the level of charging by the should be reviewed to ensure that service accounts are receiving best value. In 2010, Building Services carried out a 'procurement and value for money' review. The review considered whether building services is delivering best value in relation to its Scottish Housing Quality Standard component replacement contracts. The review included detailed benchmarking analysis providing a comparison of building service costs with both the private and public sector. Overall the review concluded that the service is delivering best value.

Accounting for PFI Transactions and Similar Contracts

49. Fife Council has two public private partnerships (PPP) within its School Estates Strategy. The accounting requirement for Private Finance Initiatives (PFI) and similar contracts was updated in 2009/10 to comply with International Financial Reporting Standards (IFRS). This required that PFI assets used to deliver PFI services would generally be required to be recognised on local authorities' balance sheet along with a liability for the financing provided to the PFI operator. The PPP assets included in property, plant and equipment at 31 March 2011 was £99.703m.

During our audit we concluded that the council had accounted for its public private partnerships in accordance with the Code.

Charitable Trusts

50. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. For each trust fund the Regulations require a full set of financial statements to be prepared and submitted to the Office of the Scottish Charity Regulator (OSCR). OSCR has deferred compliance with the full requirements until 2013/14. In 2010/11 OSCR requires as a minimum for individual charities of less than £100,000 income:
- Separate receipts and payments accounts for individual charities in accordance with the Accounts Regulations
 - A trustees annual report covering each registered charity
 - An independent examination report covering each charity
51. The council has 187 trust funds, 78 of which are registered charities. The council is arranging to comply with OSCR's requirements by 31 December 2011. The council's head of audit and risk management services will be discussing with other council internal audit teams a reciprocal arrangement with regard to the independent examiners review of the charitable trusts. These discussions need to take place as soon as possible to allow all requirements to be completed by the end of the calendar year. In 2010 the council's policy, finance and asset management committee approved a scheme of reorganisation for the trusts held by the council. Attention has been focused on those trusts which are registered charities. It is expected that a total of 30-35 trusts will remain at the end of the process, some of which will be settlement trusts covering the main towns and population centres in Fife and members will be drawn from the relevant area committees. We understand that the North East Fife settlement trusts are now with OSCR for the registration process to begin. The intention is to have the new trusts fully operational by the end of the calendar year.

Common Good

52. Local authorities are required to administer common good funds under Section 15 of the Local Government (Scotland) Act 1994. The purpose of common good funds is to provide a benefit to the population of the area either through the financial disbursement of funds, securing assets for the ongoing use of the population or contributing to specific local projects/initiatives.
53. In 2007 the Local Authority Scotland Accounts Advisory Committee (LASAAC) issued a report on accounting for the common good fund. The guidance recommended that by 31 March 2009 all Scottish local authorities who administer common good funds should have an asset register of common good assets in place.
54. The council's working group of officers from Corporate Services, Finance and Resources, and Assets and Facilities Management on common good has completed work on identifying heritable

and moveable property which is common good. The council's accounting records however still require to be reconciled to these listings.

Action plan point 2

55. The working group is now reviewing the arrangements in place over the administration surrounding common good assets. The working group has identified anomalies in the way in which the assets are serviced and maintained. The group's findings are consistent with our previous audit report where we found that there appeared to be significant variances in the level of rental income received from both council services and external organisations for the use of common good assets. It is important that the working group now moves to ensuring there is a common approach to rental agreements and maintenance arrangements across common good properties.

Action plan point 3

Audit and Risk Management Services

56. At Fife Council, the internal audit service is provided by an in-house team; Audit and Risk Management Services (ARMS). Effective co-ordination between internal audit and external audit is essential in order to minimise duplication of effort and maximise the benefits of audit. As required by the Code of Audit Practice, we have established appropriate working arrangements with Audit and Risk Management Services. In January 2009 we presented an Audit Joint Working Protocol to the Standards and Audit Committee. This document sets out the basis for effective co-ordinated working arrangements between Audit and Risk Management Services and external audit.
57. We have reviewed the council's internal audit arrangements to ensure that the work of Audit and Risk Management Services is of sufficient quality and volume and complies with best practice. Overall our review concluded that the council maintains an effective internal audit function. We have therefore placed reliance on their work, where appropriate.

Corporate Governance Statement

58. Fife Council has published a wider-ranging corporate governance statement within the 2010/11 statement of accounts. The statement provides an overview of the key elements of the council's governance arrangements and systems of internal financial control.
59. The council's review of the effectiveness of the governance and internal financial control procedures is informed by the views of Audit and Risk Management Services and Heads of Service. The results of this work allow the council to conclude that the system of internal financial control is largely effective.
60. Overall we are satisfied with the disclosures made in the corporate governance statement. The statement is consistent with our knowledge and understanding of the internal financial control framework operating at the council.

Looking forward

61. A working group has been established to review the Local Authority Accounts (Scotland) Regulations 1985. This group comprises representatives from the Scottish Government, CIPFA, councils, Audit Scotland and audit firms. The aim of the review is to identify whether the existing regulations require any amendments, or any new regulations are required to give the full effect to sections 96 to 104 of the 1973 Act, reflecting on changes in recognised best practice, legislation and accounting practices since 1985. The group is currently considering a number of different items including for example, the approval process for the statutory accounts and also areas not covered by the existing legislation.

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

Use of Resources

Introduction

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

The council's financial performance in 2010/11

64. Fife Council achieved a general fund surplus of £15.737m in 2010/11. The general fund balance brought forward at 1 April 2010 of £29.8m increased to a cumulative net surplus of £45.537m at 31 March 2011.

65. Of this balance £20.691m has been earmarked for specific purposes including for example workforce change (£5m earmarked) or ring-fenced for carry forward under the council's budget carry forward scheme (£3.8m). The unallocated general fund balance of £24.846m is above the level included within the council's approved reserves policy. This policy states that that balances should be retained of around £16.1m or 2% of net General Fund Service spend, however, this can be reduced to £10.0m or 1.25% of spend in times of relative financial stability. The council is faced with significant financial pressures including total workforce change costs potentially in excess of £55m by 2013/14. Given these circumstances we recommend that the existing reserves policy is reviewed.

Action plan point 4

66. The table below shows the balance on the council's cash backed funds at 31 March 2011 compared to the previous year. At 31 March 2011 the council had total cash-backed funds of £50m, an increase of £17m on previous year. This is largely attributable to the surplus generated on the council's general fund.

	2010/11	2009/10
	£m	£m
General Fund balances	45.537	29.800
HRA	2.633	2.633
Insurance fund	1.542	0.609
Capital grants unapplied	0.093	0.050
Capital Receipts Reserve	0.386	0.084
TOTAL	50.191	33.176

Source: Fife Council annual accounts

67. The general fund surplus of £15.737m achieved in 2010/11 compared to a budgeted surplus of £5m. The surplus was generated after taking into account additional unbudgeted workforce change costs of £16.793m. The savings against budget include:

- Underspends in loan charges due to delays in capital spend and lower than expected interest rates (£4.8m)
- Reduced energy costs (£4m)
- Successful reclaim of landfill tax from HMRC (£2.6m)
- Improved trading for the Building Services STO (£2.3m)
- Social work underspends across a range of services
- Management of vacancies across most council services

Police Services

68. The Police Grant (carry forward percentages) (Scotland) Order 2011 amended the Police (Scotland) Act 1967 to allow police authorities to carry forward any money received and remaining unspent at the end of the year up to an annual limit of 4% of funding from police grant and a total limit of 8% when added to existing accumulated reserves of unspent police grant. This Order came into force on 21 March 2011. The accumulated surplus, excluding earmarked amounts, to be carried forward is £2.245m which falls within these limits (4% of funding from police grant equates to £2.867m) and is therefore available to be carried forward.

Capital performance

69. The council incurred fixed asset expenditure of £144.170m in 2010/11. This compares with an approved capital programme for the year of £195.768m. The underspend which represents 26% of the programme will be carried forward into the 2011/12 programme. The slippage has arisen as a result of a number of projects being delayed or cancelled for example:

- The decision not to proceed with building new care homes (£9.6m)
- Slippage in Fife Institute of Physical and Recreational Education (FIPRE) and Kirkcaldy Leisure Centre (£6.6m)
- Office property and rationalisation (£7.2m)

70. We note that the actual capital expenditure levels achieved continue to improve. Notwithstanding this significant slippage on the capital programme has been a feature throughout the last 5 years:

2010/11	2009/10	2008/09	2007/08	2006/07
£m	£m	£m	£m	£m
51.597	25.943	18.287	32.673	19.553

Source: Papers presented to Policy Finance and Asset Management Committee

71. The capital investment plan over the next few years is significant. Whilst changes in assumptions in relation to future levels of funding provided by the Scottish Government and capital receipts will inevitably lead to changes in the capital programme delivered. The council should continue to work on improving the delivery and scheduling of the plan.

Action plan point 5

Future financial position

Revenue

72. In June 2011 the council considered the policy framework and strategy for the development of the revenue budget for the following 3-year period to 2014/15. In the absence of a Scottish Government budget for 2012/13, this framework used assumptions and estimates made by the Centre for Public Policy and the Regions (CPPR). The framework identified an estimated revenue budget gap for 2012/13 of £21m, rising to £89m by 2014/15. Services were asked to revisit initial savings proposals for 2012/13 and 2013/14 made when setting the 2011/12 budget. These initial proposals were based on differential savings across services. All services were required to meet an efficiency target of 2% with additional graduated savings as follows:

Table 5: Service efficiency targets	
Services	Savings target
Education, Social Work, Fire & Emergency Planning, Community Safety	2%
Assessor	3%
Housing & Communities, Environment & Development	4%
Finance & Resources, Performance and Organisational Support	6%
Source: Papers presented to Policy Finance and Asset Management Committee	

Capital

73. The council has a long term capital plan. Following the announcement of the local government settlement for 2011/12 and work undertaken on updating long term assumptions a funding gap on the remaining period of the capital plan was identified amounting to £127m. In June 2011 a number of proposals were agreed to close this funding gap. In addition following recommendations from the council's investment strategy group a number of changes were made to the plan. These included refocusing the capital plan so that more resources were earmarked for maintaining the existing infrastructure refurbishing existing assets rather than building projects.

74. The revised capital plan for the next 10 years is shown in the following table:

Table 6: Fife Council revised capital plan

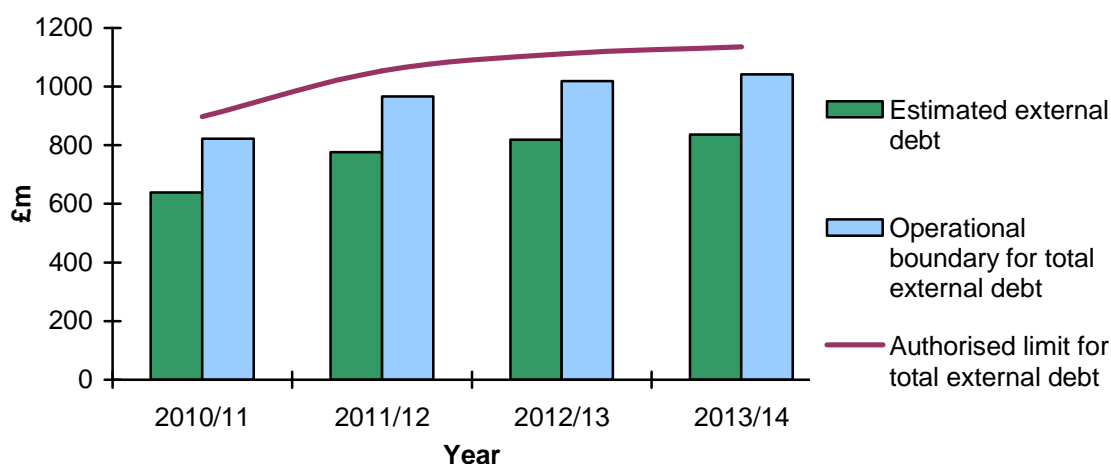
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total 2011/21
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revised capital plan	178.765	214.546	134.404	129.632	66.104	63.784	54.380	52.208	52.136	57.101	1,003.060

Source: *Papers presented to Policy Finance and Asset Management Committee*

Treasury Management

75. The Local Government Investment (Scotland) Regulations 2010 prescribe that local authorities consider the totality of their investment activities. To meet this obligation authorities need to produce an annual investment strategy which details the investments made during the financial year, ensuring that amounts are not borrowed in advance of need and to ensure that the level of acceptable risk is established and monitored appropriately. In February 2011 the Treasury Management Borrowing and Investment Strategy for 2011-13 was approved the council's Policy, Finance and Asset Management committee.
76. The council has a net borrowing position with substantial long term loans outstanding at the balance sheet date. There are borrowings of £588m at the year end; these are split between £221.6m of Public Works Loans Board (PWLB) debt and £366.7m in Money Market debt.
77. Figure 1 shows the council's treasury management external debt indicators as reported to the Policy, Finance and Asset Management Committee in February 2011. We are pleased to report that the council complied with these indicators during 2010/11.

Figure 1: Fife Council's treasury management external debt indicators



Source: *Treasury management borrowing & investment strategies 2010-11 to 2012-2013*

78. The council invests surplus cash flows in short term deposits to generate interest on balances. It has established limits to the amounts that can be invested in any one institution based on the

credit ratings. In 2010/11 the council reported that it breached these limits on three occasions during the year. The most significant breach was on 29 December 2010 when the council held £13.8m overnight in short term deposits with the Royal Bank of Scotland. The council's imposed credit limit was a maximum of £10m. The council was aware that the breach was likely to happen however considered there to be a possibility that £9.5m of grants may not have been received. Two other instances were reported where the council breached its limit by around £20,000. In both cases small amounts of unexpected income were received after the treasury management team had carried out the daily transactions. We do not consider these breaches to be a significant weakness in financial control and that the investments made by the council were done so prudently.

Workforce Change

79. Fife Council is now at a challenging point of implementing its workforce change strategy. The council is seeking to reduce layers of bureaucracy within its management structure. It is also seeking to reduce staff costs across all services. The council recognised that in a period of potential staffing reductions some staff would choose to leave under a voluntary severance scheme if they were given the opportunity.
80. Therefore the council is currently undertaking different programmes as part of its workforce change strategy. These programmes include a notes of interest process, whereby staff can put themselves forward for a voluntary severance of employment and a restructuring of the council's management to reduce layers of bureaucracy and tiers of management. These programmes cover a significant proportion of the council's total workforce. The council received over 4,000 notes of interest through its notes of interest process and the management restructuring proposals will affect all management levels within the council.

Improving purchasing

81. In 2009 Audit Scotland published a report on "*Improving Public Sector Purchasing*." The report examined the progress and impact of the Public Procurement Reform Programme which was launched in 2006. This programme aimed to improve public sector purchasing practice and make substantial savings. The 2009 Audit Scotland report highlighted the need for greater assurance on the quality of purchasing practice in over 150 public sector bodies.
82. In response to this report the Scottish Government brought out an assessment tool to monitor how effectively public bodies were adopting purchasing good practices. This tool is called the Procurement Capability Assessment (PCA). The PCA process is undertaken annually to drive continuous improvement in public sector procurement. In 2010 the Scottish Government published the findings of the first round of PCA reviews. The findings indicated that whilst there were instances of best practices throughout the Scottish public sector there was room for significant improvement in many public bodies.
83. In 2009, the PCA was applied at Fife Council. The council was graded within the conformance band. Whilst in relative terms the council's procurement performance is above the average for local government in Scotland, the score does highlight that there is scope for improvement.

84. In 2011 we carried out a follow-up review to assess how well the council is doing to ensure that they can demonstrate value for money when purchasing goods and services. Our review concluded the council continues to take steps to deliver continuous improvement in its procurement function. The 2010 PCA reported that there were two key areas of weakness within the council's procurement arrangements. These were Contract and Supply Management and Performance Measurement. The council is working to address the issues identified in the PCA review. A Procurement Improvement Plan has been developed by the council and a contract management strategy is currently being developed by the council. The Improvement Plan states that best practice indicators are being developed by the council but that these may not be implemented until 2012/13. The council must continue to build on its existing good practice and drive forward best value in its procurement arrangements across the council.

Sustainable Waste Management

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

Table 7: Performance against target for waste management		
2010 Target	National performance	Fife Council Performance
40% of municipal waste to be recycled or composted by the end of 2010 (Scottish Government target)	37% municipal waste recycled and composted	45% of municipal waste recycled and composted
No more that 2.7 million tonnes of biodegradable municipal waste to be sent to landfill (Article 5 (2) of the EU Landfill Directive)	1.2 million tonnes of biodegradable municipal waste land filled	84,400 tonnes of biodegradable municipal waste land filled (represents 7.2% of all biodegradable municipal waste)
Source: <i>Scottish Environment Protection Agency</i>		

86. In 2011, the council reported 48.1% of municipal waste being recycled and composted. The next key milestone set by the Scottish Government is 2013. By the end of 2013, 50% of municipal waste is to be recycled or composted and no more that 1.8 million tonnes of biodegradable municipal waste is to be sent to landfill.

87. Fife Council's zero waste plan '*Towards Zero Waste Fife*' covers the period 2010 to 2020 and sets out its objectives and targets for becoming the leading green council in Scotland. The council aims to manage waste in a more sustainable way than any other council in the UK. In particular it intends to recycle and compost 54% municipal solid waste by 2011/12, exceeding the national target set for 2013. By 2020, it aims to landfill zero municipal waste collected by or on behalf of the council. The targets are predicated mainly on the roll out of an improved waste management collection to 150,000 households. This involves the introduction of two new

services; the collection of food waste and the collection of post consumer cans and plastics. A business plan has also been prepared to build an anaerobic digestion plant to treat food and garden waste. The facility will produce power from organic waste, which will feed the district heating scheme in Dunfermline and potentially be expanded to provide energy for Queen Margaret Hospital in Dunfermline.

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

Performance

Introduction

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

Performance management arrangements

91. The council's performance management arrangements have been continuously updated and reviewed throughout the five years of our audit appointment. The table below provides a summary of our findings on the council's performance management arrangements since 2006/07:

Table 8: Development of performance management arrangements: external audit comments	
Year	External audit comments
2006/07	The council's performance management system did not provide an effective link between staff members' personal development plans, service improvement plans and the council's corporate objectives.
2007/08	The council's performance management reports should provide contextual information and comparative data to enable greater scrutiny and review of the council's performance
2009/10	The council was reviewing its performance management arrangements in order to demonstrate a greater link between its key priorities, budget allocations and the services delivered by its directorates
2009/10	The council must include valid benchmarking information within its performance reports to help stakeholders assess performance (external audit report on the council's public performance reporting arrangements)

Source: External audit annual reports to Fife Council and the Controller of Audit

92. We consider that the current performance management arrangements could be further improved. In 2007/08 the council reported performance against 308 performance indicators. The council recognised that this number of indicators did not enable clarity on the key issues for elected members. In 2010/11 the council's corporate balanced scorecard contained 164 targets. The high number of indicators and existing performance reporting arrangements mean that

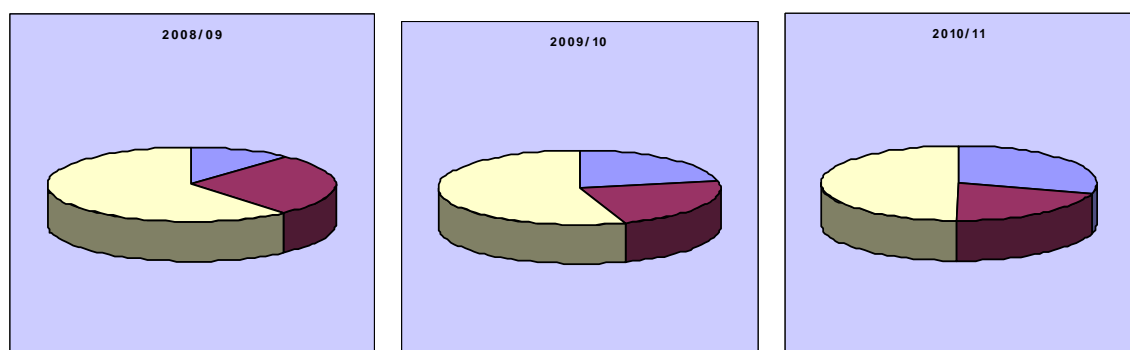
effective performance management and effective follow-up is difficult. The council currently does not set out clear timescales and accountable officers for each area of improvement required within its performance reports.

93. The council is seeking to address these issues through a further refresh of its performance management arrangements. The council is currently implementing a Covalent performance management system. This electronic performance management system is designed to ensure that corporate objectives are directly linked to directorate and service objectives. The system also uses a red, amber and green rating on performance so high level performance reports set out whether the council is performing in line with its targets. The council has however yet to define the timescale for the roll out and implementation of the Covalent system. Clear timescales and objectives for implementing the Covalent system should be formally approved by the council's corporate management team. This will ensure that sufficient support and resources are directed to implementing an effective performance management system.

Action plan point 6

94. Without effective comparative data there is a risk that elected members are unable to identify trends in the council's performance. For example, the council reports annually on the achievement of the targets within its corporate balanced scorecard. Within this report the council sets out which targets are within thresholds and progressing (good), those which are performing adequately but might fail (middling) and those with insufficient performance (poor). There is no comparison on the levels of good, middling or poor performing indicators with previous years. If this was set out graphically elected members would be able to challenge worsening performance and identify areas with repeated poor performance (figure 2)

Figure 2: Achievement of Council Targets 2008/09 – 2010/11



Key: Poor ■ Middling ■ Good ■ ■

95. Figure 2 shows that the percentage of council targets reported as poor has increased from 11.3 per cent in 2008/09 to 29.3 per cent in 2010/11. Indicators reported as good have also reduced from 61.0 per cent in 2008/09 to 49.7 per cent in 2010/11. The council should ensure that all performance reports to elected members provide sufficient benchmarking and contextual information on previous performance levels.

Public Performance Reporting

96. Following the best value review by Audit Scotland in 2009 Fife Council committed to developing and improving its performance management framework. As part of this work the council reviewed its arrangements for Public Performance reporting (PPR). As external auditors, we carried out a detailed review of the council's PPR arrangements in October 2010.
97. Our report identified that the council continued to demonstrate a commitment to delivering effective PPR arrangements. The council has developed an approved PPR strategy and uses a range of methods for communicating and engaging with stakeholders. The council has worked with its residents to develop its PPR arrangements in line with residents' needs. Our report did however identify areas of weakness in the council's PPR arrangements. Performance reports to elected members and the public did not set out clear targets for the council's services and objectives for future service delivery. In addition the reports did not set out timescales and measurable targets for how the council will address areas of poor performance. An action plan was agreed with officers to address the issues identified. The council has committed to addressing these issues as part of its review of its overall performance management arrangements. The council has however stated that these issues will not be addressed until April 2012.

Statutory Performance Indicators

98. One of the ways of measuring council performance is through the statutory performance indicators (SPIs). In 2009/10 the Accounts Commission made a significant change to the SPI direction. The 2008 direction which was introduced in 2009/10 has been retained for 2010/11. This direction requires that the councils performance reporting covers two main requirements:
- That councils report a range of sufficient information to demonstrate best value in relation to corporate management (SPI 1)
 - That councils report a range of information sufficient to demonstrate best value in relation to service performance (SPI 2)
99. In reporting against SPI 1 and SPI 2 above, all councils are required to report performance against 25 specified indicators, as defined in the 2008 direction. In addition, councils must select a range of non-specified indicators to demonstrate best value and compliance with the 2008 direction. As a unitary authority, the council also reports on three specified fire service indicators as well as reporting against the Scottish Policing Performance Framework. In order to meet the requirements of the direction, the council report on the full range of 164 council plan indicators as non-specified indicators. The range of indicators reported by the council ensures adequate coverage of performance information required by the direction.
100. The council plans to report the performance information of the 25 specified indicators by 30 September 2011 through the council's website. As in previous years, the council will produce an annual "*measuring up*" performance report which will include data from its specified and non-specified indicators.

101. During the year the council's internal audit service (Audit and Risk Management Services) has carried out a significant level of work on the council's indicators. This work has spanned 2009/10 and 2010/11. In total, Audit and Risk Management Services has reported on 43 indicators to August 2011, eight of which were specified indicators. Audit and Risk Management Services has assessed the indicators as either reliable or unreliable. Reliable indicators are those where the processes in place for the collection, compilation and calculation of the indicator is adequate. Unreliable indicators are those where weaknesses have been identified in the collection, compilation or calculation of the indicator. Audit and Risk Management Services has reported five indicators as unreliable:

Table 9: Unreliable indicators identified by Audit and Risk Management Services		
Indicator	Definition	Report date
CPI 38	Percentage of schools assessed as being in Good condition	May 2011
CPI 106	Percentage of clients satisfied with home care service	April 2011
CPI 147	Percentage of customers satisfied with contact centre handling	March 2011
SPI 13 / CPI 60	The number and percentage of householder and non-householder applications dealt with within two months	March 2011
SPI 10	a)The number of attendances per 1,000 population for all pools; and b) for indoor sports and leisure facilities excluding pools in a combined complex.	June 2011

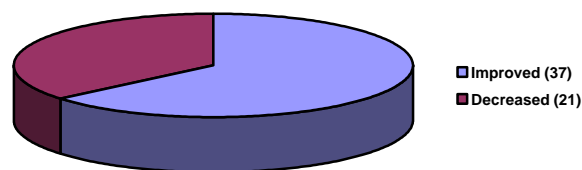
Source: *Audit and Risk Management Services reports*

102. We have also carried out sample testing on the council's indicators during 2010/11. We are pleased to report that we identified no 'unreliable' indicators during our audit work. 17 indicators were selected for review comprising:

- Specified council indicators
- Specified fire service indicators
- Scottish policing performance framework indicators
- Council plan indicators

103. Figure 3 demonstrates Fife Council's performance when compared to last year in relation to the 25 specified performance indicators.

Figure 3 Changes demonstrated in specified SPI's in 2010/11



Source: 2009/10 & 2010/11 statutory performance indicators return to Audit Scotland

Note: the 25 specified performance indicators comprise of multiple components therefore the results above report more than 25 Indicators

104. The table below details the five indicators which have shown the greatest change in performance. In particular indicator 3 shows a significant change on last year. The council has changed the measurement of this indicator in this year. In 2009/10 a building needed to pass 50% of criteria to be deemed suitable and accessible. In 2010/11 a building requires to pass 100% of criteria. The more stringent criteria has resulted in fewer buildings achieving a pass.

Table 10: sample of specified indicator performance in comparison with 2009/10			
Indicator	Narrative	2010/11	2009/10
3	% of buildings from which the council delivers services that are suitable for, and accessible to, disabled people	14%	82%
17 b) x	Average time to re-let low demand houses	82 days	147 days
17 c) ii	Average time un-let for those low demand houses remaining un-let at year end	45 days	73 days
17 a) viii	Average time to re-let houses that are not low demand	53 days	84 days
15 iv	The proportion of the council's housing stock which are healthy, safe and secure	60%	28%

Source: Statutory Performance Indicators return to Audit Scotland.

105. In 2009/10 we raised a recommendation that the council increase the level of service cost information that is reported through the council's scorecard. The Accounts Commission is of the view that service cost information is important to stakeholders and citizens, providing additional context for the assessment of performance. The draft annual performance overview report for 2010/11 shows that the council still requires to implement further indicators on service cost.

Action Plan Point 7

Sickness absence

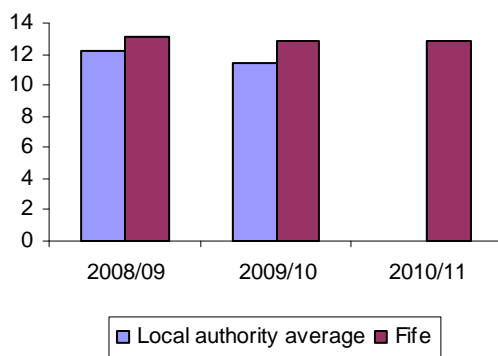
106. The council's sickness absence levels for all staff (excluding teachers) are above the national average for Scottish local authorities. In 2008/09 Fife reported absence levels of 13.1 days per employee against a local government national average of 12.5. In 2009/10 Fife reported absence levels of 12.8 compared with a local government average of 11.6. In 2010/11 Fife Council reported an absence rate of 12.9 days. Absence levels varied considerably between

services in 2010/11 ranging from an average absence rate per employee of 17.4 days in social work services to 3.3 days within the council's chief executive and senior management function. The national figures for absence levels for all councils in 2010/11 have yet to be published.

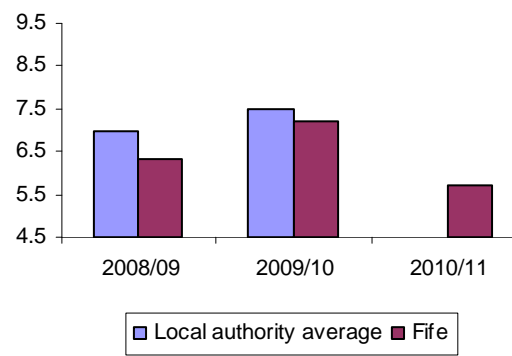
107. For the past two years Fife Council has reported sickness absence levels for teaching staff below the national average for Scottish local authorities. The council's absence levels for teaching levels in 2009/10 did however increase by 14 per cent to 7.2 days. In 2008/09 the council reported teacher absence levels of 6.3 days against a national average of 7.4 days. In 2009/10 the council's absence levels for teachers had risen to 7.2 days, though this was still below the national average of 7.5 days. The council has dramatically reduced its sickness absence levels for teaching staff in 2010/11. In 2010/11 absence levels amongst teaching staff dropped by 21 per cent to 5.7 days (figure 4).

Figure 4 Absenteeism

Fife Council absence rates compared with the local government average



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



Source: *SPI's in Fife and Scotland*

108. There is the potential for the council to make significant savings through the reduction of staff absence levels. The council has implemented a number of actions to deliver improvements within its sickness absence levels. These changes have included a revision of the council's occupational health provision; a re-focus of the human resources support to longer term absences and a review of the council's attendance management procedures. The council should seek to identify good practice in services and share this good practice across all directorates. The council must continue to ensure that reducing sickness absence levels remains a high priority.

Action plan point 8

Best Value

109. Following the 2008 Best Value and Community Planning review the council developed an improvement plan to address all of the issues identified within the best value report. Fife Council reported progress against its improvement plan on a six monthly basis to the council's Policy, Finance and Asset Management Committee (PFAM). As part of our 2008/09 annual audit we reported that the initial timescales and actions within the Improvement Plan had been missed.

The council revised the timescales and committed to delivering against these. In our 2009/10 annual report we again noted that the timescales had been missed.

110. During 2010/11 the council stopped reporting progress against its best value improvement plan. In the paper setting out this change the council stated that the public sector environment and the objectives of the council were no longer reflected in the improvement plan's action points.
111. To provide the council with a form of benchmarking against the local government sector the council now reports its performance against Audit Scotland's local government overview report. The overview report sets out the issues identified through annual audit reports at all 32 local authorities within Scotland. Fife Council will therefore report its position against Audit Scotland's findings on an annual basis.
112. There are however difficulties and issues with this approach. The overview report is an annual snap shot of issues raised within one financial year. Therefore the annual Fife Council report cannot show progress or trends over a period of time. Given the overview report is only published annually the council cannot monitor performance throughout the year or measure progress against future targets. There is also limited opportunity for benchmarking or comparing Fife performance. Differences between Fife and the national average could be due to differing objectives and targets of the council.
113. The report comparing Fife Council against the overview report does not state how the council will deliver on areas below best practice or on recommendations for changes to council performance. The council should include an action plan, or a statement cross-referencing issues identified to existing action plans which give timescales and accountable officers for addressing all of the recommendations set out in the Audit Scotland report and on areas for further improvement. The council should report progress on this action plan during the year and link the action plan to the seven themes of best value.

Action Plan point 9

Competitiveness Arrangements

114. Fife Council's Assurance and Improvement Plan (AIP) identified the council's competitiveness arrangements as an area of uncertainty¹. The local area network agreed that Social Care and Social Work in Scotland (SCSWIS) would work with external audit to carry out a review of the council's competitiveness arrangements.
115. SCSWIS found that contract monitoring and compliance procedures appeared to be well established within the social work directorate. The directorate has been reviewing the balance between services provided by the council and those which are externally purchased. A consultation on the possible changes has been undertaken with a range of social work and health staff. The council's social work services have systems in place to regularly scrutinise

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

contracts. Systems are also in place for developing links between emerging commissioning strategies, contracting intelligence and procedures. This contributed to service redesign work and to identifying cost savings for both individual care packages and externally contracted services.

116. Opportunities exist for improving the current reporting arrangements on contracted services. Enhanced reporting arrangements would enable greater scrutiny and ensure the service can demonstrate the added value and good practice these contracts deliver. Reports on expenditure for both schools and local bus service contracts are delivered to the relevant service management teams regularly through the year. There is however, limited reporting to elected members on existing contracts. Reports to elected members should demonstrate how these are delivering against the council's strategic objectives and whether they represent value for money.
117. Our review also looked at the council's school and local bus contracts and fleet services operations. This service has a high level of internally and externally contracted services. The largest contracts are for schools and local bus services. The cost of these contracts is currently over £11.6m and has increased by £4m since 2004. Despite using OJEU procurement procedures the council has found there is limited competition for these service contracts.
118. Fleet management provides services through external contractors by way of 23 external contracts totalling over £19m. It is important that the council sets out its own programmes for letting and reviewing the performance of these contracts so it is able demonstrate that these services are providing value for money to Fife Council and that appropriate and effective monitoring arrangements are in place. The council has developed and approved an action plan to address the issues highlighted within this report. Elected members must ensure that the actions identified are completed within the agreed timescales.

Sustainability

119. The AIP identified sustainability as an area of uncertainty. Through the local area network it was agreed that Scott-Moncrieff, as the council's external auditors, would carry out a joint review with Audit Scotland to update our understanding of the council's approach to sustainability issues. In carrying out our review we used Audit Scotland's best value toolkit on sustainability. The council provided us with a self assessment against the key questions in the toolkit. We used this as a basis for our meetings with officers and councillors at the council. We also met with individuals from a sample of organisations who participate on the Fife Environmental Partnership.
120. Fife Council has laid out a strong commitment to embedding sustainability issues into its vision and strategic direction. The Community Plan and Council Corporate Plan are the key documents that set out the council's overall approach to sustainability issues. Fife Council has made efforts to improve the strategic focus of partnership working on environmental sustainability, through the establishment of the Fife Environmental Partnership. Although there are initial signs of a strategic focus, more work needs to be done to ensure a greater sense of a shared agenda between partners.

121. There is also a clear commitment to the environmental agenda at an elected member level within the council. The council's Environment, Enterprise and Transport Committee has responsibility for oversight of this agenda. Whilst the committee receives performance reports on progress against this agenda, these are at a service or project level and not against cross-cutting outcome themes. Furthermore, the committee does not appear to be informed of developments across the community planning partnership on the environmental agenda. .

National Studies

122. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the council include:

- How council's work: roles and working relationships: are you getting it right?
- Scottish Police Services Authority
- Improving energy efficiency: a follow up report
- Children in residential care
- Physical recreation services in local government

123. There is an expectation that local government bodies review the national studies relevant to them and action them accordingly. As external auditors, we consider whether the council has discussed the national report at a council committee; whether the council has carried out self assessment against the national report and as result has produced a separate action plan to take forward any improvements.

124. Fife Council management, on receipt of a national report will review the report and decide whether to present the report to committee. Following an assessment of the reports noted above, council management took the decision that these reports would not be presented to committee.

Governance

Introduction

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

Scrutiny arrangements

127. Scrutiny within Fife Council remains the responsibility of Fife Council and its strategic service and area committees. The Policy, Finance and Asset Management Committee has a responsibility for corporate policy scrutiny and has overall responsibility for the effectiveness of scrutiny and performance review arrangements across the council. The Standards and Audit Committee has an important responsibility for scrutiny within the council.
128. During the last few years there have been a number of initiatives to improve the scrutiny arrangements at the council. In September 2009 the Policy, Finance and Asset Management committee agreed that strategic committees should identify areas for detailed scrutiny following committee scrutiny of service plans (on an annual basis) and that detailed scrutiny reviews would be undertaken by Scrutiny Panels. These scrutiny panels would be cross-party and could appoint co-opted members. Political groups would be invited to nominate members for appointment to a core scrutiny group from which members of scrutiny panels may (but not exclusively) be drawn. It was expected that the number of scrutiny reviews to be carried out in any year would be limited to four.
129. Since this report only one area for detailed scrutiny has been identified by the social work and health committee although the police, fire and safety committee has a scrutiny group which meets regularly.
130. Following a report to cross party leaders group it has been agreed that no changes to the current arrangements will be made until after the 2012 elections but that further attempts will be made to establish a core group of elected members to develop an expertise in scrutiny and from which members of scrutiny panels may be drawn. Effective scrutiny is an important component of good governance and enhances the effectiveness of decisions, policy and outcomes. We are disappointed that little progress has been made in this area over the term of our appointment.

Audit Committee arrangements

131. The Standards and Audit committee has been in place at Fife Council over the course of our appointment and has had an important role in scrutiny within the authority. During our appointment we have reviewed the work of the committee against guidance issued by CIPFA and we have concluded that the arrangements in place generally meet best practice principles. The work of the committee has had a positive impact on the council's overall governance framework. As the committee have become more confident of their role there has been more robust challenge and scrutiny which we welcome.
132. During the year questions were asked relating to holding officers accountable for actions taken. Whilst robust challenge and scrutiny of officers' actions is appropriate, ultimately council officers are accountable through the line management structure within the council. The role of Standards and Audit is one of oversight, assessment and review. Any views regarding the conduct or capability of employees should take place outside a public meeting and should be with executive directors or the council's chief executive.

Action plan point 10

Code of Corporate Governance

133. In April 2010 the Standards and Audit Committee approved a revised Code of Corporate Governance. The revised Code has been developed using CIPFA /SOLACE guidance '*Delivering Good Governance in Local Government – Guidance Note for Scottish Ministers*', the Fife Excellence Model and the council's previous Code of Corporate Governance. The council has mapped the key elements of these documents against the revised Code to ensure that this reflects best practice as well as existing arrangements in place at the council.
134. Council services are required to assess compliance with the revised Code by providing an annual assurance statement. These assurance statements have been used in 2010/11 to inform the council's annual corporate governance statement. On a three year basis, services are expected to carry out a Fife excellence model (FEM) assessment. The Fife excellence model is based upon both the 'public sector improvement framework' and the Fife Council approach to EFQM (European foundation for quality management). The model encourages improvement on three levels. The FEM assessments are expected to provide assurance that the culture of the service is the right environment for good governance and that the elements of governance are adding value to the objectives of the council. It will also form a validation process for the annual governance statements. To date four services have carried out a FEM assessment. A report is prepared following an assessment along with a feedback session. The findings are presented to the service and chief executive. A decision was recently made by the council's management team that no further service FEM assessments will be carried out until 2012 due to the current management restructuring.

IT service and support management

135. During the year we assessed the effectiveness of Fife Council's IT strategic planning and governance arrangements. Our review also considered the effectiveness of IT service and

support delivery arrangements. We used the ISO20000 IT Service management standard as a basis for benchmarking IT services compliance with best practice. Our review concluded that there was a low degree of compliance with the requirements of the standard; with only 23% of controls being fully complied with and 42% of control areas demonstrated non-compliance with the standard. Our audit identified areas where, in our view, there were significant weaknesses (see table below):

Table 11: Key findings from our external audit review on IT Service and Support Management
• There is an absence of a consistent process for the identification, presentation and approval of IT related projects
• Not all IT relate projects have to follow the IT governance process
• There is no formal process of lessons learned or benefits realisation relating to IT projects
• We identified an overall lack of progress in implementing an effective IT service and support delivery that is consistent with best practices defined within formal IT service and support management frameworks/standards
• Over the period covered by the review, there were occasions where there was a lack of effective leadership with IT services
• We were unable to confirm the operational readiness of the disaster recovery site at Dunfermline
• Asset management, both in terms of hardware and software, was noted to be poor and we were unable to gain assurance in respect of the actual IT assets under the management of IT services
Source: <i>Scott-Moncrieff external audit report: IT Service and Support Management June 2011</i>

136. We have agreed an action plan with management to take forward recommendations to improve the IT Service and Support Management. Many of the recommendations are due to be implemented by the end of the calendar year.

Community Planning

137. Community Planning within Fife is overseen by the Fife Partnership Board. The Partnership Board's membership includes Fife Council, NHS Fife, Skills Development Scotland, the South East Scotland Transport Partnership, Fife Constabulary, Scotland's Colleges Fife, the Council for Voluntary Services and the University of St. Andrews. In 2011 the Commission on the Future Delivery of Public Services published its report. The report set out a number of recommendations for improving existing partnerships and community engagement arrangements. The Fife Partnership formally reviewed the recommendations of the Commission's report. An action plan is being developed by the Partnership to address issues arising.

138. In 2009 the Fife Partnership began a programme of work to revise and update its Community Plan. An outline of the plan was presented to the Fife Partnership Board in February 2011 and the final Community Plan was approved by the Partnership Board in May 2011. The new plan covers the period from 2011 – 2020.

139. The Community Plan sets out medium and long-term outcomes for the partnership, identifying the lead partnership body for each of the outcomes. The Plan however does not set out the indicators which will be used to measure these outcomes. The Community Plan does state that the SOA will be used to monitor and review the delivery of the Plan. The outcomes set out in the Fife Community Plan can be directly linked to the local outcomes set out in the Council's Single Outcome Agreement (SOA).
140. The Fife Partnership Board is supported by a Fife Partnership Executive Group (FPEG). The FPEG is made up of senior officers and leads from the organisations within the Fife Partnership Board. Reports on progress against the Fife SOA are presented to the FPEG on a six monthly basis. These reports are not presented to the Partnership Board. The Board is therefore unable to effectively scrutinise performance or to hold officers accountable for the delivery of the agreed indicators. Six monthly performance reports on the Fife SOA should be presented to the Fife Partnership Board to enable it to monitor progress and delivery of the Community Plan.

Action plan point 11

141. In 2009 the council's Audit and Risk Management Services carried out a review of the council's SOA. The review assessed the potential of the SOA to be used as a "sound method for performance management." This review identified areas for improvement that needed to be addressed if the SOA was to be used as a performance management tool. In May 2011 the Fife Partnership Board approved the latest SOA, covering the period from 2011 – 2015. This SOA addresses some of the issues identified in the council's 2009 review (table 12).

Table 12: Update of position against ARMS 2009 review	
Findings of 2009 Review	2011-15 Single Outcome Agreement
The SOA does not show end targets and timescales	The SOA shows baselines of service performance and end targets.
The SOA includes over 160 indicators, making no distinction between long-term and intermediate outcomes	The SOA includes around 36 indicators with long term targets set for indicators. The SOA does not show medium or short term targets. These are included within alternative performance reporting arrangements.
A joint reporting line has still to be established for the local outcome "to achieve Excellence and Best Value for Fife"	This local outcome has been removed. Issues and objectives are now incorporated across outcomes.
Approximately 50% of the targets for progress to 2011/12 have either still to be set or indicate only direction of travel	Approximately 20% of indicators have no specific target set for them.
There is no requirement to produce detailed action plans to tackle areas where performance trends are found to be deteriorating	The council has not defined within the SOA what actions must be taken to address areas of poor performance.
<i>Source: Scott-Moncrieff from information provided by Fife Council</i>	

142. Table 12 shows that the weaknesses identified in using the SOA as a performance monitoring tool have still not been fully addressed by the Council. As the SOA is the performance tool for the Fife Community Plan the Council should ensure that all of these issues are addressed.

Action plan point 12

Risk Management

143. Since the start of our audit appointment in 2006/07, we have commented on the progress that the council has made in developing its risk management processes. Risk management arrangements at a service level are however not as well developed as at the corporate level and further work is required to embed risk management into every day practices.
144. In 2007/08, the terms of reference were agreed for a three phase review of risk management arrangements at the council. These reviews sought to assess the level of risk maturity across the council.

Table 13: Grading used to assess level of risk maturity across the council

Risk naïve – no formal approach developed for risk management
Risk defined - Strategy and policies in place and communicated. Risk appetite defined.
Risk aware – scattered silo based approach to risk management
Risk managed - Enterprise approach to risk management developed and communicated.

²Grading based on the Institute of Internal Auditor's guidance on assessing an organisation's risk maturity

145. In 2009, the council's Standards and Audit Committee agreed that as a minimum all services should be achieving a "risk defined" status. As at September 2010, just over half of the council services had reached this status. This position is disappointing given that fact that phase one of the review commenced in 2007 at which stage improvements were identified and actions agreed by services to develop their risk management arrangements.

Fraud and Irregularity

146. The integrity of public funds is at all times a matter of concern. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities. In general we found that the council's arrangements for the prevention and detection of fraud and other irregularities were adequate.

National Fraud Initiative

147. The National Fraud Initiative (NFI) is a counter-fraud exercise undertaken by Audit Scotland in conjunction with the Audit Commission, external auditors and a number of public sector bodies including Fife Council. Participating organisations are required to submit a range of data, such as payroll, pensions, benefits and creditors data, to a central database where it is matched up in order to identify potential frauds. Following the 2008/09 NFI exercise Audit Scotland reported that the cumulative outcomes from NFI in Scotland were around £58m.

148. Data was uploaded for the 2010/11 exercise in October 2010 and the matches were released to participating organisations at the end of January 2011. Since January the council has assigned officers to each of the NFI match reports and progress has been made on investigating these. A number of the matches are “recommended matches” that the council is expected to investigate as a priority. A summary of the matches identified and investigated to date is show below.

Total matches	Recommended	Investigations closed	Investigations in progress	Frauds	Errors
21,453	1,913	1,676	10	12	29

149. Although the council is making good progress in investigating matches there are a number of reports where no work has been recorded to date on the secure web application. We are however aware that work is being carried out ‘off-line’. It is important that the council ensures that all work carried out is documented on the secure website to allow monitoring of results and progress to be carried out by the council, Audit Scotland and external audit.

Action plan point 13

150. We also noted during our review that a number of reports have been investigated in full. These include blue badge parking permits to DWP deceased and pensions to payroll. The NFI website highlights ‘recommended matches’ which can be used as a starting point for investigations. It is at the council’s discretion how many further cases they investigate and this will depend on the results of their initial review. If no issues are found in the recommended matches it is unlikely to be time effective to investigate the rest. We recommend that the council ensures members of staff have sufficient training on NFI to ensure that matches are investigated in the most time effective and efficient way.

Action plan point 14

151. Internal audit are due to commence an audit of the council’s arrangements for investigating NFI matches in order to identify any potential improvements in the process. This report is due to be presented to the audit committee in November 2011.

Appendix 1: Action Plan

Our action plan details the key weaknesses and opportunities for improvement that we have identified during this review. To assist the council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

Our rating structure has been revised to ensure consistency with the structure used by Audit and Risk Management Services. The rating structure was approved by the Standards and Audit Committee in 2008.

The rating structure is as follows:

Significant	Weaknesses in existing controls leaving the council or service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high for the matter to be reported specifically in the Annual Assurance and Corporate Governance Statements
Substantial	Weaknesses in existing controls leaving the council or service open to high risk of error, fraud, financial loss or reputational damage
Routine	Weaknesses in existing controls leaving the council or service open to medium risk of error, fraud, financial loss or reputational damage
Minor	Administrative weaknesses in existing controls posing little risk of error, fraud, financial loss or reputational damage

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

Para Ref	Action Plan Point	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
45	1	The council should ensure its review of lease dilapidations considers instances where the lease agreement requires to be put back to its original condition. Routine	This is something that will be considered for all leases and will be provided for as necessary.	Team Leader Accounting Control/ Lead Professional Development and Estates Team	June 2012
54	2	The council's common good and trust fund working group has completed its review of title deeds and has consulted with community councils. The council should ensure the findings from this review are reconciled to the asset register used in preparation of the financial statements. Substantial	Agreed	Team Leader Support Services	March 2012
55	3	The council's common good and trust fund working group should move to ensuring there is a common approach to rental agreements and maintenance arrangements across common good properties Substantial	Agreed	Service Manager (Committee Services)/ Lead Professional Development and Estates Team	March 2012

Para Ref	Action Plan Point	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
65	4	The council should review its existing reserves policy Substantial	Balances are currently being maintained at a sufficient level in order to meet potential cost pressures particularly in relation to workforce change. The current level of balances is an essential part of the Council's overall financial strategy and medium term budget plan. The required level of balances will be reviewed each year.	Executive Director Finance and Resources	Ongoing
71	5	The council should continue to work on improving the delivery and scheduling of the capital plan. Substantial	The Capital Programme manager, initially engaged for a short term contract of 12 months from January 2010, has had his period of employment extended. The manager, along with his team of 2 Improvement Consultants, will continue to drive forward the improvements already made with the development, management and delivery of the Capital Investment Plan. Final approval of the revised 2011-2021 Capital Investment Plan will be sought at the PFAM committee of 22 September, following decisions made the PFAM Committee on 16 th June and further recommendations by the Investment Strategy Group (ISG). Approval of the revised plan will allow the ISG to focus on issues around delivery.	Head of Financial Services	Ongoing

Para Ref	Action Plan Point	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
93	6	<p>The council has not defined the timescale for the roll out and implementation of the Covalent system. Clear timescales and objectives for implementing the Covalent system should be formally approved by the council.</p> <p>Routine</p>	<p>The COVALENT System has now been implemented at a corporate and service level and will be used for the presentation of performance data from the autumn performance reports. We consider this to be the completion of phase 1 of the product roll-out. The rollout has been aided by the training of users within services who now have a role in continuing the training in the system use through the services and who have formed a network of users who assist in the roll-out and problem solving around the system. A project plan has been approved by the Risk Management Strategy Group for the inclusion of risks into the COVALENT System. The system has a number of other areas of potential and these will be explored as part of the review of performance management within the council.</p>	Senior Manager – Policy and Communications	Review scheduled for completion April 2012

Para Ref	Action Plan Point	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
105	7	<p>Service cost information is important to stakeholders and citizens, providing additional context for the assessment of performance. At present, service cost information is not widely reported through the council's scorecards. We would encourage the council to consider developing further indicators on service costs.</p> <p>Routine</p>	<p>A Business Improvement division, headed by a Service Manager, has been set up in Financial Services. Work is ongoing to improve performance scorecard information in conjunction with the Strategy and Performance Team in Corporate Services. This included initiatives being taken forward by SOLACE and the Improvement Service to develop a suite of cost indicators for all Scottish Councils.</p>	Service Manager, Business Improvement	March 2012
108	8	<p>The council should continue to ensure that reducing sickness absence levels remains a high priority.</p> <p>Substantial</p>	<p>Sickness absence is an indicator on our Council Scorecard; there are targets set and agreed by each Directorate Management Team; sickness absence is a standing item on Directorate agendas and regular management information is provided. The roll out of covalent as a reporting tool will improve access to meaningful diagnostics to shape strategies.</p> <p>Actions taken this year to effect improvements in 2011/12 onwards:</p> <ul style="list-style-type: none"> • Physiotherapy Treatment service provided from April 2011 to address musculoskeletal absence; • Changed Employee Counselling service from April 2011, promoted use of stress risk assessment tools and training courses in 	Head of HR	March 2012

Para Ref	Action Plan Point	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
			<p>managing/dealing with stress, advice line from Occupational Health provider from April 2011 to support management of mental health related absence;</p> <ul style="list-style-type: none"> • Different Occupational Health provision from April 2011 - better use of technology to enable faster referrals process, reports returned and case tracking now available to managers. Case conferences for complex cases and overall more direct liaison between managers and Occupational Health provider; • Reviewed Attendance Management procedure implemented from August 2011 (Firefighters from November 2011) but excluding Teachers; • Re-focussing of HR support to more complex absences and signposting to / consideration of early supports enable a return to work; • Revised approach to HR Business Partnering function from October 2011 enabling Directorate level strategies for managing absence. 		

Para Ref	Action Plan Point	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
113	9	<p>The council should demonstrate how monitoring progress against the overview report will show its compliance with best value. An action plan should be developed which will show how the council will deliver against best practice and areas for improvement in performance. Progress against this action plan should be reported on a regular basis to members.</p> <p>Substantial</p>	<p>This report was new for the year 2010-11 and we will incorporate improvements into any future report that is prepared.</p>	<p>Senior Manager – Policy and Communications</p>	<p>August 2012</p>
132	10	<p>Questioning of the conduct or capability of employees by elected members should only take place outside public meetings with either the executive directors or chief executive.</p> <p>Routine</p>	<p>The role of the Committee is set out in the Scheme of Administration and Audit Committee Handbook. Members will be reminded of these and the guidance provided by External Audit.</p>	<p>Audit and Risk Management Services Manager</p>	<p>September 2011</p>

Para Ref	Action Plan Point	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
140	11	<p>Reports on progress against the Fife SOA are presented to the FPEG on a six monthly basis. These reports are not presented to the Partnership Board. The Board is therefore unable to effectively scrutinise performance or to hold officers accountable for the delivery of the agreed indicators. The six monthly performance reports on the Council's SOA should be presented to the Fife Partnership Board to enable it to monitor progress and delivery of the Community Plan.</p> <p>Substantial</p>	<p>The Fife Partnership Board holds an annual meeting to scrutinise performance against the Fife Partnership's SOA. Annual review by the Board is considered to be an appropriate review period because of the policy areas under discussion and the time period for changes in the SOA statistics to become apparent. The six-monthly performance reports of the Outcome Theme Leads are effectively scrutinised by the Fife Partnership Executive group, are copied to the Board and the minutes of the Fife Partnership Executive Group are also reported to the Board. The Fife Partnership is also undertaking a self-assessment of the partnership using the Public Sector Improvement Framework following the approval of the Community Plan 2020.</p>	Senior Manager – Policy and Communications	Self assessment complete by December 2011

Para Ref	Action Plan Point	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
142	12	<p>The weaknesses identified in using the SOA as a performance monitoring tool have still not been fully addressed by the council. As the SOA is the performance tool for the Fife Community Plan the council must ensure that all of these issues are addressed</p> <p>Substantial</p>	<p>The actions on delivering the SOA are reported within partnership plans and strategies and are monitored on a six monthly basis through the reports of the Outcome Theme Lead officers and include actions that are being taken to rectify performance areas. The SOA will not show medium and short-term targets – a detailed piece of analytical work exploring outcome modelling is underway with the partnerships and partners that will address relevant medium and short-run outcomes and will build on the work of the Outcome Budgeting pilot that the Fife Partnership participated in with the Improvement Service. This will lead to improvements in understanding the alignment of performance frameworks and understanding the system and processes responsible for delivery of the SOA outcomes. It will also be incorporated into the performance reporting from the Outcome Theme Lead officers. All indicators bar the indicator for mental health have relevant targets set as of September 2011. The mental health and well-being indicator is not yet available for Fife and targets will be set when available. The Fife Partnership anticipates that there will be revised guidance on SOAs following Scottish Parliament Elections and will incorporate any new guidance into its arrangements.</p>	Senior Manager – Policy and Communications	Outcome Modelling scheduled for completion December 2011

Para Ref	Action Plan Point	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
149	13	The council should ensure all work on NFI is documented on the secure website to allow monitoring of results and progress to be carried out by relevant parties. Routine	Officers have been reminded that the NFI site should be updated as soon as is possible.	Audit and Risk Management Services Manager	September 2011
150	14	We recommend that staff are provided with sufficient training on NFI to ensure matches are investigated in the most time effective and efficient way. Routine	Officers involved in the NFI exercise have been made aware they should use appropriate filters. In the case of blue badges a decision was taken to check all matches to ensure the integrity of the Councils records.	Audit and Risk Management Services Manager	September 2011



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