

Aberdeen City Council

Annual report on the 2012/13 audit



Prepared for Members of Aberdeen City Council and the Controller of Audit
October 2013

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

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Key messages

This report summarises the findings from our 2012/13 audit of Aberdeen City Council. As part of the audit we assessed the key financial and strategic risks being faced by the council. We audited the financial statements and reviewed the council's financial position. In addition, we considered aspects of governance, best value, the use of resources and performance.

Financial Statements

We have given an unqualified opinion on the financial statements of the council and its group for 2012/13. In our opinion they give a true and fair view of the state of affairs of the council and its group as at 31 March 2013 and of the income and expenditure for the year then ended.

Financial position

In 2012/13, Aberdeen City Council spent £780.2m on the provision of public services including £63.3m on its capital programme. Once accounting adjustments are taken into account, the council increased its usable (cash backed) reserves by £48.5m during 2012/13. Overall, a favourable outturn of £5.7m was achieved by the council for 2012/13, partly due to significant savings on staff costs.

In February 2013, the council approved the revenue budget for 2013/14. A shortfall of £5.5m was identified, however it was agreed that by using a Financial Risk Reserve to meet any shortfall, a balanced budget could be approved. The 5 year indicative budget highlighted a worsening position. At the end of the 5 year period to 2017/18, a cumulative shortfall of £20m has been identified, which is almost double the position in 2012/13. The council has significant challenges ahead in addressing this matter.

Governance and accountability

There have been several changes in the management team over the year and most recently, the Head of Finance left the council. Appropriate interim arrangements were promptly put in place to ensure continuity of the section 95 officer role.

Politics is an integral part of local government leadership, however it is important that they can be set aside to support the constructive working of the council. We observed political tensions among councillors in several council meetings which have impacted on the effectiveness of decision making processes.

Overall the council's governance arrangements in 2012/13 were satisfactory. No material weaknesses in the accounting and internal control systems were identified during the audit although our interim report included some areas for improvement agreed with management.

Following a recommendation in our 2011/12 Report, arrangements have been agreed to strengthen governance in the council's Arms Length External Organisations (ALEOs) such as Sport Aberdeen, Aberdeen Sports Village and Aberdeen Exhibition and Conference Centre.

These include a clear distinction between the roles of service committees and the Audit and Risk Committee and the establishment of officer governance teams.

Performance and best value

The findings from a best value review of Aberdeen's Community Planning Partnership were published in March 2013 and concluded that Community Planning in Aberdeen has improved but commitment from all partners, particularly NHS Grampian, has to be clear and consistent. It was reported that the partnership needs to show better leadership to get more out of community planning for the city.

The council have developed 47 local performance indicators, which have a further 68 performance measures and 3 qualitative assessments. Based on an analysis of these indicators, there has been a deterioration in performance during 2012/13, with almost half of the indicators showing a decline.

Outlook

Scotland's public bodies will continue to face increasing demand and cost pressures for their services in the foreseeable future. Although the council has been able to agree balanced budgets in the last few years, the longer term situation forecasts increasing budget shortfalls. The council will have to continue to review its priorities and make increasingly difficult decisions about services to be provided to balance the budgets in future years.

Strengthening of the relationship between the council and NHS Grampian will provide a sound base for supporting the recently established local authority trading company and in working towards the integration agenda for health and social care.

The public reform agenda, particularly Welfare Reform, will result in the biggest shake up in the UK welfare system in 60 years. This will have a significant impact on a range of council services. There are early indications that welfare reform is resulting in increased rent arrears nationally.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Aberdeen City Council. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the council.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the council understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to members and the Controller of Audit and should form a key part of discussions with the audit committee, either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. Reports should be available to other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
6. The management of the council is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
7. The co-operation and assistance given to us by officers during the audit is gratefully acknowledged.

Financial statements

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

Audit opinion

11. We have given an unqualified opinion on the financial statements of the council and its group for 2012/13. In our opinion they give a true and fair view of the state of affairs of the council and its group as at 31 March 2013 and of the income and expenditure for the year then ended. We also certify that the accounts have been prepared properly in accordance with the relevant legislation, applicable accounting standards and other reporting requirements.

Legality

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

Annual Governance Statement

13. The financial statements contain an Annual Governance Statement (the statement) signed by both the Leader of the Council and Chief Executive. In line with good practice, the statement was considered by the Audit and Risk Committee on 4 June 2013, in advance of the draft financial statements being presented to council on 26 June 2013. As part of our annual audit, we review the disclosures made in the statement and the process for obtaining sufficient assurance to inform its content.
14. We were satisfied with the disclosures made in the statement and the adequacy of the process put in place by the council to obtain assurances from its service directors.

Remuneration report

15. We are satisfied that the remuneration report has been prepared in accordance with the relevant legislation. The disclosures within the 2012/13 financial statements include all eligible remuneration for the relevant council officers and elected members under a number of categories including pension benefits.

Accounting issues

16. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code). Overall we are satisfied that the council prepared the 2012/13 financial statements in accordance with the Code.

Accounts submission

17. The unaudited financial statements were submitted to the Controller of Audit in advance of the target date of 30 June. The working papers were of a good standard and staff provided effective support to the audit team. The financial statements were certified by the target date of 30 September 2013 and are now available for presentation to members and for publication.

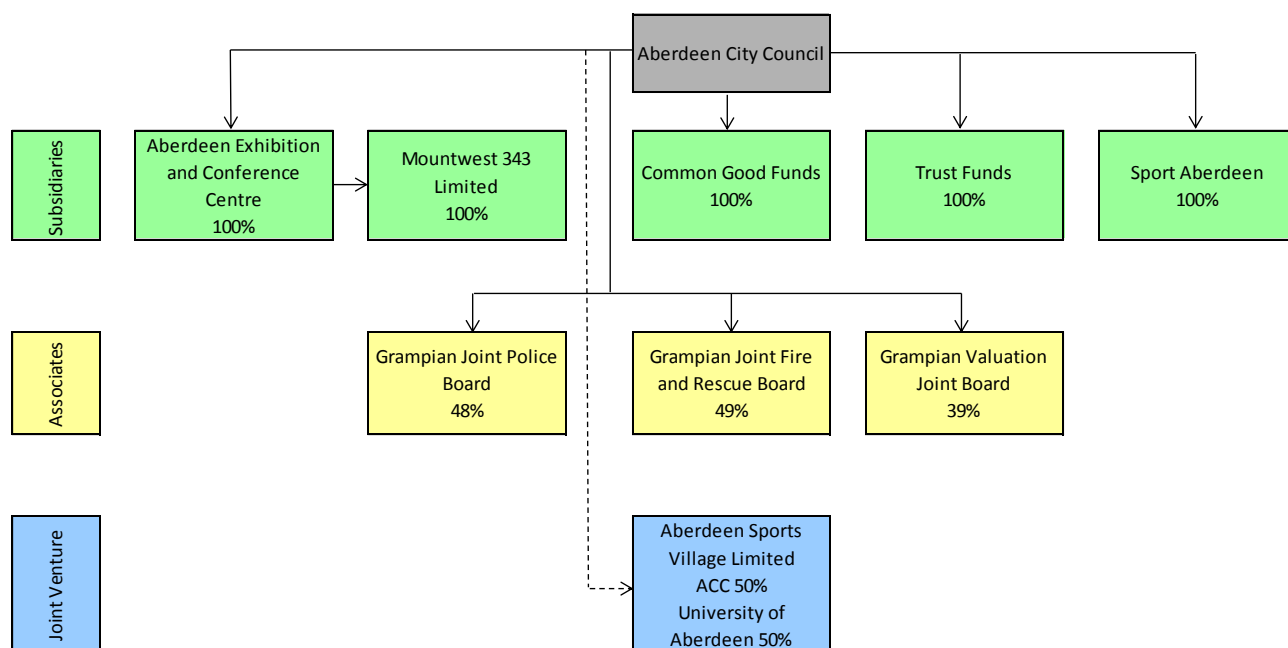
Presentational and monetary adjustments to the unaudited accounts

18. In line with International Standard on Auditing 260 '*Communication of audit matters to those charged with governance*', we reported the conclusions of our audit to the Audit and Risk Committee on 24 September 2013.
19. Several misstatements were identified during the audit and the most significant were corrected in the accounts. The effect of these adjustments is a decrease in net assets of £13.5m, an increase of £6.7m in the general fund and a reduction of £20.2m in other reserves. The main adjustments related to :
 - an error in the valuation of council house additions
 - the accounting treatment for monies set aside from council tax for affordable housing
 - the treatment of potential liabilities arising in respect of the now suspended Scottish Government's Landfill Allowance Tax Scheme.
20. A number of presentational amendments were also processed to improve the disclosures within the accounts. In addition, adjustments were not made for other misstatements identified during the audit. These misstatements, while more than clearly trivial, are immaterial to the accounts as a whole. If adjusted, the net impact of the misstatements would be an increase of £1.1m in net assets, an increase of £0.2m in the general fund and an increase in other reserves of £0.9m. It is our responsibility to request that all misstatements be corrected, although the final decision on this matter rests with those charged with governance taking into account advice from officers and materiality. Management explained that these adjustments were not material to the financial statements and we concurred with this view.

Group accounts

21. The diversity of service delivery vehicles used by local authorities means that consolidated group financial statements are required to give a true and fair view of the activities of the council. To enable the preparation of group financial statements, councils are required to consider their interests in all entities, including companies, joint ventures and statutory bodies, such as police, fire and valuation joint boards, and where there is a material interest in other organisations they should be consolidated.
22. The council has interests in 5 subsidiaries, 3 associates and one jointly controlled entity which are consolidated in the group accounts in accordance with the Code. These interests are shown in Exhibit 1.
23. International Standard on Auditing (ISA) 600 *'Using the work of another auditor'* requires us to consider a number of matters relating to the audit of group entities included within the financial statements of the council. As part of this process we issue questionnaires to auditors of material group entities and obtain audited accounts for all subsidiaries and associates. Based on this work we draw members' attention to the following matters:
 - in accordance with recommended accounting practice, key policies for component bodies such as pension costs and the valuation of non-current assets at market value have been aligned with the council's accounting policies. Where this was not possible, we were satisfied that the amount was not material to the group accounts.
 - all bodies within the group received unqualified audit opinions on their 2012/13 financial statements.
24. The Police and Fire Reform Act came into force on 1 April 2013 resulting in the transfer of Police and Fire bodies from local to central government and the creation of national police and fire organisations. This will have a positive impact on the future group accounts of the council as it will remove significant pension liabilities that both Grampian Joint Police Board and Grampian Joint Fire Board were carrying.

Exhibit 1 – Aberdeen City Council Group Structure



Source: Aberdeen City Council Statement of Accounts 2012/13

Common Good

25. As at 31 March 2013, the value of the Common Good Fund stood at £78.2m, an increase of £4.3m from the value in the previous financial year. This increase was largely attributable to an increase in the value of the investment property held by the fund.
26. In December 2007, the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued guidance covering the common good. The council complies with this guidance as it prepares a separate disclosure in the council's financial statements and the assets are separately identified in the council's asset register.
27. The guidance note also states that local authorities should take reasonable steps to ensure that common good asset registers support the assets shown in the common good balance sheet. In common with other councils, Aberdeen's view is that reviewing the title deeds at point of sale represents "reasonable steps" for maintaining the asset register as a title deeds search of all council assets would be time consuming and prohibitively expensive.
28. Restrictions over the alienation or disposal of common good assets continue to be governed by the law of common good. No issues were identified through our routine audit activity during 2012/13 in relation to the treatment of common good assets.
29. In May 2013, the council agreed to dispose of land held by the Common Good Fund. The receipts from this sale will significantly increase the reserves of the fund over the next 6 years and will be invested in accordance with the approved Common Good investment strategy.

Pension costs

30. Aberdeen City Council is a scheduled body of North East Scotland Pension Fund which is a multi-employer defined benefit scheme. In accordance with pensions accounting standard IAS19 'Retirement Benefits', the council has recognised its share of the net liabilities for the pension fund in the balance sheet. The valuation at 31 March 2013 provided by the scheme's actuaries increased the council's share of the deficit from £257.6m as at 31 March 2012 to £292.6m as at 31 March 2013. Although the fair value of assets rose in the year, the increased deficit was more significant due to changes in actuarial assumptions such as salary increases, mortality levels and rates of inflation. Actuarial assumptions in general were lower this year with the result that scheme liabilities increased.
31. Exhibit 2 shows Aberdeen's net liability compared to previous years. This deficit does not require an immediate cash injection but may need to be funded by increased contributions over the long term.

Exhibit 2: IAS19 Net Pension Liability/Deficit

	2012/13	2011/12	2010/11
	£000	£000	£000
Fair Value of Assets	863,568	744,506	846,722
Liabilities - present value of defined benefits obligations	(1,156,159)	(1,002,083)	(1,074,977)
Net Pension Liability/Deficit	(292,591)	(257,577)	(228,255)
Discount rate	4.2%	4.9%	5.5%

Source: Aberdeen City Council Statement of Accounts 2012/13

Outlook

32. On 1 August 2013, the council established two council wholly owned subsidiaries, Bon Accord Care and Bon Accord Support Services. Bon Accord Care will provide a range of social care services to the elderly and their carers throughout the city. Bon Accord Support has been set up to provide support services to Bon Accord Care. Both subsidiaries will require to be consolidated with the council's 2013/14 group accounts. In respect of the financial statements, there will be a range of issues to resolve in terms of separately identifying and disclosing the transactions, assets and outstanding liabilities for the services transferred including any potential workforce reduction and early retirement costs.
33. The Charities Accounts (Scotland) Regulations 2006 as amended (the 2006 Regulations) set out the accounting and auditing rules for Scottish registered charities. These apply to all local authority registered charities and require an audit of a registered charity's financial statements where the local authority is sole trustee and where certain thresholds apply (i.e. income of £0.5m or above or gross assets of £3.26m). An independent examination is required for the financial statements of charities below the aforementioned threshold values.

34. A full audit is required from 2013/14 of all registered charities where the local authority is the sole trustee irrespective of the size of the charity. This is due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Regulations.
35. Aberdeen City Council has 50 registered charitable trusts with work in progress to amalgamate and reduce that number to less than ten. The council are hopeful that this will be achieved by 31 March 2014 but this is dependent on approval from the Office of the Scottish Charity Regulator (OSCR).
36. The Assistant Auditor General (AAG) wrote to Local Government section 95 officers in June 2013 advising them of these new arrangements and the Accounts Commission's decision to appoint the auditor of each council as the auditor of its relevant charities. This is likely to result in an increase in audit costs and will form part of the fee discussions as part of the 2013/14 audit planning process.
37. The Scottish Government has recently carried out a consultation exercise in terms of the Local Authority Accounts (Scotland) Regulations. It is anticipated that the new regulations will apply to the financial year 2013/14 and will require audit committees to approve audited accounts by 30 September 2013. This will effectively require the timetable for the audit and certification of the accounts to be brought forward by a couple of weeks. In addition, there will need to be due consideration to the impact of the revised regulations when the council sets meeting dates for the Audit and Risk Committee.

Refer to Action Point No. 1

Financial position

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

Financial results

41. In 2012/13, Aberdeen City Council spent £780.2m on the provision of public services including £63.3m on its capital programme. In delivering these services the council generated an accounting loss of £40.9m. Adjustments are, however, required to this accounting deficit to reflect the statutory funding arrangements in place. Once these are taken into account, the council increased its usable (cash backed) reserves by £48.5m during the year. These matters are discussed further in the following paragraphs.

Budgetary control

42. Overall, a favourable outturn of £5.7m was achieved by the council for 2012/13 and further explanation on this is provided throughout this section of the report. In relation to the council's key frontline services, Exhibit 3 shows an increasing trend towards underspends in recent years. In particular, Housing and Environment Services achieved a significant underspend of £3.9m, 11.5% of annual budget. This was attributable to lower waste disposal costs, partly due to lower than anticipated waste volumes, and savings achieved by the homelessness service changing its provision of accommodation away from bed and breakfast.
43. Savings arising from the management of staff vacancies across all services amounted to £9.2m, representing 3.7% of the general fund staff budget. At the end of the financial year there were approximately 760 vacancies in the council, the equivalent of around 10% of funded posts. At a time of financial pressures, balanced budgets have been achieved in part by reducing staff numbers. However, the council needs to monitor the consequences for services. Whilst a vacancy factor is to be expected, a high level may produce a negative impact on service performance. We comment further on service performance issues on pages 30 and 31 of this report.

Refer Action Plan No. 2

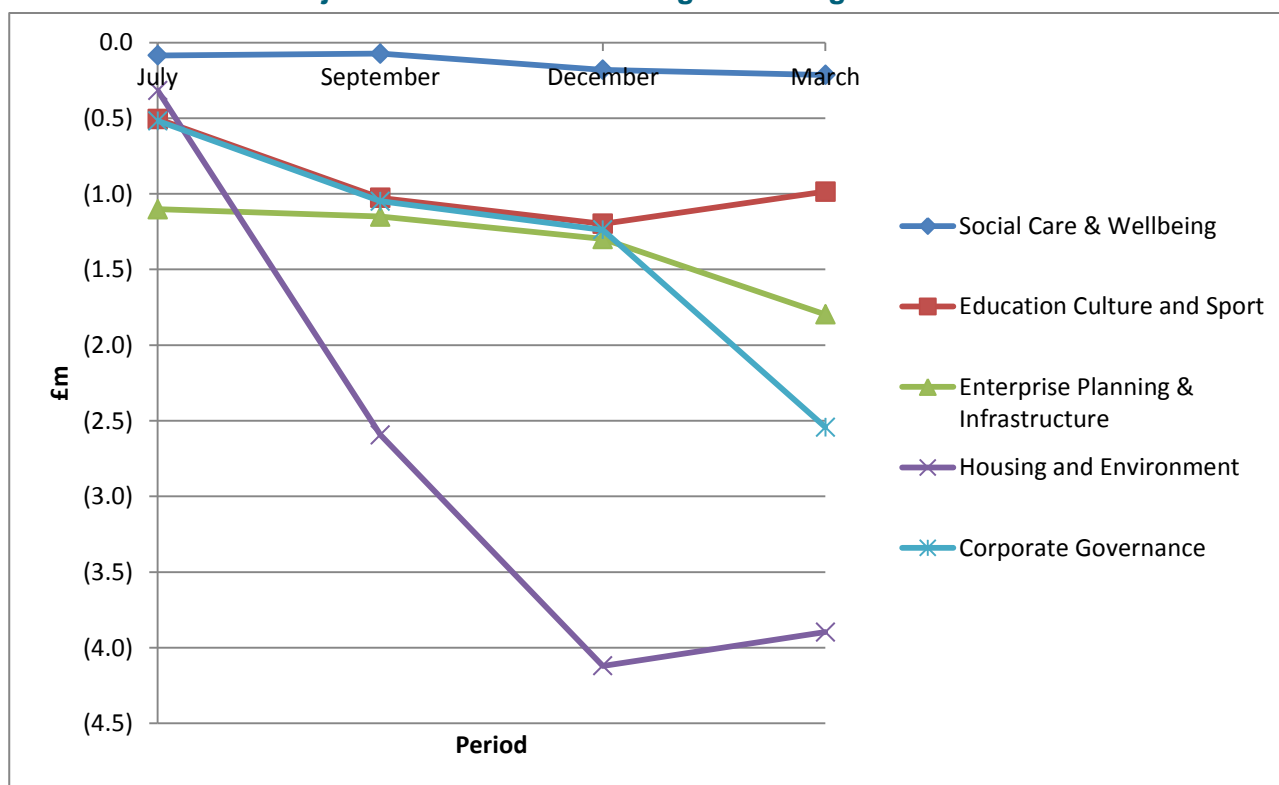
Exhibit 3 - Key Services (underspend)/ overspend

	2012/13 £m	2011/12 £m	2010/11 £m
Key Services			
Education, Culture and Sport	(1.0)	(0.7)	1.8
Housing and Environment	(3.9)	(0.8)	(0.6)
Social Care and Wellbeing	(0.2)	(2.2)	(7.8)
Enterprise Planning and Infrastructure	(1.8)	(3.0)	2.6
Corporate Governance	(2.5)	(2.8)	(1.4)

Source: Aberdeen City Council Statement of Accounts 2010/11, 2011/12 and 2012/13

44. Exhibit 4 shows the departmental projected results as reported on a regular basis to members and highlights the on-going attention to savings during the year.

Exhibit 4 - 2012/13 Projected Outturn Variance against Budget



Source: Aberdeen City Council Revenue Budget Monitoring

45. As highlighted in Exhibit 5, the council revised the approved budget set in February 2012 to reflect progress in achieving approved budget savings options from October 2012. This resulted in a reduction in budgeted expenditure of £7.9m. Thereafter, the only movements in the budget were virements between services.

Exhibit 5 - Outturn against budget 2012/13

	Approved Budget - February 2012	Revised Budget - October 2012	Final Budget	Outturn	Outturn variance
	£000	£000	£000	£000	£000
Key Services					
Education, Culture and Sport	171,682	173,743	160,389	159,403	986
Housing and Environment	38,385	37,001	34,029	30,132	3,897
Social Care and Wellbeing	118,728	121,966	120,076	119,862	214
Enterprise Planning and Infrastructure	51,529	52,042	40,783	38,986	1,797
Corporate Governance	27,430	28,573	27,962	25,419	2,543
Total General Fund Services	459,600	451,675	451,675	451,316	359
Funding	459,600	451,675	451,675	457,011	5,336
General Fund Surplus	0	0	0	(5,695)	5,695

Source: Aberdeen City Council Revenue Budget 2012/13, Revenue Budget Monitoring

Reserves and earmarked balances

46. At 31 March 2013, the council had total usable funds of £108.8m and as Exhibit 6 demonstrates, this is an increase of £48.5m (80.4%) compared to the previous year, largely due to an increase in general fund earmarked balances and an increase in the capital fund held within statutory reserves. The council's policy is to maintain free balances at £11.3m which is approximately 2.5% of revenue expenditure. At 31 March 2013, the unallocated general fund balance was held at this level.

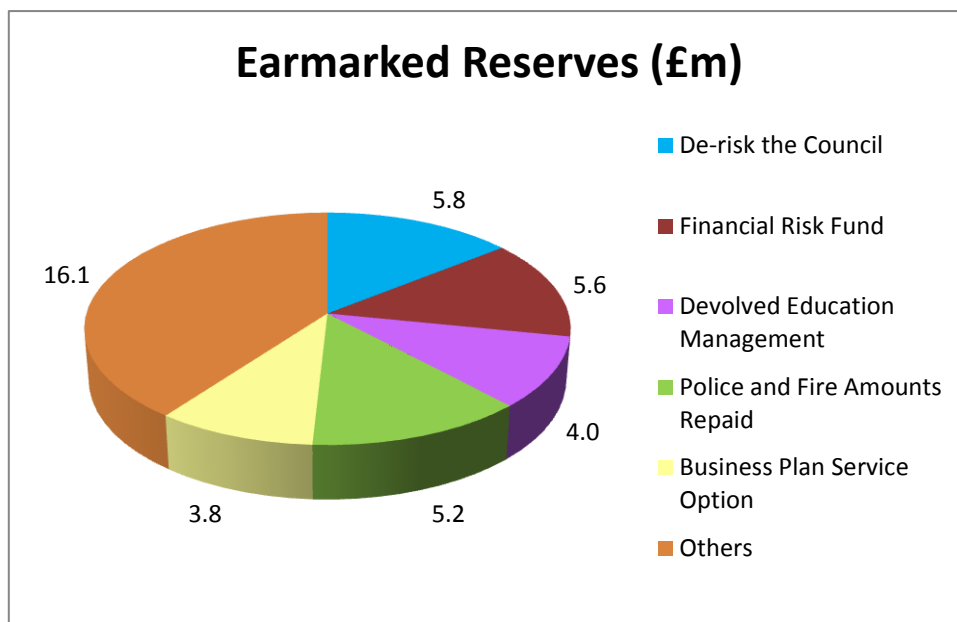
Exhibit 6: Reserves

Description	31 March 2013	31 March 2012	Movement %age
	£m	£m	
General Fund (unallocated)	11.3	11.3	0
General Fund (earmarked balances)	37.9	20.1	88.6
Housing Revenue Account (unallocated)	6.0	4.3	39.5
Housing Revenue Account (earmarked balances)	2.4	2.7	(11.1)
Statutory and other reserves	51.1	21.8	134.4
Capital grants unapplied	0.1	0.1	0
Total	108.8	60.3	80.4

Source: Aberdeen City Council Statement of Accounts 2012/13

47. The total value of the council's earmarked reserves including the Housing Revenue Account balance as at 31 March 2013 was £40.3m, an increase of 76.8% from 2012.

Exhibit 7: Earmarked Reserves



Source: Aberdeen City Council Statement of Accounts 2012/13

48. Exhibit 7 shows the main earmarked balances held by the council at 31 March 2013. There are a number of significant new earmarked balances in the year including a Financial Risk Reserve of £5.6m and £2.9m for Affordable Homes. The Financial Risk Reserve was established to meet future financial risks arising from pressures the council cannot directly influence. In addition, Exhibit 8 shows a significant increase in both the value and number of earmarked balances over the last few years.

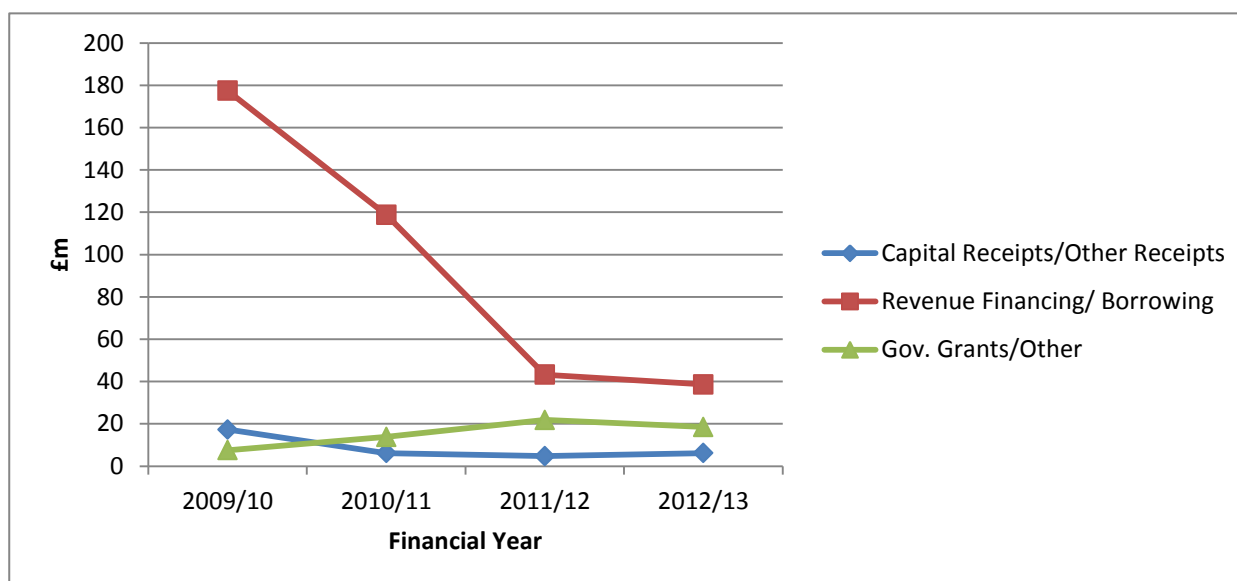
Exhibit 8: Earmarked reserves

	2012/13	2011/12	2010/11	2009/10
	£m	£m	£m	£m
Value of total Earmarked Reserves	40.4	22.8	26.5	21.5
	Number	Number	Number	Number
Earmarked reserves	31	21	15	16
New balances in year	11	10	1	5
Balances removed in year	1	4	2	4
Balances no movement	5	2	3	3

Source: Aberdeen City Council Statement of Accounts

Capital investment and performance 2012/13

49. The financial statements show additions to the council's property, plant and equipment of £61.3m, the majority of which relates to enhancement expenditure on council dwellings. Including other asset categories and non-asset creating expenditure, this produces a total for capital expenditure in 2012/13 of £63.3m.
50. The trend in sources of funding for capital expenditure is reflected in Exhibit 9. This shows that capital funding from the various sources for 2012/13 was consistent with the previous year.
51. The council, in conjunction with Aberdeenshire Council and Transport Scotland has continued to progress the construction of the Aberdeen Western Peripheral Route (AWPR) and has an obligation to pay a share of the costs. In 2012/13 the council agreed a funding mechanism with Transport Scotland which effectively caps the council's future contributions to the scheme at £75m.

Exhibit 9 - Sources of finance for capital expenditure 2009/10 – 2012/13

Source: Aberdeen City Council Statement of Accounts

Treasury management

52. Treasury management activities are reported twice a year to the council and the strategy is updated annually. As at 31 March 2013, Aberdeen City Council held short term investments of £20.3m (£20.2m at 31 March 2012).
53. All borrowing undertaken by the council should be in accordance with the Prudential Code which requires the council to demonstrate that it is affordable and sustainable. During 2012/13, whilst the council reduced its level of short term borrowing from £130.6m to £121.7m, this is around 21% of total borrowing. The use of short term borrowing carries a liquidity risk in making repayments and exposes the council to increasing costs should interest rates rise. Whilst the council recognises this risk, its treasury management strategy is aimed at benefiting from the current low interest rates offered on short term borrowing. The level of short term borrowing held at 31 March 2013 was therefore in accordance with the council's strategy.

Financial planning to support priority setting and cost reductions

54. The Aberdeen City Council Business Plan was approved by the council in February 2012 as part of the budget setting process for 2012/13. As part of the development of the Business Plan and budget, the council updated its Priority Based Budgeting (PBB) exercise to review all costs incurred and consider all services being delivered. While the budget setting process identified a shortfall of £2.6m, a number of savings were also identified and approved to allow the council to approve a balanced budget for 2012/13. Financial forecasts and progress against savings packages are routinely reviewed and monitored as part of regular monitoring reported to the management team and members. The longer term position at this time highlighted a cumulative shortfall of £10.2m in the 5 year period to 2016/17.

55. In February 2013, the council approved the revenue budget for 2013/14. A shortfall of £5.5m was identified, however it was agreed that by using the Financial Risk Reserve to meet any shortfall, a balanced budget could be approved. The 5 year indicative budget highlighted a worsening position. At the end of the 5 year period to 2017/18, a cumulative shortfall of £20m has been identified, which is almost double the position in 2012/13. This is shown in Exhibit 10 below.
56. The 2013/14 balanced budget relies on the use of non recurring reserves to support the break-even position. This is not a long term strategy and carries the significant risk that the underlying reasons for the shortfall are not addressed. The indicative budget figures for 2014/15 make use of an amount from the risk fund. In spite of the savings already identified in the last 2 years by the council, it is clear that further savings options or redesign of services will require to be developed to ensure financial sustainability.

Refer Action Plan No. 3

Exhibit 10: Movement in Financial Position 2012/13 – 2017/18

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
2012/13 Budget – Agreed 09/02/12						
Funding	(459,600)	(461,821)	(465,244)	(471,908)	(475,947)	
Expenditure	462,198	466,902	469,327	474,883	485,877	
Shortfall	2,598	5,081	4,083	2,975	9,930	
Savings Agreed	(2,598)	(2,435)	(2,426)	(2,418)	293	
Revised Shortfall	0	2,646	1,657	557	10,223	
2013/14 Budget – Agreed 14/02/13						
Funding		(434,005)	(436,559)	(445,470)	(451,572)	(456,228)
Expenditure		439,546	447,910	452,187	466,672	476,276
Shortfall		5,541	11,351	6,717	15,100	20,048
Use of Financial Risk Reserve		(5,541)	(3,054)	0	0	0
Revised Shortfall		0	8,297	6,717	15,100	20,048

Source: Aberdeen City Council Revenue Budget 2012/13 and 2013/14

Partnership working

57. The Scottish Government and Convention of Scottish Local Authorities reviewed community planning and Single Outcome Agreements in 2012 following which they published their 'Statement of Ambition'. This made it clear that significant changes to improve community planning are needed to respond to the challenges of reducing public finances while demand for services increases.
58. The Audit Scotland report '*Improving community planning in Scotland*' (March 2013) was based on the findings from three pilot audits including Aberdeen. It concluded that partnerships have not been able to show that they have had a significant impact on delivering improved outcomes across Scotland.
59. The findings from the audit of Aberdeen's Community Planning Partnership were also published in March 2013 and concluded that Community Planning in Aberdeen has improved but commitment from all partners, particularly NHS Grampian, has to be clear and consistent. It was reported that the partnership needs to show better leadership to get more out of community planning for the city.

Refer to Action Point No. 4

Outlook

2013/14 budget and beyond

60. As at July 2013, the 2013/14 outturn forecast reported to members was an underspend of £4.3m, around 1% of budget. This position has arisen due to vacancy management, reduced costs of waste disposal and progress being made in the delivery of savings options.
61. In the short term, the council expects relative financial stability as savings packages in 2013/14 are anticipated to deliver an underspend on budget. Beyond that however, the medium to long term outlook for public sector finance remains significantly challenging so councils will need to plan accordingly.

Auto-enrolment

62. The Pensions Act 2011 introduced measures which aim to reform workplace pensions and enable individuals to save more for their retirement. One of the key measures is the introduction of auto-enrolment which places a duty on employers to automatically enrol all eligible job holders into a qualifying pension scheme and inform them that they have done so. The main implications for the council are the legal requirements to comply with auto-enrolment and the additional financial costs as a result of increased employer pension contributions.
63. In an update to the council's Corporate Policy and Performance Committee in November 2012, estimated annual costs of auto-enrolment were £3m if 100% of eligible employees remained in the scheme following enrolment. In the 2013/14 revenue budget, the council assumed that approximately 30% of eligible employees will remain in the scheme. However, early indications showed that around 70% have chosen to remain in the fund. This will require additional contributions from employers putting further pressure on the council's budget.

Governance and accountability

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

Corporate governance

Processes and committees

68. Over the last 18 months the council has considered a series of reports arising from self-evaluation activity and associated areas for action having reflected upon the Accounts Commission's report: *'Roles and working relationships: are you getting it right?'* During 2012/13, the council set up a working group to review its committee structure, standing orders and scheme of delegation. Consequently, a number of recommendations were approved by council in August 2013. These included:
 - disbanding the Corporate Policy and Performance Committee and transferring its remit to a renamed Finance, Policy and Resources Committee
 - the creation of a Petitions Committee; and
 - the establishment of a Property Sub Committee to deal with asset management and property matters.

Decision making processes

69. Effective political leadership and culture are important to ensure that councils can balance strategic, corporate, operational and local objectives effectively. They are important factors to support good accountability and continuous improvement.
70. Politics is an integral part of local government leadership and tensions are not unusual. However, through Audit Scotland's Best Value work across Scotland, we have identified that, in the best performing councils, councillors are able to identify when to set aside political differences and work in a constructive way to support the work of the council. This was reflected in our 'Roles and Working Relationships' report, from which an extract of good practice is included in Exhibit 11.

Exhibit 11 Effective working relationships

In successful councils, councillors and senior managers share a strong public sector ethos and work well together to put their plans for the council area into action. Common features include clearly understood political and managerial structures, professional and constructive relationships between councillors and between councillors and officers, a shared commitment to council priorities, and constructive debate at council and committee meetings.

In contrast, in many of those councils making least progress in best value, a lack of clarity about roles and responsibilities and poor working relationships were contributing factors. In the most serious cases, problems included heightened political tensions among councillors and a lack of trust and mutual respect among councillors and between councillors and officers, which affected their ability to work together.

Source: How Council's Work: Roles and Working Relationships: are you getting it right? Accounts Commission 2010

71. As part the audit process we observed council meetings and these were mainly held in public. These meetings are often long, lasting up to eight hours excluding breaks. In many cases this is due to the number of amendments proposed in response to reports on the agenda. Meetings are well attended and most councillors engage in debate. However, in many instances points have already been made by other councillors which leads to long discussions that add little to the considerations overall.
72. Behaviours in the council chamber were regularly disrespectful with councillors being reminded of the existence of the Code of Conduct. A number of local issues over the last year have been particularly challenging and added to the political tensions.

Audit and Risk Committee

73. As the body charged with governance for the purposes of International Standard on Auditing 260, the Audit and Risk Committee plays a key role in monitoring governance including risk management and internal controls.
74. An effective committee should have an appropriate status and be independent. Ultimately this depends on the members of the committee and their approach. In line with good practice, the committee is chaired by the Leader of the main opposition party in the council. However, it is important that an audit committee's discussion is not influenced by a political position, but that members have sufficient knowledge of services and resources to be able to provide appropriate challenge. This in itself requires particular skills and specialist training which would perhaps support the need for consistency in membership. In recent months, we observed a number of substitutions on the Audit and Risk Committee. While it may be deemed necessary to have substitutions on occasion, options to improve the effectiveness of the committee might be to only allow a substitution where a member has completed the relevant specialist training and/or to restrict voting rights and therefore retain the decision-making function for the permanent members of the committee.

Refer to Action Point No. 5

Corporate Management Team

75. There have been a significant number of changes to the council's Corporate Management Team over the past 12 months. The directors of Education, Sport and Culture (ECS), Social Care and Wellbeing (SCW) and Corporate Governance (CG) all resigned from the council to take up new posts elsewhere. Until new appointments were made, respective heads of service acted up in the director role on a rotational basis as a development opportunity. The new directors came/come into post as follows:

Director	Start Date
Education, Culture and Sport	January 2013
Social Care and Wellbeing	September 2013
Corporate Governance	November 2013

Head of Finance

76. Following a period of absence, the Head of Finance ceased employment by mutual consent with the council on 31 August 2013. The council acted promptly in June 2013 to approve the chief accountant as an interim proper accounting officer in terms of S95 of the Local Government (Scotland) Act 1973. We have obtained management assurances that there were no irregularities which would impact on the council's financial position at 31 March 2013 or its overall governance arrangements.

77. The head of finance holds the council's statutory chief financial officer role. He attends council and management meetings and has direct access to members and other chief officers. For 2012/13, the council was able to demonstrate compliance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. During the absence of the Head of Finance, the Chief Accountant was nominated by the council as an interim chief financial officer with the same role and responsibilities. We would expect that these duties will revert to the head of finance, once the post is filled.

Internal control

78. International Standards on Auditing (ISAs) require evaluation of critical financial systems and testing of key controls on an annual basis. In reaching conclusions, audit work should be based on controls and transactions across the financial year.
79. ISA 610, '*using the work of internal auditors*', states that the external auditor shall determine whether the work of the internal auditors is likely to be adequate for the purposes of the audit and, if so, the planned effect of the work of internal auditors on the nature, timing or extent of the external auditor's procedures. We therefore seek to rely on the work of internal audit wherever possible.
80. Internal audit for the council is provided by PricewaterhouseCoopers. In respect of 2012/13, having concluded that reliance could be placed on their work, we agreed a strategy with internal audit which ensured sharing of the work between internal and external audit to avoid, wherever possible, duplication of audit resources and to minimise the impact on officers.
81. Through discussion with internal audit, we agreed action to ensure audit coverage of key controls in each of the council's critical financial systems. As part of this arrangement, internal audit began a programme of continuous financial controls testing in 2012/13. This assisted us in obtaining the assurances we required on the operation of critical systems to support our opinion on the financial statements.
82. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements

Governance of Arms Length External Organisations (ALEOs)

83. In our 2011/12 Annual Report, we highlighted the need to strengthen governance arrangements in respect of group entities. In response, the council requested internal audit to undertake a specific piece of work on the scrutiny of ALEOs. In April 2013, internal audit reported a number of wide reaching recommendations relating to monitoring, scrutiny, risk management and Council appointments to the boards of ALEOs. The Audit and Risk Committee largely approved the recommendations but called for a further report on a proposal that members who sit on first tier ALEO boards (Sport Aberdeen, Aberdeen Sports Village, AECC and Bon Accord Care) should not also be members of bodies which scrutinise them. Following guidance from the Standards Commission, it was confirmed that councillors need to

continue to declare relevant interests at any meeting but that this would not preclude them from membership of any committee.

84. In August 2013, the council initiated the implementation of new arrangements which provide a clear distinction between the roles of service committees in ensuring ALEOs meet business objectives and performance targets and the scrutiny role of the Audit and Risk Committee. In addition, the establishment of officer governance teams for each ALEO was confirmed to provide guidance on operational reporting and to ensure consistency across services at an operational level.
85. We will monitor the effectiveness of the new scrutiny arrangements as part of our 2013/14 audit.

Data Protection

86. The council was subject to a fine of £100,000 by the Information Commissioner's Office (ICO) after a data breach resulted in an employee unknowingly publishing data about vulnerable children online while working from home. The files were uploaded in November 2011 but remained online until February 2012.
87. In response to the breach, the council accepted an invitation from the ICO to take part in an assessment of its compliance with the Data Protection Act 1998 (DPA), particularly the areas of Data Governance, Training and Security. The audit took place in April 2013 and took the form of interviews and site visits. The report concluded that there was a reasonable level of assurance that processes and procedures were in place and delivering data protection compliance. However, the audit identified some scope for improvement in existing arrangements to reduce the risk of non-compliance with the DPA.

Refer to Action Point No. 6

Welfare Reform

88. The Welfare Reform Act 2012, as reported last year represents the biggest reform of the UK welfare system for 60 years. In 2012, the council's Corporate Management Team (CMT) established a Welfare Reform Programme Board chaired by the Director of Social Care and Wellbeing which reports directly to CMT and the Community Planning Partnership Board. Membership is made up of project leads and partner organisations including representation from the Third Sector. The Board met regularly to develop and oversee the following work streams:
 - Scottish Welfare Fund
 - an integrated approach to benefits, training and employment
 - household management and budgeting
 - training and communications.

89. An update report was presented to the council in August 2013 highlighting progress made. The Scottish Welfare Fund was implemented on 1 April 2013 and by June 2013 the council had paid out £0.04m in Community Care Grants and £0.03m of Crisis Grants. We will continue to monitor the council's response to Welfare Reform during the 2013/14 audit.

Prevention and detection of fraud and irregularities

90. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. These arrangements include, for example, a counter fraud strategy, a whistle blowing policy and codes of conduct for elected members and staff. Auditors are required to review and report on these arrangements.
91. While we made some recommendations to strengthen existing procedures, we concluded that in overall terms, arrangements for the prevention and detection of fraud and other irregularities were generally satisfactory. However, we suggested regular promotion of policies to maintain staff awareness of procedures and expected action.

NFI in Scotland

92. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise commenced in September 2012 and national findings will be reported in spring 2014. The council has made good progress in reviewing high risk data matches received from the exercise. From the work done only 2 frauds and 113 errors amounting to around £31,000 were identified. The council can therefore take assurance from the results of this exercise, i.e. that little fraud or error has been identified, as confirmation that systems and procedures are working well.

Housing and council tax benefits

- Performance audit

93. As part of Audit Scotland's planned timetable of Housing Benefit/Council Tax Benefit risk assessments, a review was undertaken in September 2012 following completion and submission of a self assessment in August 2012. The findings from the review were reported to the Audit and Risk Committee in June 2013. An agreed action plan to address improvement opportunities and minimise identified risks has been agreed and will be implemented during 2013/14. In particular, the service needs to do more in the areas of accuracy of processing claims and interventions. It needs to set out clearly what it will do to correct payments to its customers and to help minimise further financial losses caused as a result of payment errors.

- Housing benefit subsidy

94. In our 2011/12 Annual Report, we commented on the level of errors found when examining benefit cases in connection with the audit of the council's housing benefit/council tax benefit subsidy claim. In recent years, the Department for Work and Pensions (DWP) has recovered £0.85m from the council for subsidy incorrectly overclaimed. The DWP received our audit report in respect of the 2011/12 claim in November 2012 but have yet to conclude the outcome with the council.
95. In 2012/13, we continued to find a significant number of errors in our case review of benefit claims. Consequently, further samples have been selected in order that focused work can be undertaken on the areas of specific concern. On conclusion of this additional work, errors will be extrapolated in consultation with benefits staff and reported to the DWP who will then determine if there are financial implications for the council. The 2012/13 subsidy claim will be certified by 30 November 2013. Thereafter, we will provide management with an analysis of the types of errors found in order that further steps can be taken to improve benefit processing arrangements.

Refer Action Plan No. 7

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

96. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and that they have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place.
97. We reviewed the council's arrangements in response to the Bribery Act 2010 and noted that a strong framework had been put in place but that risk assessments had still to be completed by services. It was not therefore possible to confirm if services were complying with the approved framework.

Refer Action Plan No. 8

Outlook

98. Welfare reform will continue for several years to come and from October 2013 the Universal Credit will start to be rolled-out nationally. This will replace a range of existing means-tested benefits and tax credits for people of working age. It is important that the council continues to monitor the impact of these reforms closely and develop efficient and effective strategies that address the welfare reform agenda.

Best Value, use of resources and performance

99. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. The Local Government in Scotland Act 2003 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning.
100. Additionally, auditors of local government bodies have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
101. Furthermore, as part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
102. This section includes a commentary on the Best Value/ performance management arrangements within the council. We also note any headline performance outcomes and measures used by the council and comment on any relevant national reports and the council's response to these.

Management arrangements

Performance management

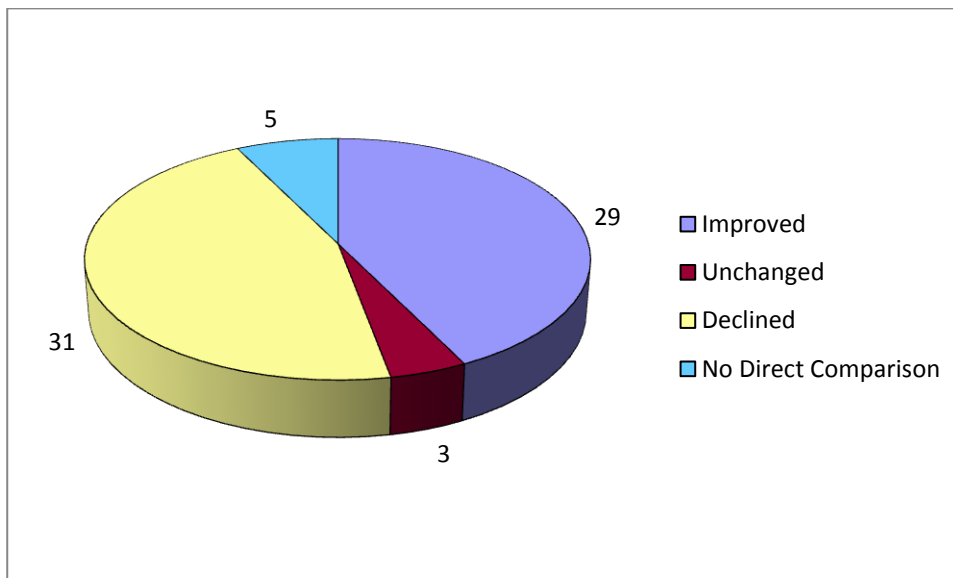
103. The Aberdeen City Council Business Plan was approved by the council in February 2012 and covers a five-year planning cycle from 2012-17. The plan is subject to ongoing review and update. The business plan reflects the council's strategic priorities and details specific, priority-based actions. Performance monitoring sits alongside the business plan focusing on achievement of the plan and regular monitoring by elected members of progress in implementing the council's strategic priorities.
104. During 2012/13, the overall responsibility for corporate monitoring lay with the Corporate Policy and Performance Committee (CPPC) and from August 2013, this was transferred to the renamed Finance, Policy and Resources Committee. There is also a Corporate Performance Management Group who is consulted on all changes to the framework. Regular performance exception reports are presented to each of the council's service committees highlighting performance outwith agreed target levels.

Overview of performance in 2012/13

Statutory performance indicators

105. In 2012/13, a total of 25 Statutory Performance Indicators (SPIs), with 68 individual performance measures were required. This information was provided to members in a report to Finance, Policy and Resources Committee in September 2013. An analysis of the data is included in Exhibits 12 and 13. Exhibit 12 shows that performance was mixed between indicators which had improved and those which had declined.

Exhibit 12: SPI movements (Total 68 measures from 25 indicators)



Source: SPI data returns, report to Finance, Policy and Resources Committee, September 2013

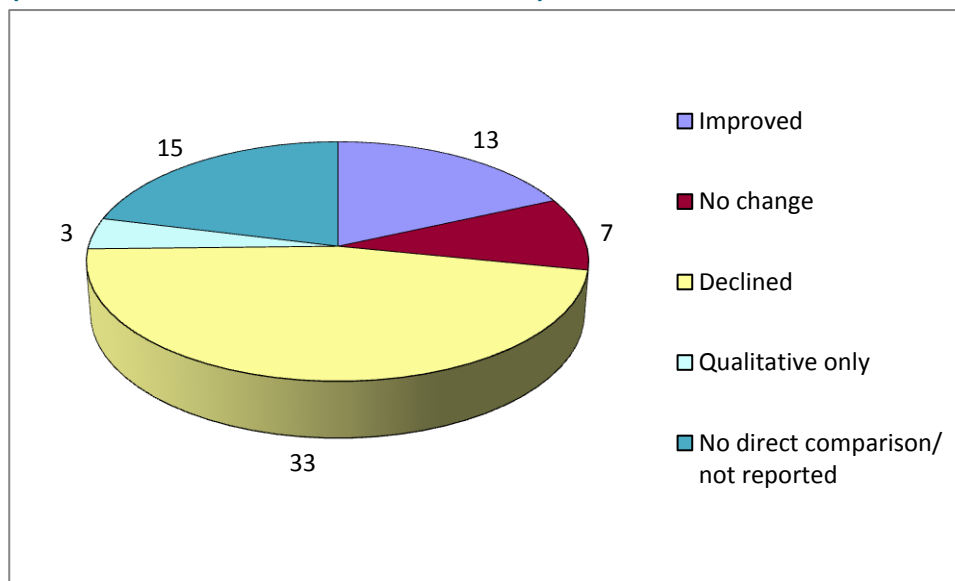
106. The improved indicators include the percentage of invoices paid within 30 days, attendance at sports and leisure facilities (excluding pools), percentage dwellings meeting the housing quality standard, average re-let time for low demand properties and cost of refuse collection per premise. The measures which showed a decline included the percentage of operational accommodation in a satisfactory condition, library and museum visits and housing rent arrears as a percentage of the amount due.

Aberdeen City Council performance measurement outcomes

107. In addition to the SPIs, councils are required to publish a range of performance information sufficient to demonstrate that they are securing Best Value across a defined range of services and criteria. Aberdeen City Council have therefore developed a further 47 local performance indicators including 68 performance measures and 3 qualitative assessments. Based on an analysis of these indicators, there has been a deterioration in performance during 2012/13, with almost half of the indicators showing a decline as demonstrated in Exhibit 13.

Exhibit 13: Local performance indicators movements

(Total 71 measures from 47 indicators)



Source: SPIs report to Finance, Policy and Resources Committee, September 2013

- 108. Examples of improving performance included the cost of the environmental health service and pre-school education centres receiving positive Care Inspectorate reports. The measures which declined during the year included planning application processing times, required maintenance costs of operational assets, percentage of pothole repairs carried out in the target time and percentage of looked after accommodated children with 3 or more placements.
- 109. From 2013/14, a new suite of 54 indicators, designed to aid local authority benchmarking and based on standardised data sources, will be introduced. These replace the current 25 SPIs included in Exhibit 12. However, there is a continuing requirement for councils to report a range of indicators sufficient to demonstrate that they are securing Best Value across a defined set of criteria. The council consequently will be reviewing their indicators to ensure consistency with the new approach.

National performance reporting

110. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports of direct interest in 2012/13 are outlined in the exhibit below.

Exhibit 14: A selection of National performance reports 2012/13

- | | |
|--|---|
| <ul style="list-style-type: none"> • Responding to challenge and change - An overview of local government in Scotland 2013 • Improving community planning in Scotland • Major capital investment in councils. | <ul style="list-style-type: none"> • Protecting consumers • Using cost information to improve performance - are you getting it right? • Health inequalities in Scotland • Reducing reoffending in Scotland. |
|--|---|

Source: www.audit-scotland.gov.uk

111. Audit Scotland encourages local authorities to review national reports, consider key findings and assess local performance against them to identify local improvement actions where appropriate. The national reports are accompanied by a checklist which officers can use to carry out a self-assessment of performance. The expectation is that Audit Scotland's performance reports are presented to an audit or scrutiny committee for members to consider and hold management to account for local performance.
112. In Aberdeen, the majority of national reports issued have been considered by the Audit and Risk Committee. Where appropriate, members receive a paper from relevant officers outlining the position locally against national findings and identify areas with scope for improvement.

Assurance and improvement plan update 2013-16

113. The Local Area Network of scrutiny partners for the council, conducted a Shared Risk Assessment (SRA), and produced an Assurance and Improvement Plan (AIP) covering the period 2013 to 2016. This was published on Audit Scotland's website and was considered by the Audit and Risk Committee in June 2013. There were no areas where scrutiny was required in the 2012/13 AIP update, although there were a number of areas where further information was required. The following paragraphs provide a brief update on issues not covered elsewhere in this report.

Social Care and Wellbeing

114. In December 2012, the Care Inspectorate published the outcome of its initial scrutiny level assessment (ISLA) for Aberdeen City Council. The council was assessed as level 2 which is described as 'exhibiting moderate risk with adequate performance and moderate activity on improvement work'. The scrutiny phase resulted in seven recommendations for improvement and the council were to prepare an action plan in response to the ISLA and will have twelve months in which to implement agreed actions. The LAN concluded that it will only be in a position to consider what, if any, further activity is required once the action plan is agreed and

the impact of implementation can be assessed. An action plan was finalised in April 2013 and an interim progress report is due by November 2013 with a final progress report due by February 2014.

115. At the time of publication of the 2012/13 AIP update, the council had approved a business plan for the development of a local authority trading company to deliver elements of services for older people. This has now been implemented with the establishment of Bon Accord Care in August 2013. Given the scale of proposed change and the likely impact on staff and service users, the LAN regarded this as an area where further information was required. The development of the new company will therefore be considered as part of the next LAN update.

Housing and Environment

116. The council completed self-assessments of the Housing and Homeless services as part of the Scottish Housing Regulator's (SHR) scrutiny work in 2012. From this assessment, the SHR identified that targeted scrutiny to obtain further information was required on income maximisation, verification of Scottish Housing Quality Standards (SHQS) data and homelessness housing options. This outcomes from this work will be considered in as part of the 2013/14 audit.

Outlook

117. There are currently no plans for Best Value work in Aberdeen City Council. However, the AIP did include targeted on site scrutiny work by the Scottish Housing Regulator on housing service income maximisation, verification of SHQS data and housing options within the homeless service.

Appendix A: audit reports

External audit reports and audit opinions issued for 2012/13

Title of report or opinion	Date of issue	Date presented to Audit and Risk Committee
Annual Audit Plan	5 April 2013	16 April 2013
Assurance and Improvement Plan	22 March 2013	4 June 2013
Interim report (internal controls and governance)	19 July 2013	24 September 2013
Report on financial statements to those charged with governance	13 September 2013	24 September 2013
Audit opinion on the 2012/13 financial statements	27 September 2013	20 November 2013
Audit opinion on the 2012/13 Whole of Government accounts consolidation pack	26 October 2013	N/A
Report to Members on the 2012/13 audit	31 October 2013	20 November 2013

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	37	<p>The impact of the proposed revised Local Authority Accounts (Scotland) Regulations on the council's timetable for the audit and certification of the accounts requires early consideration.</p> <p><i>Risk: Audited financial statements are not approved by the audit committee prior to 30 September as is likely to be required.</i></p>	<p>The council has responded to the consultation. Once the regulations are finalised, the impact will be discussed with Audit Scotland and Legal & Democratic Services to ensure adherence to the regulations.</p>	Corporate Accounting Manager	31 March 2014
2	43	<p>The council needs to monitor the consequences of reduced staff levels on service performance and be satisfied that service delivery is within the boundaries of acceptable risk and performance management.</p> <p><i>Risk: Failure to adequately plan for the impact of vacancy management could lead to an unexpected decline in service performance.</i></p>	<p>One part of the council's Priority Based Budgeting approach is workforce planning. This enables the council to understand its future staffing needs and links this important element with medium term financial planning. The Corporate Management Team is currently looking at vacancies and establishments which will provide data for a fuller debate on this matter.</p>	Head of HR & OD; Head of Finance	31 January 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	56	<p>The council has a significant programme of savings to identify in delivering its 5 year business plan.</p> <p>Risk: A balanced budget is not delivered.</p>	<p>The council's rigorous approach to financial planning and the Corporate Management Team's regular review of savings performance through the Programme Management Office provides a robust framework with which to monitor the delivery of savings.</p>	Head of Finance, in conjunction with the Corporate Management Team	Update position in February 2014
4	59	<p>Recent changes in Community Planning Aberdeen are encouraging but this momentum needs strengthened and maintained. In particular, the commitment from NHS Grampian needs to be clear and consistent.</p> <p>Risk: The partnership continues to have little impact in delivering improved outcomes for Aberdeen.</p>	<p>Community Planning Aberdeen has a new Single Outcome Agreement; constitution; membership; as well as an active Development Plan. These are now being implemented and the impact of these changes will be monitored and reported both to the Partnership and the council.</p>	Community Planning & Corporate Performance Manager	Review September 2014
5	74	<p>An audit committee requires specialist skills to ensure that officers are appropriately held to account. There should be appropriate challenge without political involvement. The use of substitutes and the need for a vote should be minimised.</p> <p>Risk: Effective scrutiny is not carried out and good governance weakened.</p>	<p>The council will continue to promote training and development for Audit and Risk Committee members and seek suitable training opportunities.</p>	Head of HR & OD; and Head of Finance	31 March 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
6	87	<p>Sensitive data needs to be securely protected and where breaches arise, action needs to be promptly taken to minimise risks.</p> <p>Risk: Increased reputational risk for the council and further financial loss through additional fines.</p>	The council takes such matters seriously and has put in place training and procedures that aim to minimise the risks.	Head of Legal & Democratic Services	Ongoing
7	95	<p>Accuracy of benefit processing needs to be improved.</p> <p>Risk: Further financial loss and increased reputational risk to the council.</p>	A comprehensive action plan was agreed with Audit Scotland on completion of the HB Performance Audit with completion dates up to November 2013. The council has an improvement plan in place and this is regularly reviewed. Staffing levels and the impact of welfare reform on the section are being monitored to identify how staff resources can be most effectively deployed.	Head of Finance; and Revenues & Benefits Manager	Ongoing
8	97	<p>There was no follow up by the Policy and Performance Section to ensure that the council's policy and procedures in relation to the Bribery Act have been properly implemented.</p> <p>Risk: The council may not be fully complying with its approved framework.</p>	Completed risk assessments for all services to be obtained initially. These to be held centrally. Annual review and update to be requested.	Head of Legal & Democratic Services	31 March 2014