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**Report to Scrutiny Committee**

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**Date of Meeting: 24 June 2010**

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**Subject: Audit Report for Year Ended 2008/09 – Follow Up**

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**Report by: Finance Manager**

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**1.0 Purpose**

- 1.1. Following the presentation of the annual audit report for 2008/09 from our external auditors, Grant Thornton at the meeting of this Committee on 21<sup>st</sup> January, the Committee sought a further management report addressing three specific points from that report, namely:
- Developing budgetary control and financial reporting arrangements to ensure greater accuracy in budget monitoring reports.
  - Reviewing the role of the Scrutiny Committee and developing a consensus on how best the Committee should discharge its functions across all elements of scrutiny including effectiveness of policy implementation.
  - Considering the Council's approach to participating in the National Fraud Initiative, in particular the decision not to include electoral role and council tax information in the data matching exercise.

**2.0 Recommendations**

- 2.1. The Committee is asked to note the progress on these issues.

**3.0 Considerations**

- 3.1 The annual report by our external auditors Grant Thornton on the audit of the Council's accounts for 2008/09 was presented to the Committee on 21<sup>st</sup> January giving an overview of the financial statements for 2008/09, as well as covering Governance and Performance issues examined over the year.
- 3.2 The key recommendations arising from these audits are listed in the action plan response attached as an appendix, including the three issues subject to this report.

### 3.3 Budgetary Control arrangements

The auditors had noted during 2008/09 that the predicted overspend against budget within services varied considerably over the year.

There has been a marked improvement on such fluctuations during 2009/10. Starting from May 2009, regular monitoring reports have been presented to the Council Management Team on a monthly basis. Significant variances have been highlighted, and corrective action taken throughout the year. As a result of this closer scrutiny and control of spending during 2009/10, there have not been the same fluctuations in forecasting as evidenced in previous years. This is demonstrated by the fact that the three monitoring reports presented to this Committee this financial year record only minor changes in forecasts, with total spend predicted to be £115.3m, £115.5m and £115.6m respectively.

### 3.4 Governance

The key issues highlighted under Governance set out the auditors findings from their annual review of corporate governance arrangements. There was reference within the annual report that their Best Value follow up report would be available by the end of October. As things stand, that report remains at the draft stage, primarily due to the significant changes to Best Value arrangements that the Council are presently going through. It has subsequently been agreed that these issues will be looked at again under the Best Value 2 regime in 2009/10 instead. Nevertheless, the findings within the annual report remain pertinent.

#### Role of Scrutiny Committee

The auditors had noted that the Council had generally good arrangements for scrutiny in place, but that it was still developing, and not yet fully effective. There had been significant progress during the year through the development of a work plan, but its role in evaluating the effectiveness of policy implementation remained unclear, and there was no consensus within the Council on how scrutiny in this area should be taken forward.

Members will note that it is the intention to report to Scrutiny Committee on the review of how the Scrutiny Committee discharges its functions at its meeting in September 2010 as agreed per the approved draft Scrutiny timetable.

#### National Fraud Initiative

The auditors had noted that the Council had taken a decision not to include electoral roll and council tax information for the purposes of data matching due to concerns over data protection, which could mean that a number of matches could not be performed and potential frauds less likely to be detected.

The NFI exercise involves reviewing Single Person Discounts for Council Tax. Like many other Councils in Scotland we elected to go down the route of using the credit reference agency Experian to examine our data and compare it with records to identify cases where there was doubt as to discount being correctly awarded. We believe that this was a more robust approach than that offered by the NFI process as there was considerably more data checks carried out.

Audit Scotland wrote to all Councils in September 2009 formally requesting 2008/09 Council Tax and Electoral Roll data. We have since supplied Council Tax data and as yet await output from the NFI data comparison exercise. With regard to Electoral Roll data we have elected not to supply this as it is our contention that the roll is supplied by to us by the Electoral Registration Officer is for a specific purpose under the Representation of the People Act and therefore it is not available for us to supply the NFI process for this other purpose of data comparison.

#### **4.0 Sustainability Implications**

4.1. None

#### **5.0 Resource Implications**

5.1. *Financial Details*

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes

5.3. Finance have been consulted and have agreed the financial implications as set out in the report.

Yes

5.4. *Staffing*

#### **6.0 Exempt Reports**

6.1. Is this report exempt? Yes  (please detail the reasons for exemption below) No

#### **7.0 Declarations**

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities 2008 - 2011** (Please double click on the check box )

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail)

**8.0 Equalities Impact**

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No

**9.0 Legality**

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

**10.0 Appendices**

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Key Actions going forward - action plan response from Annual Audit Report 2008/09 prepared by Grant Thornton

**11.0 Background Papers**

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

**Author(s)**

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**Approved by**

<b>NAME</b>	<b>DESIGNATION</b>	<b>SIGNATURE</b>
Susan Mackay	Finance Manager	Susan Mackay (signed)
Angela Leitch	Chief Executive	Angela Leitch (signed)



# Clackmannanshire Council

Report on the 2008-09 Audit

## **Key Recommendations**



## A Action plan

	Key Recommendation	Management Response	Officer Responsible	Implementation Date
<b>Financial Statements</b>				
1	Develop a sustainable medium term financial strategy, aligned to corporate priorities, that delivers a balanced budget and restores unearmarked reserves to their target level as soon as practicable	This has been implemented	Finance Manager	31st December 2009
2	Improve financial control arrangements for fixed assets and ensure reconciliations between subsidiary financial systems and the ledger are undertaken regularly	All reconciliations will be undertaken as part of year-end processes	Finance Manager	30th June 2010
3	Review and develop budgetary control and financial reporting arrangements to ensure greater accuracy in budget monitoring reports	Monthly monitoring reporting to CMT has been in operation since May 2009. Format of reporting is being reviewed in consultation with	Finance Manager	30th September 2010

	Key Recommendation	Management Response	Officer Responsible	Implementation Date
		Members		
4	Review the business plans and commercial viability of the Council's joint venture companies	Agreed An exit strategy will be formulated	Finance Manager Director of Services to Communities	31st December 2010 31st March 2011
5	Formalise agreements on single status and equal pay issues with employees as a matter of urgency.	Single Status Agreement implemented on 29 March 2010 including revised terms and conditions and new pay & grading structure. Equal pay compensation cases ongoing with circa 170 currently at Tribunal. Progress is being made towards compromise settlements being concluded during the summer.	HR Manager	31st March 2010
6	Continue to prepare for the implementation of International Financial Reporting Standards	Draft Opening balance at 1st April 2009 completed. Working through agreed action plan for implementation	Finance Manager	30th June 2011
<b>Governance</b>				
1	Review the effectiveness of	A preliminary self	Head of Strategy &	March 2011

	Key Recommendation	Management Response	Officer Responsible	Implementation Date
	overall governance arrangements against the core principles of good governance identified by CIPFA/SOLACE Delivering Good Governance in Local Government Framework	evaluation has been undertaken and this will be repeated to bring it up to date with recent developments in governance.	Customer Services	
2	Review the role of the Scrutiny Committee and develop a consensus on how best the Committee should discharge its functions across all elements of scrutiny, including effectiveness of policy implementation	Review will be submitted to September meeting of Scrutiny Committee as per approved timetable	Chief Executive	30th September 2010
3	Develop an appropriate assurance framework to support the inclusion of a Statement on Internal Control in the council's annual accounts	The Council is working towards an Annual Governance Statement	Finance Manager	31st March 2011
4	Undertake a corporate review of the role of internal audit within the Council and consider how best to deliver high quality internal audit services	Agreed	Finance Manager	31st March 2011

	Key Recommendation	Management Response	Officer Responsible	Implementation Date
5	The Council should consider its approach to participating in the National Fraud Initiative, in particular it should review its decision not to include electoral role and council tax information in the data matching exercise.	The Council did provide Council tax information to Audit Scotland.  Electoral Role information was not provided based on legal advice	Finance Manager	Completed
<b>Performance</b>				
1	Take action to ensure all recommendations made by Audit Scotland following the Best Value audit 2007 are being fully addressed	Agreed	Head of Strategy & Customer Services	March 2010
2	Review SOA performance monitoring and reporting arrangements with Clackmannanshire Alliance partners to gain assurance on the achievements of SOA targets that are not controlled by the Council	An annual partnership event has now been established to review achievements against SOA. The first of these took place in 2009	Head of Strategy & Customer Services	November 2009
3	Take action to ensure service planning, risk management and performance management arrangements are applied consistently across all services and develop clear plans for	New procedures for business planning have been implemented. These now incorporate risk management and performance management within the business plans	Head of Strategy & Customer Services	March 2010

	<b>Key Recommendation</b>	<b>Management Response</b>	<b>Officer Responsible</b>	<b>Implementation Date</b>
4	<p>addressing all of the issues emerging from the current performance review process.</p> <p>Take action to systematically address all of the issues raised by Audit Scotland in their national report on asset management in local government</p>	<p>which are reported to Scrutiny</p> <p>The main action was to produce an Corporate Asset Management Plan for all of the 6 asset classifications and implement the findings. Property already had completed this task at the time of the Audit in 2008 with a Property Asset Management Plan covering the period 2005 to 2010 and has since prepared a new Property Asset Management Plan incorporating the recommendations of the 2008 audit and covering the period 2010 to 2015. This is expected to be considered by Council in Aug 2010 and action to implement the proposals will follow if it is approved.</p> <p>Develop Corporate Asset Management Plan</p>	<p>Head of Facilities Management</p> <p>Director of Finance and Corporate Services</p>	<p>31st August 2010</p> <p>31st March 2011</p>

	Key Recommendation	Management Response	Officer Responsible	Implementation Date
5	<p>Improve performance reporting across all aspects of procurement and provide regular progress reports relating to the implementation of the Procurement Strategy</p>	<p>Agreed</p>	<p>Finance Manager</p>	<p>31st December 2010</p>
6	<p>Prepare effectively for the implementation of new Best Value 2 scrutiny arrangements. In particular, ensure risk and performance management arrangements are output, outcome and impact focussed.</p>	<p>As per 3 above. In addition, business plan format includes explicit reference to outcomes of corporate plan and SOA</p>	<p>Head of Strategy &amp; Customer Services</p>	<p>March 2010</p>



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