

# 2008/09 External Audit Report Action Plan Progress Report

## Key Risk Areas and Planned Action

Appendix

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date	Progress
1	<p><b>Adoption of International Financial Reporting Standards (IFRS)</b></p> <p>2009/10 is a key year in the transition to IFRS. Councils are expected to prepare a comparative balance sheet as at 1 April 2009, and are expected to account for PFI projects and prepare their whole of government accounts on an IFRS basis from 2009/10. The council is currently preparing a detailed project plan setting clear milestones for the work required to meet the timescales for adoption of IFRS.</p> <p><b>Risk: the council will be unable to produce IFRS compliant financial statements within the required timescales.</b></p>	<p>Information on leases and holiday pay is currently being collated with a view to producing the restated Balance Sheet by January 2010 and also to identify any impact on budgets.</p> <p>The Council's new PPP scheme does not commence until December 2011 and so will have no impact on the restated Balance Sheet.</p> <p>A detailed plan is currently being developed and staff resource will be assigned to individual tasks once the demand for accounting resource for DBS and PPP projects reduces.</p>	<p>Head of Financial Services</p> <p>Head of Financial Services</p>	<p>31 January 2010</p> <p>31 December 2009</p>	<p>Report on Implementation of IFRS was submitted to the full Council meeting on 17 April 2010.</p> <p>The Scottish Government is expected to issue regulations which will allow Local Authorities to make a statutory adjustment to the accounts to negate any impact on Council Tax/Rent.</p> <p>Impact review of IFRS of the Council's Accounts has been undertaken and individuals in Accountancy have been allocated lead responsibility for the work to be carried out. Due to demand on resources the agreed date for a revised Balance Sheet has been delayed to the end of April 2010.</p>
2		<p>The single outcome agreement (SOA) priorities were all matched to council activities as part of the 2010/11 budget review papers provided to Councillors.</p> <p>A consultation process is now underway with the staff, community groups and community planning partners on the administration Group's savings proposals. The papers for the consultation process include reference to the impact on the SOA.</p>	<p>Chief Financial Officer</p> <p>Chief Executive</p>	<p><b>Completed October 2009</b></p> <p>31 December 2009</p>	<p><b>Completed December 2009</b></p>

# 2008/09 External Audit Report Action Plan Progress Report

## Key Risk Areas and Planned Action

Appendix

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date	Progress
2 (contd)		The SOA has been reviewed against the Council's Capital plan and will be reviewed again in light of pressure to reduce capital expenditure in future years.	Chief Financial Officer	28 February 2010	<b>Completed February 2010 as part of Financial Plan review.</b>
3	<p><b>Financial pressures</b></p> <p>The council is facing significant financial pressures in the next four years. Latest estimates are that savings of around £5 million will be required in 2010/11, followed by three years of further savings totalling £15 million. In order to achieve this level of savings the council will need to significantly reduce the level of services it currently provides</p> <p><b><i>Risk: failure to achieve these savings will lead to even greater cuts in local services.</i></b></p>	The Council announced a fundamental review of budget allocations in early summer 2009. To date savings of £12 million have been identified for consultation and the Council has formally recognised that further work will need to be done to achieve the anticipated requirement to reduce annual expenditure by £20 million over the next 4 years. The budget for 2010/11 will be considered by Council in February 2010.	Chief Financial Officer	28 February 2010	<p><b>Revenue Budget for 2010/11 was approved by Council on 11 February 2010.</b></p> <p>The 2010/11 budget was approved and the council agreed to progress the review in relation to future years as a priority.</p>

# 2008/09 External Audit Report Action Plan Progress Report

## Key Risk Areas and Planned Action

Appendix

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date	Progress
4	<p><b>Moray Performs</b></p> <p>The council is currently progressing an ambitious modernisation programme, 'Moray Performs', based on the 'Virginia Performs' model used by the Scottish Government.</p> <p>The programme is wide ranging and covers many of the areas we comment on in this report, including the SOA, workforce planning, procurement and asset and performance management.</p> <p>In addition, the council has a number of other significant projects underway including the flood alleviation schemes and proposed PPP project.</p> <p><b>Risks: the council will not have the capacity to deliver all of its planned projects, and continue to manage 'business as usual'. Planned projects do not deliver the expected improvements or efficiency savings.</b></p>	<p>The Moray Performs programme is being overseen by the Moray Performs Board. The Board is chaired by the Depute Convener and the other members are the Leader of the Opposition and the Corporate Management Team.</p> <p>There is also a sub-committee in place to support the flood alleviation scheme and a Project Board for the Schools PPP project.</p>	<p>Corporate Management Team</p> <p>Director of Environmental Services and Director of Educational Services</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>The Public Sector Improvement Framework has been adopted and a number of improvement plans have been presented to the Board.</p> <p>The Council has agreed an implementation plan to progress the business cases agreed at the conclusion of DBS phase 2.</p> <p>The performance framework review was completed. The corporate management team is now assessing the potential for streamlining the reporting framework to remove duplicate reporting and review.</p> <p>Workforce planning work continues to be reported to the Board.</p> <p>Governance issues continue to be progressed and the link between community planning and council committees is being reviewed to improve the links between these aspects of council and community governance.</p> <p>Progress against the SOA is monitored at monthly Board meetings.</p> <p>The Flood Alleviation work at Lhanbryde is complete as is Forres (Mosset Burn). Works to protect Rothes are in hand to be completed by March 2011. The result of a Public Local Inquiry for Elgin is awaited and that for Findhorn has yet to take place.</p>

# 2008/09 External Audit Report Action Plan Progress Report

## Key Risk Areas and Planned Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date	Progress
4 (contd)		The Corporate Management Team will continue to monitor progress against all major projects and take appropriate action to manage competition for the finite resources available.	Corporate Management Team	Ongoing	<p>The Schools PPP Project is expected to reach financial close at the end of April 2010. The construction of the Elgin school will commence mid May 2010 and be completed by December 2011. The Keith school will commence construction in July 2010 and be completed by October 2011.</p> <p>A draft framework for managing priorities has been considered by the CMT and SMT. The framework will be reported to Policy and Resources Committee for consideration in April.</p>

# 2008/09 External Audit Report Action Plan Progress Report

## Key Risk Areas and Planned Action

Appendix

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date	Progress
5	<p><b>Audit &amp; Performance Review Committee</b></p> <p>Overall, the committee complies with the expectations set out in CIPFA's guidance note '<i>Audit Committee Principles in Local Authorities in Scotland</i>'. Paragraph 83 sets out what the committee would have to do to achieve full compliance, including:</p> <ul style="list-style-type: none"> <li>▪ introducing a mechanism to ensure that internal and external audit recommendations are implemented.</li> <li>▪ ensuring that the reports from Audit Scotland's national study programme are considered and the council's existing arrangements reviewed in light of the recommendations and best practice reported.</li> </ul> <p><b><i>Risk: the remit of the Audit &amp; Performance Review Committee does not fully comply with best practice.</i></b></p>	<p>The recent changes to performance management and reporting should result in more time becoming available for Audit and Performance Review Committee to deal with audit matters.</p> <p>A standard quarterly report to monitor the completion of agreed actions against internal audit reports will be implemented.</p> <p>The External Audit recommendations will be monitored by the Council after 6 months</p> <p>National reports tend to be provided to Audit and Performance Review Committee. The arrangements for this reporting will be formalised through the Council's Governance arrangements.</p>	<p>Head of Internal Audit</p> <p>Head of Financial Services</p> <p>Chief Legal Officer</p>	<p>31 January 2010</p> <p>31 May 2010</p> <p>31 May 2010</p>	<p>An update Report will be submitted to Audit and Performance Review committee in April 2010.</p> <p><b>Submitted to committee in April 2010</b></p> <p>The remit of the Audit and Performance Review Committee was amended on 20 January 2010 and a standing item will be added to the Committee's Agenda with effect from next meeting on 28<sup>th</sup> April 2010.</p>

# 2008/09 External Audit Report Action Plan Progress Report

## Key Risk Areas and Planned Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date	Progress
6	<p><b>Internal Audit</b></p> <p>We seek to rely on the work of internal audit wherever possible. We planned to rely on internal audit's work in a number of areas as part our 2008/09 financial statements audit.</p> <p>Our review of internal audit's work in these areas concluded that we could take partial reliance from the work undertaken. Before we can take full reliance from internal audit's work in an area we need them to test all of the key controls we rely on for our opinion audit using the sample sizes set out in our Audit Guide.</p> <p>As part of our 2009/10 planning process, we are currently discussing which areas of internal audit's work we will plan to place reliance on for audit of the 2009/10 audit.</p> <p><b><i>Risk: maximum benefit will not be obtained from limited internal and external audit resources.</i></b></p>	<p>Internal Audit will work closely with External Audit to ensure testing of key controls accords with their requirements for the audit of the financial statements for 2009/10.</p>	<p>Head of Internal Audit</p>	<p>Ongoing</p>	<p>A timetable has been agreed with external audit covering the work to be undertaken by internal audit in terms of testing main financial systems for the 2009/10 year. The timetable includes interim dates where external audit are reviewing internal audit work to ensure it meets their requirements in full.</p>

# 2008/09 External Audit Report Action Plan Progress Report

## Key Risk Areas and Planned Action

Appendix

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date	Progress
7	<p><b>Homelessness</b></p> <p>There is a lack of affordable local housing in Moray and an increasing number of complex problems associated with homelessness. The council did not achieve its target in 4 out of 5 of its 2008/09 homelessness performance indicators. In addition, the council received a report from the Scottish Housing Regulator, in 2008/09, which graded its homelessness service as 'fair'.</p> <p><b><i>Risk: the council and its partners will be unable to provide the level of service necessary to meet demand and comply with legislation on homelessness.</i></b></p>	<p>The Council has identified a range of actions to increase the supply of affordable housing to meet identified shortfalls. This includes:</p> <ul style="list-style-type: none"> <li>- close partnership working with RSL's</li> <li>- increase in percentage of affordable housing contributions</li> <li>- initiating a Council new build programme.</li> </ul> <p>Following receipt of the Inspection report we submitted a Homelessness Improvement Plan which was accepted by the Regulator. Progress against the plan is being monitored quarterly and reported to members on a six monthly basis to members in order to minimise the risk that we do not address the issues raised. The Regulator has asked for a progress report in April 2011.</p>	Chief Housing Officer	Ongoing	<p>During 2009, the Council agreed an increase to the affordable housing contributions arising from developments.</p> <p>In February 2010, work commenced on site to build 48 new Council houses in Elgin, following a successful bid for Scottish Government funding to assist in the new build. A further bid is to be submitted to the Scottish Government on 30 April 2010 to enable new build council housing to continue.</p> <p>The Council continues to work closely with RSLs in terms of our Nomination Agreements, Section 5 referrals and in the development of the Strategic Housing Investment Plan which is submitted to the Scottish Government annually in November.</p> <p>Two monitoring reports on the Homelessness Improvement Plan have been presented to Committees. The flood event in September 2009 did affect some progress with actions, however, more recent monitoring indicates that outstanding actions are being progressed.</p>

# 2008/09 External Audit Report Action Plan Progress Report

## Key Risk Areas and Planned Action

Appendix

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date	Progress
8	<p><b>Statutory performance indicators</b></p> <p>The quality of working papers provided to support the 2008/09 SPI's remained variable.</p> <p>Two indicators were assessed as unreliable in 2008/09 compared to two in 2007/08. In addition, the council failed to report three indicators.</p> <p>The approach to the SPIs is changing with effect from 2009/10. It is essential that the council revisits its arrangements for ensuring that published performance information is, as far as is practicable, accurate and complete.</p> <p><b><i>Risk: members and the public may not be provided with complete and accurate performance information.</i></b></p>	<p>This will be reviewed as part of the data validation referred to below.</p> <p>Three of the five indicators are no longer SPI's in 2009/10. Systems for the remaining two have been revised.</p> <p>A data validation exercise is planned to ensure all services have the necessary systems in place to provide complete and accurate published performance information.</p>	<p>Corporate Policy Unit Manager</p> <p>Chief Financial Officer</p> <p>Corporate Policy Unit Manager</p>	<p>28 February 2010</p> <p>Completed</p> <p>28 February 2010</p>	<p>The RIO team and Internal Audit have met to agree an approach with services to ensure data reliability. Work has been undertaken with services to review the data collection, in particular for those areas which failed to report. A data reliability project has begun which will then target all statutory PIs reliability prior to the next reporting cycle and transfer accountability for each SPI to the relevant service.</p> <p>The completion of the data validation exercise and the collating of 2009/10 prescriptive SPI's is expected by July 2010 and will allow Internal Audit time to review the data for completeness and accuracy. In addition performance data is being considered with a view to satisfying Audit Scotland requirements to report a range of information in relation to corporate management themes.</p>

# 2008/09 External Audit Report Action Plan Progress Report

## Key Risk Areas and Planned Action

Appendix

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date	Progress
9	<p><b>Risk management</b></p> <p>Further work is required to embed risk management throughout the organisation and to demonstrate how the risks identified have been addressed through corporate and service planning. Partnership arrangements for managing risk also require to be reviewed and business continuity plans developed for services.</p> <p><b>Risks: in the absence of a fully embedded process, the council may not have identified or managed all of its key operational risks. The council may not be able to continue to deliver services in the event of system failure.</b></p>	<p>Work is scheduled to assess whether synergies are possible in taking forward risk management and business continuity. This will maximise the opportunities to promote both disciplines with services as part of an on-going programme of work to embed risk management and develop business continuity plans both in the council and, where applicable, with our partners.</p>	<p>Head of Internal Audit and Head of Direct Services</p>	<p>Ongoing</p>	<p>Business Impact Analyses have identified critical Council services, and business continuity plans are under preparation, lead by departments.</p> <p>Risk management has been embraced by the Council as part of its management arrangements.</p> <p>Risk issues are now highlighted in Committee reports and are referred to by members regularly when considering decision making reports.</p> <p>The key risk register for the Council is the Corporate Risk Register. This is regularly reviewed and updated by the Corporate Management Team, the updated register being considered by the Policy and Resources Committee.</p> <p>Briefing sessions have been provided for Head Teachers and following on from this it has been decided that a generic risk register for schools will be developed.</p> <p>A risk register has been prepared for the Community Planning Partnership and this has been aligned in form and, where appropriate, content to the Council's Corporate Risk Register.</p> <p>In updating risk registers care has been taken to develop a linkage between registers to ensure risks are addressed at the appropriate level. The intention is to use the updated risk registers to inform</p>

# 2008/09 External Audit Report Action Plan Progress Report

## Key Risk Areas and Planned Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date	Progress
9 (contd)					<p>related improvement plans. Whilst progress has been made in some areas more work is still required to achieve full integration. This is intended to affirm that risk management is not a separate initiative but an integral part of day to day management activity.</p> <p>Staff resource availability is a factor in supporting risk management across the council. Closer working between officers dealing with Risk Management and Business Continuity has been the subject of a report to the Corporate Management Team and remains under active consideration.</p> <p>The work on developing business continuity plans has slipped due to the more critical needs in developing the Council's response to emerging Pandemic Flu issues.</p> <p>The Heads of Internal Audit and Direct Services have set out proposals and now have the agreement of the Corporate Management Team to develop processes that will integrate and embed Risk Management and Business Continuity into Services</p>