

Orkney Islands Council

Annual report on the 2012/13 audit



Prepared for Members of Orkney Islands 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

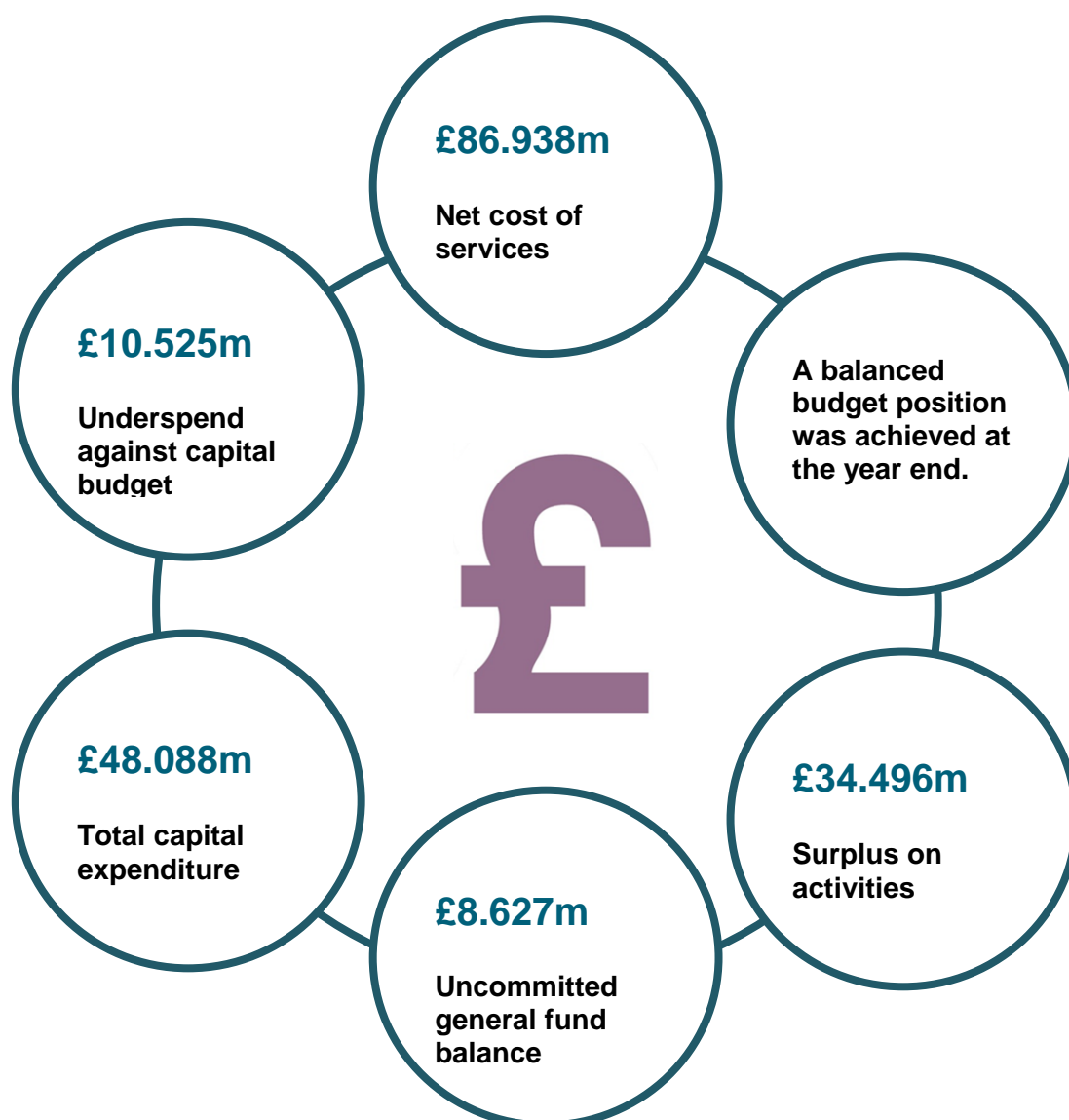
2012/13 Key Facts

This report summarises the findings from our 2012/13 audit of Orkney Islands 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 and 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 financial transactions for the year to 31 March 2013 and the financial position at that date.

Financial position



The Foreword by the Head of Finance reports a general fund surplus for the year of £34 million and an overall balanced position against budget. The surplus for the year has increased the total general fund balance to £24.917 million as at 31 March 2013, comprising earmarked commitments of £16.290 million and an unallocated general fund balance of £8.627 million. The unallocated general fund balance represents 9.9% of the council's annual running costs and is in line with their financial strategy.

Capital expenditure was £10.525 million below budget. Largely due to over-ambitious timescales being approved for capital projects in previous years, £18.852 million was re-profiled from the 2011/12 capital programme into 2012/13. £10.525 million has been re-profiled from 2012/13 to future years.

Governance and accountability

Overall the council's governance arrangements in 2012/13 were adequate. The council identified specific areas of weakness in its Annual Governance Statement and improvement actions have been agreed to address these. These actions will be followed up and reported by internal audit to the Monitoring and Audit Committee as appropriate. 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.

Performance and best value

The council is aware it needs to improve its public performance reporting to demonstrate that it is achieving best value in its use of resources and service delivery, and has an improvement plan in place to address this.

Following discussion and agreement with senior management, Orkney has been selected as one of a number of councils to receive a Community Planning Partnership (CPP) audit in 2013/14. The other CPP audits will be carried out at Moray, West Lothian, Falkirk and Glasgow City councils. The Orkney CPP audit is due to commence in Spring 2014. Emerging findings will be shared with senior officers before formally reporting later in 2014.

Outlook

Scotland's public bodies will continue to face increasing demand and cost pressures for their services in the foreseeable future. Orkney Islands Council, in common with other councils, will have to review its priorities and make some difficult decisions on service provision just to balance the budget in future years. For longer term financial sustainability, the council will have to identify recurring savings rather than rely on short term fixes such as using reserves to bridge gaps. This position continues to create uncertainty over the council's ability to maintain service levels and deliver outcome targets, however the council shows an understanding of the financial challenges it faces and is effectively planning to minimise the risks. Senior officers and members also demonstrate ownership of financial plans which they scrutinise before approval.

In addition, the public reform agenda is gathering pace, including the introduction of the Welfare Reform Act which is resulting in the biggest changes in the UK welfare system in 60 years. The council has been proactive in informing the local population of the changes to the welfare system and providing advice. Nationally there are early indications that welfare reform is resulting in increased rent arrears. At the council rent arrears have increased by 15% in the first 6 months of 2013/14.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Orkney Islands 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 the 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. Auditors also review the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

Audit opinion

11. We have given an unqualified opinion that the financial statements of Orkney Islands Council for 2012/13 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.

Legality

12. Through our planned audit work we consider the legality of the council's financial transactions. In addition the Head of Finance has confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the council's corporate management team, 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.

Going concern and group accounts

13. The council has prepared the financial statements on the assumption that both the council and its group can continue to operate as a going concern in future.
14. Local authorities are required to prepare group accounts in addition to their own council's accounts where they have a material interest in other organisations. For the purpose of consolidation and incorporation within the group accounts the council has two subsidiary organisations (Orkney Ferries Limited and Orkney Towage Limited), four associates (Hammars Hill Energy Limited, Northern Joint Police Board, Highland and Islands Fire Board and Pickaquoy Centre Trust).
15. The overall effect of inclusion of all of the council's subsidiaries and associates and common good fund on the group balance sheet is to reduce both reserves and net assets by £24.715

million representing the net liabilities of these organisations, particularly those recorded for the Police and Firefighters' Pension Schemes. Northern Joint Police Board's total pension liabilities at 31 March 2013 were £406 million and Highland and Islands Fire Board's pension liabilities were £102 million. The council had a 5.4% interest in the Police and 7.7% in the Fire Board in 2012/13 as shown in Exhibit 2 on page 12.

16. Police and Fire joint board functions transferred to the Scottish Police Authority and the Scottish Fire and Rescue Service on 1 April 2013. The group balance sheet position should improve in future years as the council will no longer be required to accrue the Police and Fire pension liabilities into its group accounts.

Annual Governance Statement

17. As part of our annual audit we review the disclosures made in the Annual Governance Statement, included in the financial statements, and the process for obtaining sufficient assurances to inform the content of the statement. This is the first year that the council has prepared an Annual Governance Statement, which has a wider scope than the previous Statement on the System of Internal Financial Control.
18. We are satisfied that the disclosures in the Annual Governance Statement are in line with the guidance contained in the CIPFA publication *Delivering Good Governance in Local Government*. Also, we are satisfied with the adequacy of the processes put in place to obtain the necessary assurances for the Annual Governance Statement.
19. The Annual Governance Statement refers in outline to a number of areas where improvements are being progressed :
 - weaknesses in management of the New Council House Build Programme
 - development of a framework for managing jointly funded posts in the Orkney Health and Care partnership
 - agreement of a protocol for dispute resolution in the Orkney Health and Care partnership
 - revising a protocol for management of Out of Orkney Childcare Placements
 - policies and procedures governing the use of information
 - review of the Council's Financial Regulations and Contract Regulations
 - establishment of a member/officer working group to oversee improvements in Information and Communication technology services.
20. Annual Governance Statements are also prepared for Northern Joint Police Board and Highland and Islands Fire Board which assisted in the assessment of the wider group governance arrangements. Orkney Ferries Limited, Orkney Towage Limited and Pickaquoy Centre Trust are administered through the council and are therefore covered by wider council assurances.

Remuneration report

21. 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

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

Accounts submission

23. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June 2013. A comprehensive working papers package was also available soon after this date. This enabled us to conclude the audit and certify the financial statements prior to the target date of 30 September 2013. The financial statements are now available for presentation to members and publication.

Presentational and monetary adjustments to the unaudited accounts

24. A number of presentational amendments were made at the request of audit. These adjustments are aimed at improving disclosures within the financial statements.
25. A number of monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements. The effect of these adjustments is to increase income and expenditure in the group financial statements by £0.368m and £0.052m respectively. Net assets as recorded in the group balance sheet have increased by £1.236m.
26. One monetary error was identified which was not processed through the financial statements by management. If adjusted this would have no effect in the income and expenditure account. The net impact on the balance sheet would also be nil. As is normal practice these errors were reported to the Head of Finance and included within our *Report to those charged with governance* submitted to the Monitoring and Audit Committee on 26 September 2013.

Pension costs

27. Orkney Islands Council is a member of the Orkney Islands Council Pension Fund which is a multi employer defined benefit scheme. In accordance with pension 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 as at 31 March 2013 provided by the scheme's actuaries increased the council's share of the deficit from £24.033 million as at 31 March 2012 to £30.290 million this year.

28. There has been an increase in pension liabilities of £6.257 million as at 31 March 2013 compared with the liabilities at 31 March 2012. This is principally due to the financial assumptions about the cost of pension payments being less favourable than at 31 March 2012. A challenging investment environment and an increase in inflation assumptions have led to an increase in the net liability faced by the council. The fluctuation in the council's pension liability over the last 5 years, arising from the annual valuation, is shown in Exhibit 1 below.

Exhibit 1: Movement in pension liability 2008/09 - 2012/13

	2008/09	2009/10	2010/11	2011/12	2012/23
	£ million	£ million	£ million	£ million	£ million
Liability	34.497	54.703	15.669	24.033	30.290

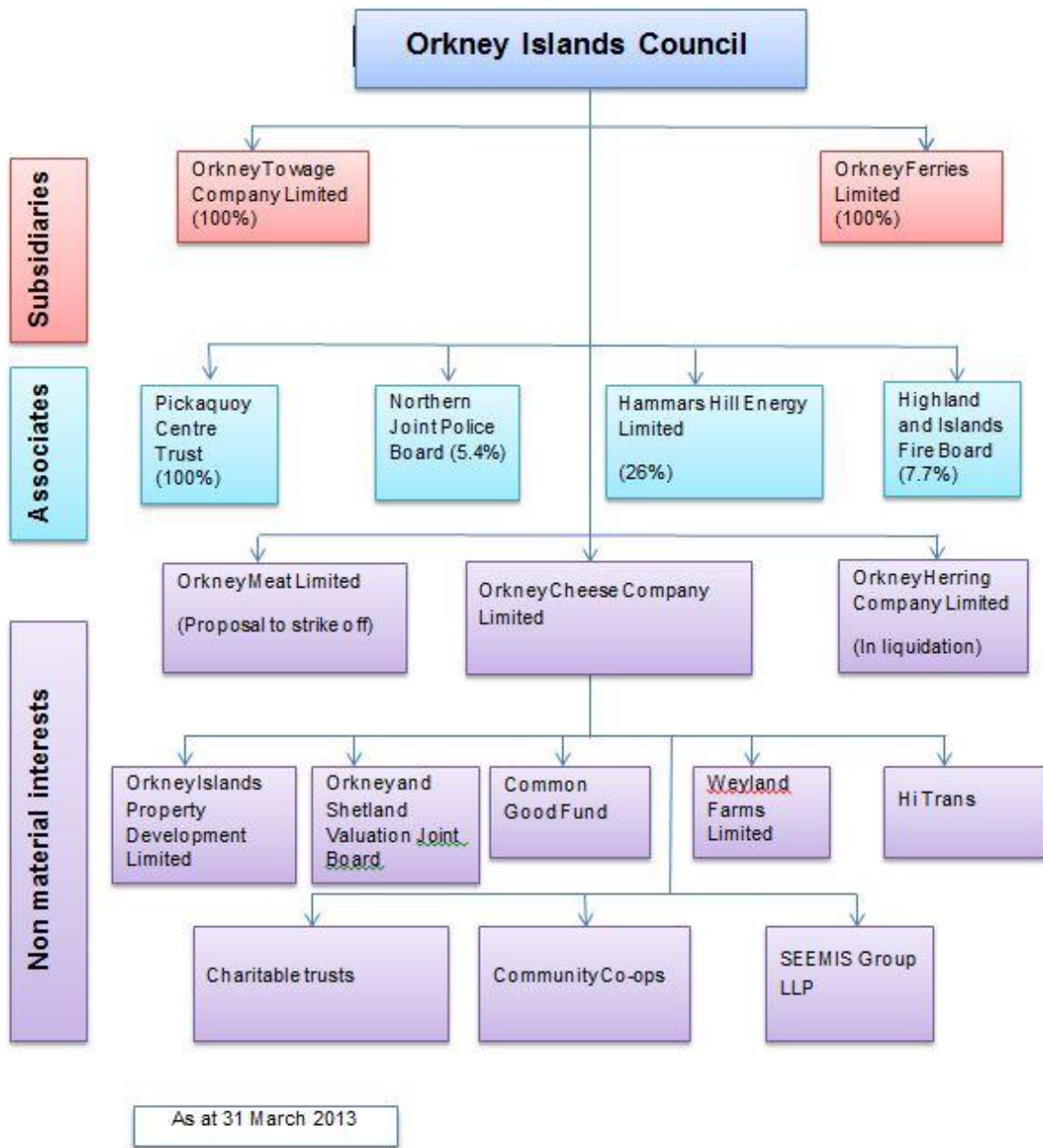
Source: Orkney Islands Council audited financial statements.

29. It is important to note however, that this additional liability does not have any immediate impact on the council's financing requirements. The council will continue to make annual contributions to the Pension Fund, through employer contributions, in accordance with triennial valuations carried out by the actuaries.

Group accounts

30. The variety of ways in which council services are delivered 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 subsidiary companies, joint ventures and statutory bodies, such as police, fire and valuation joint boards. The bodies falling within Orkney Islands Council's group boundary for 2012/13 are shown in Exhibit 2.
31. Orkney Islands Council has consolidated its interest in two subsidiaries and four associates into its group accounts:
- all bodies within the group received an unqualified audit opinion from their external auditors.
 - in accordance with recommended accounting practice, key policies for component bodies such as pension costs and the valuation of fixed assets have been aligned with the council.
32. The council consolidated Hammars Hill Energy Ltd as an associate in the 2012/13 group financial statements. The council's investment in Hammars Hill Energy Limited was previously not considered a material interest. The council's investment in this company has been re-valued, which has increased the investment value by £1.6 million to £2.6 million; to better reflect that change in the financial statements, the council has changed its accounting policy so that such investments may be accounted for at fair value.

Exhibit 2: Orkney Islands Council Group Structure



Whole of government accounts

33. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council submitted the consolidated pack to support its 2012/13 WGA return to the Scottish Government prior to the deadline of 30 August 2013. Following a change to the certification threshold for 2012/13 as issued by the National Audit Office the council's WGA return is no longer subject to audit.

The Charities Accounts (Scotland) Regulations 2006

34. 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. These 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 £500,000 or above or gross assets of £3,260,000). An independent examination is required for the financial statements of charities below aforementioned threshold values. In the current financial year we will undertake an independent examination of the council's 22 registered charitable trust funds by 31 December 2013.
35. For 2013/14 the requirements of the regulations are more onerous as detailed in paragraphs 36 to 38 below.
36. 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. In 2013/14 we will require to audit and report on 22 charitable trust funds.
37. The assistant auditor general for Scotland (AAG) wrote out 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 may result in an increase in audit costs and will form part of the fee discussions in the 2013/14 audit planning process.
38. Also, the AAG has indicated that councils which have not made any progress in reducing the number of registered charities using the reorganisation provisions of the charities legislation might want to consider doing so in order to reduce the number of separate audits required. Furthermore, the AAG also suggested that councils should also consider whether they can use the connected charities provisions in the regulations to reduce the number of separate reports and accounts required to be submitted to OSCR.

Action Plan no.1

Annual accounts approval

39. The Scottish Government is currently consulting on proposed amendments to the Local Authority Accounts (Scotland) Regulations. It is likely that for 2013/14 local authorities (if they do not already do so) will require an Audit Committee or similar committee to approve the accounts by 30 September 2013. Currently the Monitoring and Audit Committee notes the statement of accounts by 30 September rather than approving them. We will monitor the results of the consultation and engage with the council, as appropriate; to ensure that we are both prepared to meet any revision to the timetable in 2013/14 that may apply.

Financial position

40. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
41. 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.
42. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

43. In 2012/13 as recorded in the comprehensive income and expenditure statement, the council spent £112.692 million on the provision of public services and had an accounting surplus of £41.217 million. However, this includes certain elements of income and expenditure that are accounted for to comply with the Code of Practice on Local Authority Accounting, which are then adjusted to show their impact on statutory council reserves. Following these adjustments there is an increase in the general fund balance of £2.109 million relating to earmarked reserves.

Budgetary control

44. The explanatory foreword reported a general fund revenue account break even position. However this was achieved as a result of an overspend of £0.134 million offset by a corresponding increase in collection of council tax. The main reasons for the service variances from budget are as follows:
 - **Education Services:** reduced employee costs (primarily teachers) combined with savings in operational costs and residential school expenditure contributed to a net underspend of £0.545 million against budget.
 - **Orkney Health and Care:** Orkney Health and Care (OHAC) is a partnership with NHS Orkney to deliver health and social care. The budgets are not pooled and the council funds the social care aspects of the service. There was a net overspend of £0.054 million; the most significant aspect of this was an overspend of £0.442 million for residential care for older people. This was offset by a number of underspends across the service. Budgeting for residential care services for older people will remain a challenge.

Financial position

45. The general fund reported a net surplus for 2012/13 of £2.109 million, increasing the general fund balance to £24.917 million as at 31 March 2013. This balance is made up of earmarked commitments of £16.290 million and an unallocated general fund balance of £8.627 million, which represents 9.9% of the council's annual running costs and is in line with their strategy.
46. Exhibit 3 shows the balances in the council's funds at 31 March 2013 compared to the previous year. The council's funds at 31 March 2013 totalled £225.987 million, an increase of £10.349 million on the previous year. As stated above, £16.290 million (or 65%) of the total general fund balance has been earmarked for future use.
47. This indicates a stable financial position going forward into 2013/14. The balances held by the council are discussed by members as part of the regular budget monitoring processes. The use of balances for earmarked purposes has been agreed with members.

Exhibit 3: Usable reserves

Description	31 March 2012	31 March 2013
	£ million	£ million
General Fund	22.808	24.917
Capital Receipts Reserve	0.407	0.077
Repairs & Renewal Fund	3.691	2.939
Harbours	188.224	197.546
Other Statutory Funds	0.508	0.508
Total Usable Reserves	215.638	225.987

Source: Orkney Islands Council 2012/13 financial statements

48. In 2012/13 the council, as part of its medium term financial strategy, approved the transfer of £5.093 million of the usable reserves as a contribution to maintain the level of services currently provided.

Capital investment and performance 2012/13

49. The 2012/13 financial statements detail capital expenditure of £48.088 million split between the housing revenue account (£4.016 million) and the general services programme (£44.072 million). The planned general services capital expenditure for 2012/13 was originally £30.3 million. Capital expenditure exceeded this, which was mainly attributable to ambitious timescales being approved for capital projects in previous years, requiring the subsequent re-profiling of £18.852M from 2011/12, and a further £10.525M re-profiled into later years. As a result, the budget was revised to £58.613 million.
50. Weaknesses in the council's programme management for new council house build have been identified by Internal Audit and may contribute to the slippage on the capital programme.

Action Plan no. 2

51. Going forward the council approved a three year general capital programme for 2013/14 to 2015/16 with £52.752 million of general services and £18.175 million for HRA. This will be principally funded by government grants and use of reserves. Major investment is aligned to the council's corporate priorities and includes a further £13.659 million for a new build programme for schools and £18.156 million on piers and harbour developments.
52. The Prudential Code is a professional code of practice designed to support local authorities in taking capital investment decisions. The Code's objectives aim to ensure that, within a clear framework, the capital investment plans of local authorities are prudent and sustainable. The Head of Finance reviews the capital financing requirement on an annual basis and reports to the council on a series of prudential indicators as recommended by the Prudential Code. The performance against these indicators is reported to council and to the public via the financial statements. This helps the council to plan its capital investment prudently and to demonstrate to the public that it is doing so.

Treasury management

53. The council's level of borrowing in 2012/13 remained the same as 2011/12. Its net external debt as a proportion of net revenue spend continues to remain low relative to other Scottish councils. At 31 March 2013 the council had total borrowings of £40.450 million (2011/12 £40.450 million), all of which is at fixed rate. There has been no restructuring of borrowing during the year.
54. Despite the continuing period of economic instability return on investments remain high, the council received £13.417 million in investment income this year (2011/12 £5.898 million). This is subject to considerable fluctuations depending on market conditions.
55. The fair value of the council's short term investments has risen from £149.613 million to £166.359 million in the course of the year. This was due to movement in market values.

Financial planning to support priority setting and cost reductions

Savings

56. In setting its revenue budget for 2012/13 the authority identified the need for savings of £1.568 million. A schedule of efficiency savings was introduced to ensure that this saving would be achieved. These efficiencies were achieved in full during 2012/13 and the council was able to maintain the level of its general fund balance.

Procurement

57. The public procurement reform programme aims to drive continuous improvement in public sector procurement. In 2009 the Scottish Government introduced an annual evidence-based assessment, the procurement capability assessment (PCA), to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice. In 2012 the council

achieved a PCA score of 27%; this is compliant but well below the 50% target set by the Scottish Government. The council approved a revised sustainable procurement policy in September 2013 which it intends will accelerate its progress towards compliance.

Workforce reduction

58. As part of the programme of savings, the council has sought to reduce its workforce through early retirements and voluntary severance schemes. These decisions need to be affordable, fully funded and demonstrate value for money. In order to achieve the levels of savings identified it was estimated that a reduction in staffing would be required of 81.5 full time equivalents. Of this 47.3 posts were either temporary or vacant. During 2012/13 there were 31 exit packages agreed at a total cost of £0.296 million (2011/12 50 posts at a cost of £1.406 million). This was across all sectors and included an exercise to reduce the senior management by 25% and thus realise significant year on year financial savings.
59. A report reviewing the senior management restructure was presented to Policy and Resources Committee in June 2013. Over the two year period 2011/12 to 2012/13 there was a net cost to the council of £0.358 million arising from the restructure (the one-off cost of exit packages against savings); with permanent savings of £0.799 million year on year, full payback was expected to be realised by September 2013.

Partnership working

Community Planning Partnership

60. 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'. It makes clear that significant changes to improve community planning are needed to respond to the challenges of reducing public finances while demand for services increases.
61. The Audit Scotland report *Improving community planning in Scotland (March 2013)* concluded that partnerships have not been able to show that they have had a significant impact on delivering improved outcomes across Scotland.
62. Orkney is one of a number of councils to receive a CPP audit in 2013/14. The Orkney CPP audit is due to commence in Spring 2014; emerging findings will be shared with senior officers before formally reporting later in 2014.
63. Health and Care Partnership working is being actively promoted by the Scottish Government as a means of making service delivery more efficient and cost effective. The council and NHS Orkney have a well established joint service, Orkney Health and Care (OHAC), to provide community health and social care services. There is a need for clarity between the OHAC partner bodies around structures, responsibilities and funding in order to fully realise the benefits of partnership. For example, the Chief Executive of NHS Orkney has stepped down from her interim role as Executive Director of OHAC and the council and health board have yet to resolve how OHAC will be represented at Director level.

64. In addition, the Public Bodies (Joint Working) (Scotland) Bill was published on 28 May 2013 and this proposed legislation requires local authorities and health boards to agree a model for integrated delivery of health and social care services from April 2015.

Action Plan no. 3

Outlook

2013/14 budget and beyond

65. In setting its 2013/14 budget the council agreed to freeze its council tax. The net revenue expenditure budget set for 2013/14 of £80.157 million shows a decrease of 3.6% on that set for 2012/13 (£83.155 million).
66. This reduction is accounted for by the removal of £4.483 million in funding for Police and Fire following the establishment of the new single Police and Fire authorities. This is offset by increases in funding to cover lifecycle maintenance costs of the schools investment programme.
67. The budget will be supported by a transfer of £4.093 million from the Strategic Reserve Fund and requires no contribution from the General Fund reserve. The budget is thereby balanced and allows for £0.310 million for new service pressure growth. The most recently reported financial position for 2013/14 anticipates a General Fund underspend of £1.666 million for the year. At this stage there are no significant overspends identified and most services are reporting underspends.
68. The council has not prepared budget forecasts going further than 2013/14, as an exercise is under way to revise the budgets from 2014/15 onwards, in line with the newly published 2013-18 corporate strategic plan. It is accepted however that with a reduction in external funding of £0.5 million over the next 3 years and potential cost pressures up to £7.9 million, the gap will need to be met by a combination of efficiency savings, use of reserve balances and restricting the level of service pressures built into the budget.
69. Looking ahead it is clear that the outlook for public spending remains challenging for the foreseeable future. At the same time the demand for public services is rising as the economy feels the effects of uncertainties in the world's financial markets, questions about the sustainability of the Eurozone and Scotland's changing population demographic. Continuing to deliver vital public services with a reducing budget will remain a significant challenge for the council.

Governance and accountability

70. 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.
71. 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.
72. 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.
73. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

74. In 2012/13 Orkney Islands Council had a well-established corporate governance framework in place with the full council supported by a number of standing committees which were accountable to it including, for example, the Policy and Resources Committee.
75. The Monitoring and Audit Committee is also a key part of the council's governance framework. Its remit includes consideration of internal and external audit plans and reports and assessment of the adequacy and effectiveness of arrangements for risk management, corporate governance and performance management. The Monitoring and Audit Committee has provided effective scrutiny during 2012/13.

Internal control

76. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. The extent of this work is informed by their assessment of risk and the activities of internal audit.
77. As part of our audit we reviewed the high level controls in a number of the council's financial systems. Our work covered several systems including general ledger, cash and cash

equivalents, council tax, non domestic rates and housing rents as well as aspects of the payroll, trade receivables and trade payable systems. The findings from this work were reported to management in May 2013.

78. 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.
79. Also, the Annual Report and Assurance Statement presented by the Chief Internal Auditor to the Monitoring and Audit Committee concluded that, subject to specific exclusions mentioned in the report, adequate and effective controls were operating for the year to 31 March 2013.
80. The exclusions related to:
 - New Council House Build Programme (weaknesses in many areas such as budgeting, contract drafting, tendering process and the retention of paperwork; detailed review of one project identified significant weaknesses in the processes followed for contracts management)
 - Orkney College SUMs Audit Academic Year 2011/12 (heavy reliance on one individual for completion of the FES return)
 - School Funds – Kirkwall Grammar School (inadequate record keeping)

Internal audit

81. A key element of our work on internal controls is the extent of reliance that we place on the work of internal audit in terms of International Standards on Auditing 610 (Considering the work of internal audit). The findings from our review of internal audit were reported in January 2013 and we concluded that the internal audit service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government and has sound documentation standards and reporting procedures in place.
82. Also, we placed formal reliance on aspects of the work of internal audit in several areas, for the purposes of our financial statement audit responsibilities, including payroll, trade receivables, trade payables and cash and bank. This not only avoided duplication of effort but also enabled us to focus on other areas of risk.

Computer Services Review

83. As part of our 2012/13 audit work we carried out an ICT service review using a standard methodology developed by Audit Scotland. This includes completing a Computer Services Review Client Questionnaire in consultation with ICT management and reviewing relevant documentary evidence. We reported our findings to management in May 2013.
84. Our report highlighted a number of good practice areas including:
 - The recent restructuring has seen the former Information Services section being integrated into IT and Support Services as part of Customer First. This looks to ensure

closer integration of information technology services with other corporate support functions.

- The council has a dedicated information security function and extensive guidance has been issued to staff regarding good practice in information protection.
- Data networking services are managed by a small number of staff who utilise automated monitoring tools which support a pro-active approach to network management.

85. We also identified some of areas where the council is exposed to a degree of risk, including

- The council's corporate strategic plan for 2013-18, approved on 12 March 2013, sets out the areas of priority and aspirations for the future. The information technology function faces significant strategic and operational challenges in supporting these priorities.
- The service desk which deals with service requests and incidents reported by users across the council is currently not able to provide information to show that it is effective and efficient in dealing with user problems.
- We have identified a number of deficiencies in the building that houses some of the main pieces of computing equipment.

86. An action plan of improvements has been discussed and agreed with management. A member/officer working group has been established to ensure progress of the improvement actions is in line with planned deadlines.

Public Services Network

87. The council exchanges data with many other public bodies and in so doing makes use of Cabinet Office sponsored arrangements to share electronic data with other public sector bodies. For example, the council shares benefit information with the Department of Works and Pensions while social work and education services exchange information with the police and Children's Hearings Scotland.

88. The Government Secure Intranet (GSI) is the mechanism that allows the council to share data and services. The council must re-apply annually to the Cabinet Office to be allowed to connect to the government secure network. This year the government is replacing GSI with the Public Services Network (PSN).

89. From November 2013 all applicants have to apply to connect to PSN which means complying with the stricter PSN Code of Connection. The new code of connection is challenging and uncompromising about security measures and aims to provide a substantial level of trust between organisations. The council was one of five local authorities whose application was successful and it is now on PSN.

Prevention and detection of fraud and irregularities

90. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. We noted that Orkney Islands Council has a range of measures in place to prevent and detect fraud, including Standing Orders and Financial Regulations and Codes of

Conduct for members and staff. A number of other relevant policies are available to staff via the council's intranet.

91. The council's internal audit function has a formal programme of work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud.
92. Overall, we have concluded that the council's arrangements were adequate in relation to the prevention and detection of fraud and irregularities, although it should be noted that no system can eliminate the risk of fraud entirely.

NFI in Scotland

93. Orkney Islands Council participates in the National Fraud Initiative (NFI). The NFI uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.
94. NFI allows public bodies to investigate these matches and, if fraud or error, has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that the bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.
95. NFI is co-ordinated by the Finance service. The most recent data matching exercise collected data from participants in October 2012 with matches identified for follow-up in February 2013.
96. The current NFI data exercise identified 1,610 data matches of which 278 are considered high quality and recommended for investigation. Good progress has been made in the investigation of these data matches with 406 matches investigated to date. To date there have been no identified cases of fraud.
97. Overall, we concluded that the council has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

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

98. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and 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.
99. The council has Codes of Conduct for both members and officers, covering a number of areas including gifts and hospitality, use of council resources and contract tendering.
100. The council also has an Anti-Fraud and Corruption Policy within its financial regulations, which includes reference to all relevant policies and procedures aimed at preventing fraud and corruption. This policy has not been updated to include specific reference to the requirements

of the Bribery Act 2010 which came into force in July 2011. Any update to the council's fraud prevention policies would have to be accompanied by training to ensure staff awareness of how these apply in the work place.

101. We have concluded that the arrangements for the prevention and detection of corruption in Orkney Islands Council are satisfactory, subject to the Anti-Fraud and Corruption Policy being updated to include reference to the requirements of the Bribery Act.

Action Plan no. 4

Welfare Reform

102. The Welfare Reform Act 2012 represents the biggest reform of the UK welfare system for 60 years. Some changes have already taken place since April 2013, particularly for those of working age. The council has been proactive in informing the local population of the changes to the welfare system and providing advice. Elected members have received background papers and policy papers in relation to welfare reform. Monthly updates are given to the Welfare Reform Group of the Orkney Community Planning Partnership and elected members are copied in to these updates.
103. The council has a link to welfare reform information on the home page of its website, to help people understand the changes. The Welfare Reform information available to the public on the council website includes details of:
- Under occupancy and reductions in benefit as a result (effective April 2013)
 - A cap on benefits
 - Replacement of Disability Living Allowance by Personal Independence Payments with a medical assessment needed to qualify for this benefit (from June 2013 for new claimants)
 - Replacement of Council Tax Benefit by a Council Tax Reduction a scheme (from April 2013)
 - Scottish Welfare Fund - the Department of Works and pensions no longer deals with Crisis and Community Care Grants from April 2013. The council has put a scheme in place for dealing with payments covered by the Scottish Welfare Fund. It is on the council's website and has been widely publicised.
104. The amount of rent arrears has increased in Orkney from £0.094 million in 2011/12 to £0.112 million in 2012/13 (an increase of 19%). The level of arrears had previously remained at a fairly constant percentage (4.2% - 4.3%) of rent due since 2009/10. In the first six months of 2013/14, rent arrears are now £0.129 million. The council has recently received increased Discretionary Housing Payments (DHP) funding against its anticipated level of DHP applications, which could lessen the impact of lost rents.

Outlook

105. 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.

Best Value, use of resources and performance

- 106.** 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. Auditors are also required to review and report on audited body's progress against its Best Value improvement plan.
- 107.** 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.
- 108.** 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.
- 109.** 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

- 110.** The council has a number of performance measures in place: service specific indicators, council wide indicators, SOA outcome indicators and statutory performance indicators.
- 111.** The council has procured and is implementing the Aspireview electronic performance management system, which it anticipates will enable more efficient collation of performance reports. The system also allows their public sector partners to enter data relating to SOA indicators so all performance information is held in one place.

Overview of performance in 2012/13

Orkney Islands Council performance measurement outcomes

112. Council services report their performance to committee on a six monthly basis. They report their service plan actions to deliver agreed priorities and service specific and council wide service indicators (e.g. sickness absence, budgetary control, staff appraisal etc.). Performance to 31 March 2013 was reported to the June committee cycle.

113. Orkney Health and Care reported that staff capacity issues have affected progress of a number of priority actions. Sickness absence indicators for the service are assessed as red, and will have an impact on staff capacity to deliver agreed priorities, unless alternative resources are identified.

Action Plan No. 5

114. Staff appraisal (the number of staff who receive at least an annual face-to-face performance appraisal, as a proportion of the total number of staff within the service) was assessed as Red (significant underperformance, with a medium to high risk of failure to meet its target) for Development and Infrastructure; Education, Leisure and Housing; and Orkney Health and Care. Performance appraisals help develop individuals, improve organisational performance, and assist with succession planning. They are also important for staff motivation, attitude and behaviour development, communicating and fostering positive relationships between managers and staff.

Action Plan No. 6

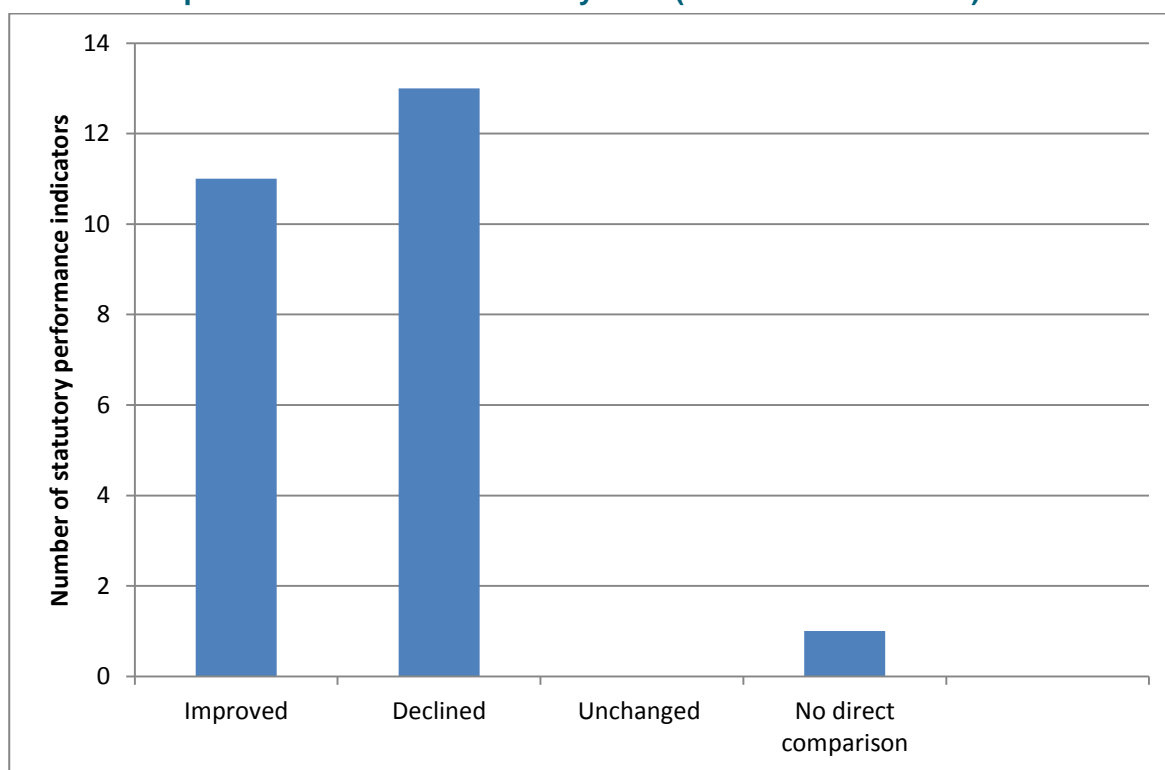
115. We noted in last year's annual audit report that some Orkney Health and Care performance indicators could not be reported as systems could not provide the relevant data. In the latest performance report, only one indicator could not be reported due to the data not being available.

116. Following the adoption of the Corporate Strategic Plan 2013/18, new service plans for the period April 2013 to March 2016 have been formulated, based upon the new priorities set out within the Corporate Strategic Plan, and the self-assessments of services using "How Good is Our Council?" and other self-assessment arrangements. Performance reporting now covers the service priority actions within these new plans.

Statutory performance indicators

117. In 2012/13, a total of 25 SPIs were required and these indicate a mostly balanced picture between improving and declined performance as illustrated by exhibit 5 below.

Exhibit 5: Improvements demonstrated by SPIs (total of 25 indicators)



Source: Orkney Islands Council SPI data returns

- 118. In comparison to 2011/12 improved performance was recorded for those indicators relating to roads; adult social work; elements of corporate management and benefits; and the percentage of dwellings meeting the Scottish Housing Quality Standard.
- 119. The Accounts Commission's 2012 Direction, applicable from 2013/14, requires councils to use the SOLACE benchmarking indicators in addition to any local performance indicators. This will replace the 25 SPIs previously specified by the Accounts Commission. The council's Aspireview system has been set up to record all relevant indicators for 2013/14 and we have discussed audit requirements for next year with internal audit and other relevant officers.

Single outcome agreement

- 120. The Orkney Community Planning Partnership issued its "Community Plan and Single Outcome Agreement 2011-14" in 2011 with the intention that it be revised and reissued in 2014. During 2012, the Scottish Government reviewed the national effectiveness of community planning and Single Outcome Agreements (SOAs) and issued new guidance to community planning partnerships in December 2012, requiring new SOAs to be issued by all partnerships by the end of June 2013.
- 121. The final draft of the Orkney Community Plan and Single Outcome Agreement for 2013-16 was considered by the council in June 2013 and approved by the Orkney Community Planning Partnership on 26 June 2013.

122. The SOA annual report is in the process of being compiled for publication. At this time we are unable to comment on progress against the SOA outcomes.

Public performance reporting

123. As part of the SPI reporting requirements against SPIs 1 and 2 (public performance reporting), Audit Scotland has undertaken a review of the quality of public performance reporting across all Scottish councils and reported the results to the Accounts Commission.
124. The council was assessed as fully meeting only two, and partially meeting 13, of the 29 elements of public performance reporting set out by the Accounts Commission. The council is planning changes to its website to improve public performance reporting. Audit Scotland will review the 2012/13 public performance reporting once the SOA performance information is published.

Action Plan no. 7

Local performance reporting

125. As part of our audit we followed up Audit Scotland's 2011 national report "Scotland's Public Finances: Addressing the Challenges". The follow up looked at the way that the council is responding to the challenges of public sector budget constraints and its efforts to achieve financial sustainability.
126. We concluded from our work that the council continues to show a good understanding of the financial challenges it faces, and has been proactive in preparing financial plans to manage budget reductions. The council has a clear understanding of its costs and the impact of efficiency savings on service delivery. We have also concluded that senior officials and members demonstrate ownership of financial plans which they scrutinise before approval.
127. However, the council does not have a long term financial strategy in place. Now the Corporate Strategic Plan is approved and longer term strategic priorities have therefore been established, a financial strategy to deliver these priorities should be developed.

Action Plan no. 8

National performance reporting

128. 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 6: 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

- 129.** Audit Scotland encourages local authorities to review national reports, consider key findings and assess local, performance against them and, identify local improvement actions where appropriate. The national reports are accompanied by 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.
- 130.** In terms of good practice, audit or scrutiny committee members should receive a paper from relevant managers outlining the position locally against national findings. Any areas with scope for improvement should be identified together with an action plan. Relevant managers should also attend the committee to answer points raised by members and provide them with assurance on progress being made. This approach has been adopted successfully by a number of public sector bodies including Orkney Islands Council.
- 131.** In Orkney Islands Council, the Monitoring and Audit Committee considers national audit reports and where relevant, the reports are also presented to service committees for consideration. In September 2013, the Monitoring and Audit Committee considered a report on how the key messages within Audit Scotland's report "An Overview of Local Government in Scotland 2013: Responding to Challenges and Change" are being addressed by the council.

Assurance and improvement plan update 2013-16

- 132.** The Local Area Network of scrutiny partners for the council conducted a Shared Risk Assessment (SRA) and produced an Assurance and Improvement Plan covering the period 2013 to 2016. This was published on Audit Scotland's website and was submitted to the Monitoring and Audit Committee on 20 June 2013 for information and consideration by members.
- 133.** The AIP described the council as "a low risk council which shows good self awareness and a positive response to external scrutiny bodies". Baseline audit and inspection activity (e.g. statutory audit; inspection of regulated care services etc.) was expected to cover relevant areas of scrutiny risk, so no areas were identified for further specific local scrutiny by the LAN. The following areas of national follow-up or work requested by ministers were included in the scrutiny plan: a follow up of "Scotland's Public Finances - Addressing the Challenges", a review of workforce planning under "Scotland's Public Sector Workforce" and a supported self

evaluation on the impact on quality of the newly introduced national assessment and care planning instrument in local criminal justice social work services.

134. Progress in these areas is as follows:

- The follow up review of "*Scotland's Public Finances - Addressing the Challenges*" is complete and is covered at paragraphs 122 to 124 of this report.
- The report on "*Scotland's Public Sector Workforce*" is due for publication on 28 November 2013.
- The supported self evaluation of criminal justice social work services took place during 2013.

Equality Act 2010

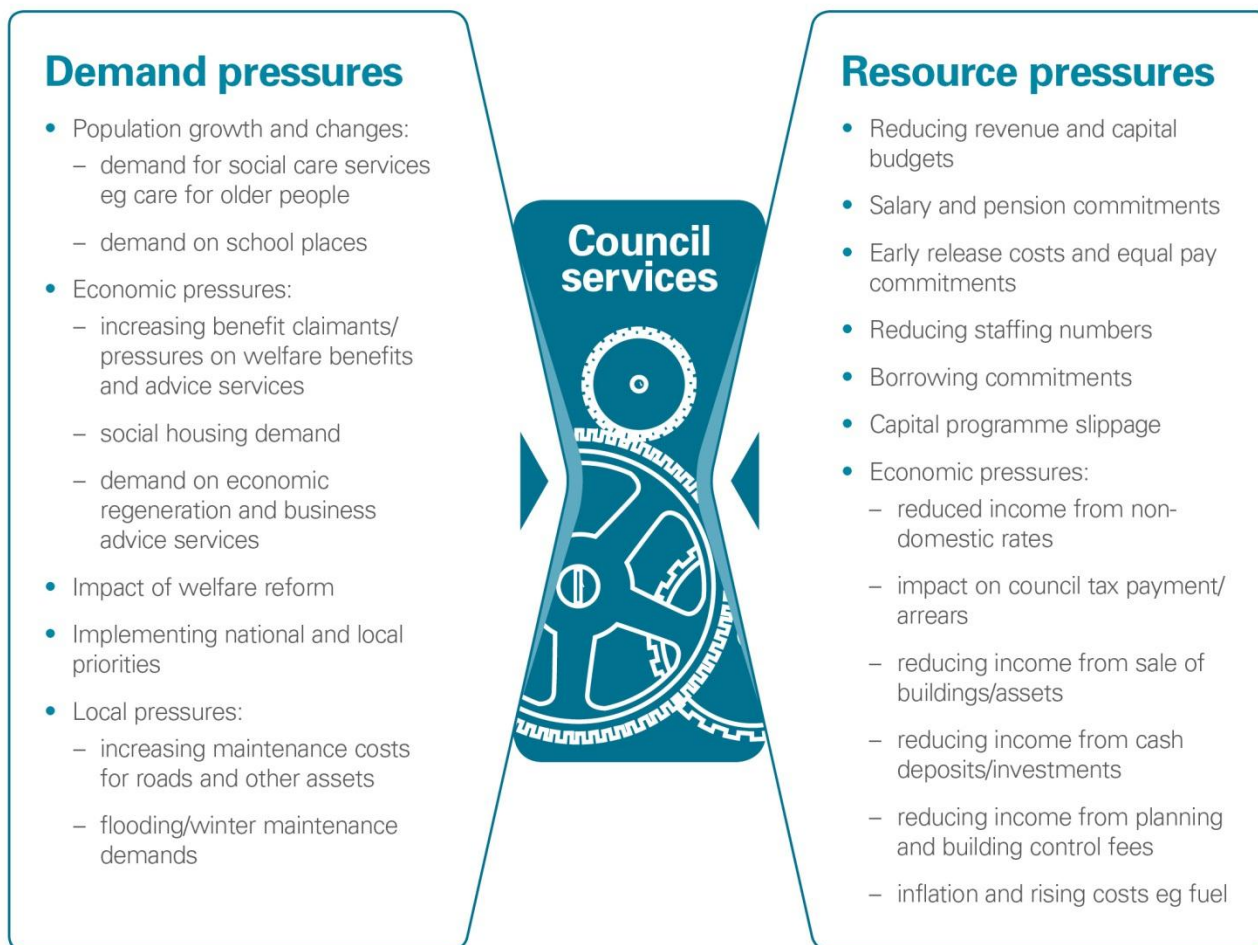
135. In April 2011, the Equality Act 2010 introduced a new public sector equality duty across nine protected characteristics, replacing the previous separate equality duties for gender, disability and race. The public sector equality duty consists of a general duty and specific duties which provide a framework to help public authorities meet the duty.
136. The purpose of the public sector equality duty is to ensure that all public bodies mainstream equality into their core work and day to day business by proactively advancing equality, encouraging good relations and addressing discrimination. Mainstreaming ensures that equality is not a marginal activity but part and parcel of how public bodies operate.
137. The council's Equality Outcomes 2013-2017 report was published in April 2013. It was developed in consultation with community planning and other public sector partners, local equality and diversity groups and the local community and provides details of the council's eight equality outcomes (2013-2017). These are the results the council aims to achieve in promoting equality, tackling discrimination and fostering good relations.
138. Promoting equality and fairness is one of the council's key values; the council published its annual equality report in April 2013 to explain how equality is actively promoted and integrated into the council's work as an employer and as a service provider. This includes training and awareness raising for officers and elected members and the assessment of the impact of equalities in all council decisions and policies. The annual equality report also contains the employment monitoring and gender pay gap information required by the specific duties.

Outlook

139. In response to a request from the Cabinet Secretary for Finance, Employment and Sustainable Growth the Accounts Commission has led development work, with scrutiny partners, on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships. A number of CPP audits will be carried out in 2013/14, at Orkney Islands, Moray, West Lothian, Falkirk and Glasgow City councils.
140. The Audit Scotland report *Scotland's Public Finances - addressing the challenges (March 2013)* highlights the pressures faced by council in terms of resources and demands on

services (see exhibit below). These pressures are not going to abate and this means that councils may have to consider decisions which they had previously ruled out to balance their budgets. Orkney Islands Council is currently having this debate and is developing a change programme that will deal with fundamental issues such as the basis for delivering services (statutory or discretionary), the mode of delivery (provider or enabler) and the resources required.

Exhibit 7



Source: Audit Scotland

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 Committee
Review of the Adequacy of Internal Audit	31 January 2013	21 February 2013
Annual Audit Plan	12 February 2013	21 February 2013
Assurance and Improvement Plan	25 April 2013	20 June 2013
ICT services review	14 May 2013	20 June 2013
Internal controls management letter	31 May 2013	20 June 2013
Report on financial statements to those charged with governance	16 September 2013	26 September 2013
Audit opinion on the 2012/13 financial statements	27 September 2013	26 September 2013 (proposed opinion)
Report to Members on the 2012/13 audit	31 October 2013	28 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	38	<p>Charity accounts</p> <p>The council has not extended its use of the connected charities provisions in the current Charity Regulations to reduce the number of accounts to be audited.</p> <p>Risk: charity accounts may not be audited in accordance with the timescales required by OSCR.</p>	<p>The Council has been actively encouraging spend from the various charities administered by the Council. It is planned to make use of the connected charity provisions over the remainder of the 2013/14 financial year to reduce the number of accounts to be audited.</p>	Head of Finance	April 2014
2	50	<p>Capital programme management</p> <p>There was a significant underspend against budget in the capital programme (£10.525m underspend against £58.613m revised budget). Weaknesses in programme management were identified by Internal Audit which may contribute to the slippage in the Capital programme.</p> <p>Risk: capital programme management is ineffective and resources are not used efficiently to deliver agreed priorities.</p>	<p>It is accepted that there has been significant slippage on the capital programme, this has however been a period of unprecedented capital spend and management change.</p>	Executive Director of Development & Infrastructure	April 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	64	<p>Partnership working</p> <p>There is a need for clarity and agreement between the Orkney Health and Care partners on structures, responsibilities and resolution of funding in order to fully realise the benefits of partnership working.</p> <p>Risk: the full benefits of partnership working may not be realised; partnership working arrangements may not meet the requirements of forthcoming health and social care integration.</p>	<p>An officer working group has been established to work on the Council's plan for integration. A report on the stages towards integration under the Bill from a Council perspective will be considered at future Committee meetings.</p>	Chief Executive	April 2015
4	101	<p>Fraud prevention</p> <p>The council's current arrangements have not been updated to reflect the Bribery Act 2010.</p> <p>Risk: staff are not aware of the requirements of the Bribery Act and how these would apply in the work place.</p>	<p>The Council has recently approved revised Financial Regulations. The Council's Fraud policies are referred to in the Financial Regulations but are now maintained separately from the financial regulations to facilitate ease of amendments such as updates to reflect the Bribery Act 2010. An update of the Council's Fraud Policies will now be carried out to reflect the Bribery Act 2010.</p>	Head of Finance	April 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
5	113	<p>Sickness absence</p> <p>Orkney Health and Care reported as at 31 March 2013 that staff capacity issues have affected progress of a number of priority actions for the service. Service sickness absence indicators at that date were significantly below target.</p> <p>Risk: Agreed service priorities may not be delivered as planned.</p>	<p>The managing sickness absence policy is fully implemented within the service and its use is monitored.</p> <p>There is a sickness absence issue primarily affecting front line cover.</p> <p>There is a separate issue regarding senior management capacity which is being addressed.</p>	Chief Executive and relevant Executive Directors	Ongoing
6	114	<p>Staff appraisals</p> <p>The number of staff receiving at least an annual performance appraisal was significantly below target for 3 services.</p> <p>Risk: this could have a negative impact on staff development, staff motivation and organisational performance.</p>	<p>Staff with management responsibility are tasked with prioritising this area of work.</p> <p>Performance is monitored.</p>	Chief Executive and relevant Executive Directors	Ongoing
7	124	<p>Public performance reporting</p> <p>The council's public performance reporting has been assessed as not meeting a number of the requirements of SPI public performance reporting.</p> <p>Risk: the council is unable to demonstrate its statutory duty to achieve</p>	<p>The Council's external website will be utilised to ensure easy access to a range of public performance reports</p>	Executive Director of Corporate Services	March 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		best value in its use of resources and service delivery.			
8	127	<p>Long term financial planning</p> <p>The council does not have a long term financial strategy in place.</p> <p>Risk: Resources are not aligned with council priorities over the longer term.</p>	<p>As part of the budget setting process, the efficiency savings and service pressure growth Challenge Processes help ensure that budgets are redirected towards Council Priorities.</p> <p>The stated medium-term budget strategy covers the Scottish Government funding period.</p> <p>The Council will be considering a report on embarking on a Change Programme which will review and realign existing council services and budgets to 2017/18 and beyond.</p>	Executive Director of Corporate Services	April 2014