



**Perth & Kinross Council**

**Risk Assessment, Annual Audit Plan  
And Fee Proposal for 2009/10**

**External Audit Report No: 2010-01**

**Draft Issued: 29 January 2010**

**Final Issued: 23 February 2010**



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### Restriction on Use

This report has been prepared in accordance with our responsibilities under International Standards on Auditing and Audit Scotland's Code of Audit Practice for the audit of Perth & Kinross Council.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Perth & Kinross Council and the Audit Sub-Committee and will be shared with the Accounts Commission and Audit Scotland
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes
- To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with management and staff at the Council. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.



# Executive Summary

## Introduction and Background

1. We have been appointed by the Accounts Commission as Perth & Kinross Council's external auditors for the 5 year period from 1 April 2006 to 31 March 2011. This is our overall plan for the fourth year of our appointment. Our audit is governed by our letter of appointment, the Local Government Acts, auditing standards and Audit Scotland's Code of Audit Practice and Local Government Sector Plan.
2. This document outlines:
  - our audit framework
  - our audit approach
  - the planned audit outputs and our proposed fee
  - our audit team
3. Background and planning information has been gathered through discussion with the Head of Finance, the Acting Chief Internal Auditor, other senior staff and a review of the documents listed at Appendix IV. In gathering this information we have considered the Sector Plan, Priorities and Risk Framework document (PRF) and planning guidance issued to us by Audit Scotland for 2009/10. The plan and PRF are available on their website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## Summary of Planned Audit Work

**Table 1: Planned Audit Outputs**

<b>Overall Planning</b>	Risk Assessment, Annual Audit Plan and Fee Proposal
<b>Governance</b>	Financial Statements Audit Plan (FSAP) Fraud Returns National Fraud Initiative (NFI) Questionnaire HB/CTB Subsidy Management Letter, if required#
<b>Performance</b>	PRG Financial Information Return Impact Assessments – National Studies
<b>Finance</b>	Communication of Audit Matters to Those Charged with Governance - ISA 260 Report Audit opinion on financial statements Audit opinion on Whole of Government Accounts Year-end Management Letter if required # Auditors' reports on grant claims and returns
<b>Overall Conclusion</b>	Report to Members and the Controller of Audit – Annual Report

# Outputs will only be required where there are significant issues to report arising from audit work.

## Proposed Fee

4. Based on the work we assess is required to discharge our audit responsibilities the total proposed fee for the 2009/10 audit is £326,465. This fee is still subject to agreement with the Head of Finance.

## Acknowledgements

5. We would like to take this opportunity to thank all the officers within the Council who assisted us in gathering information for this plan.



# Audit Framework

## Introduction

- 6. Our audit framework is set by our letter of appointment, the Local Government Acts, (primarily Part VII of the Local Government (Scotland) Act 1973), auditing standards, Code of Audit Practice and Local Government Sector Plan and ad hoc guidance issued by Audit Scotland.
- 7. This framework provides local authorities with an audit model that is wider than simply providing assurance on the financial statements and the internal control environment. This wider model covers finance, governance and performance.

## Code of Audit Practice

- 8. This plan takes account of the Code of Audit Practice (the Code) published by Audit Scotland in March 2007. We have not included full details of our audit responsibilities under the Code in our plan as this was included in previous years. The Code is available on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk). Alternatively, we can supply you with a copy of the Code.

## Audited Bodies' and Auditors' Responsibilities

- 9. Audit Scotland has issued a statement on audited bodies' and auditors' responsibilities in relation to all aspects covered by the audit process. The Code incorporates this statement into each section for easy reference. Attention is drawn to these relative responsibilities and a summary is included at Appendix I.

## Audit Objectives

- 10. Our objectives identified in the Code are summarised in Table 2.

**Table 2: Auditors' Objectives**

Key Area	Auditors' Objective	Main Audit Outputs
<b>Financial Statements</b>	Provide an opinion on audited bodies' financial statements as required by the relevant authorities for the local government sector.	Audit opinion on financial statements. ISA 260 Report.
<b>Corporate Governance Arrangements</b>	Review and report on, as required by relevant legislation and the Code, the Council's corporate governance arrangements in relation to systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct, and prevention and detection of corruption; and the Council's financial position.	Best Value Reports Financial Statements Audit Plan. ISA 260 Report. Annual Report.
<b>Performance Management</b>	Review and report on, as required by relevant legislation and the Code, the Council's arrangements for securing Best Value; complying with its Community Planning duties; aspects of managing its performance in relation to economy, efficiency and effectiveness in the use of resources; and for preparing and publishing statutory performance indicators (SPI).	Best Value Reports. Annual Report.

Source: Audit Scotland's Code of Audit Practice



## Planning Guidance

11. Audit Scotland's planning guidance for 2009/10 defines the core audit as the work that Audit Scotland provided for when setting the indicative fees for local authorities and specifies the following:
- Provide the Independent Auditors' Report placed on the financial statements (and any opinions on consolidation packs/whole of government accounts returns) by 30 September 2010
  - Provide an Annual Report on the audit addressed to the Council Members and the Controller of Audit by 31 October 2010
  - Communicate audit plans to those charged with governance
  - Provide reports to management, as appropriate, in respect of our corporate governance responsibilities in the Code (including our involvement in NFI)
  - Submit fraud returns to Audit Scotland
  - Certify grant claims (including HB/CTB Subsidy Claim) submitted by the Council that have been approved for audit by Audit Scotland. Appendix II lists the grants included in our 2009/10 audit fee.
  - Discharge our responsibilities in connection with the Council's publication of statutory performance information in accordance with the Accounts Commission's Annual Direction. For 2009/10 there is no requirement to provide an assessment of the reliability of individual SPIs to Audit Scotland.
  - Provide existing evidence and intelligence for, and participate in, shared risk assessment (SRA) processes leading to the preparation of a three year rolling Assurance and Improvement Plan for the Council and a national scrutiny plan. This includes the results of follow-up on council's progress in implementing existing Best Value improvement plans (BVIP).
  - Contribute to Best Value audits and other scrutiny responses agreed through the SRA process
  - Undertake other work requested by Audit Scotland (e.g. exchanging information and intelligence about council performance, supporting the impact of national performance audit studies and contributing evidence for the local authority overview report)
12. Any audit work beyond the core audit may incur an additional fee and will be discussed with officers should this occur.

**Shared Risk Assessment and Joint Scrutiny Planning**

13. This is a new area of responsibility for external audit and Audit Scotland's planning guidance includes the following information;
- Following the publication of the Crerar report in September 2007, the Scottish Government's response stated its aim of establishing a simplified and coherent approach to delivering local government scrutiny. All scrutiny bodies that engage with local government are working to establish a shared assessment of the risks in each council and to develop a range of proportionate approaches in response to the risk assessment.
  - Local area networks (LANs) have been established at each council. These bring together the local scrutiny representatives in a systematic way, with the common aims of joint scrutiny scheduling and planning, shared risk assessment and the delivery of a single corporate assessment through the Best Value 2 (BV2) audit process. As the Council's external auditors we are key members of the LAN for the Council.
  - The role of LAN representatives is to ensure that relevant data collected from councils and other sources by their organisation is analysed and brought to the LAN for discussion. All LAN members will discuss and agree a shared risk assessment (SRA) of the council and identify a proportionate scrutiny response.
  - All LAN members are expected to contribute to the drafting of the three year rolling Assurance and Improvement Plan (AIP) for the Council and to participate in ongoing evaluation and training. The AIP sets out the SRA of the Council and the proposed scrutiny response. It includes all scrutiny activity at corporate and service level but excludes scrutiny activity at individual unit level, such as a school, residential home or day care centre.
  - The LAN will agree what the appropriate scrutiny response should be over the next three years (for 2010/11 to 2012/13), based on the result of the SRA. This should be proportionate and aligned to the assessed level of risk. It may include specific audit exercises, including reviews of aspects of governance or local studies, or other work to be undertaken in partnership between auditors and inspectorates. All such 'scrutiny response' work is subject to the SRA process, and auditors should not undertake exercises of this type without reference to the LAN.
14. As detailed earlier at paragraph 11 part of our core audit work for 2009/10 is a requirement to participate in the SRA processes leading to the preparation of the three year rolling AIP covering 2010/11 to 2011/13. Our plan and proposed fee for 2009/10 cover a transitional year and encompass the core audit work outlined at paragraph 11. This will include a review of the restated accounts for IFRS when available.
15. The Perth & Kinross LAN met for the first time on 1 December 2009, with a further meeting held on 19 January 2010. These meetings are aimed to develop and finalise the SRA and AIP. Following a national review of the AIPs for all 32 councils, the Council should receive its AIP in April 2010.

## Audit Framework

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### Best Value and Community Planning

16. The Local Government in Scotland Act 2003 (the 2003 Act) introduced statutory requirements for both authorities and auditors in relation to Best Value and Community Planning. By April 2009, the Accounts Commission had completed the first round of Best Value audits in all 32 councils in Scotland. In October 2009, the Commission published its report Making an impact: an overview of the audits of Best Value and Community Planning 2004-09.
17. The Accounts Commission is reviewing its approach to BV audits and is testing its revised approaches through five pathfinder audits. Following completion of the five pathfinders, the revised approach (BV2) will be finalised and applied to a future programme of audits, commencing from May 2010.
18. The timing and coverage of full BV2 audits will be agreed as part of the AIP. A key component of the SRA will be the extent to which implementation of any BV Improvement Plan has been progressed.
19. As the local auditors we will continue to be responsible for conducting follow-up reviews to assess progress against agreed improvement priorities which will be reported in our Annual Report and feed into future risk assessments.

### Single Outcome Agreements

20. The BV2 audit approach takes full account of Single Outcome Agreements (SOAs). Audit Scotland's planning guidance for 2009/10 directs us to develop a view on the approach the Council and its partners are taking on:
  - developing governance and accountability arrangements to support SOAs
  - ensuring explicit links are made between high-level SOA outcomes and more detailed service-level outcomes, outputs and activities
  - ensuring SOAs are supported by robust resource planning arrangements
  - ensuring SOAs are supported by robust performance management and reporting
  - reporting progress towards SOA outcomes to the Scottish Government, in line with guidance on annual reporting
  - undertaking Public Performance Reporting (PPR) on progress towards SOA outcomes, including linking SOA outcomes and indicators with other forms of PPR such as SPIs.
21. We will report our findings in our Annual Report.



### Performance Reporting and Statutory Performance Indicators

22. The 2008 Direction represented a significant shift in approach to the statutory performance indicators (SPIs) in recognition of the changing environment in which local authorities are operating. Significantly fewer specified indicators are required to be reported although councils are encouraged to select appropriate measures, reflecting their priorities from their mainstream performance management and reporting arrangements, covering corporate and individual service performance.
23. The audit approach has been revised in recognition of this shift and new guidance was issued by Audit Scotland in January 2010. We are no longer required to assess the reliability of individual indicators or to provide an opinion on a year-end return to Audit Scotland. Our emphasis will be on the arrangements and systems that the Council uses to generate performance results and consequent reports. Our work may include some sampling of data to test reliability, but it is the Council's responsibility to ensure the accuracy and relevance of all performance information. We plan to place reliance on Internal Audit in this area.
24. The statutory deadline for councils to place details of SPIs in the public domain by 30 September is unchanged. It is the council's responsibility to ensure that appropriate arrangements are in place for the collection and publication, and our duty to review and report of these arrangements. It is the Council's responsibility to ensure that the data is accurate and reliable.
25. The findings of our audit will be included in our Annual Report, together with commentary on the Council's 2009/10 performance.
26. Our 2008/09 Annual Report included comments on a few of the 2008/09 SPIs published by the Council. National rankings for the 2008/09 SPIs were published by Audit Scotland in February 2010. A summary of the Council's position is included at Appendix III.



### Audit Scotland National Studies

27. Audit Scotland undertakes a number of centrally directed performance audits each year. The Code directs us to participate in these at a local level, if required. One aspect of this participation during 2009/10 will be the presentation to the Council (where appropriate) of local information in relation to individual national studies. This is a developing aspect of national reporting and will be discussed further with officers and the Audit Sub-Committee in due course.
28. Audit Scotland planning guidance directs us to provide information on how the Council has responded to national reports three months and one year following publication, with the nature and level of information required varying across different studies and different bodies.
29. Details of reports on Audit Scotland national studies published between November 2008 and August 2009 were included in Appendix III to our report 2009-06, Report to Members and the Controller of Audit 2008/2009.
30. The following reports on centrally directed studies have been published since August 2009 or are due for publication in 2010:
  - Scotland's Public Finances (published November 2009)
  - Environmental overview (published January 2010)
  - Delivering Efficiencies
  - Physical Recreation Services
  - Managing Unit Costs
  - Looked after Children in Residential Settings
  - Councillors and Officers: Working Together in Local Government
  - Road maintenance: a follow-up report



## Audit Approach

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### Audit Approach

31. We plan our audit to meet the objectives discussed at paragraph 10 under guidance from Audit Scotland and in accordance with the requirements of the Code and applicable auditing standards.
32. Our approach is risk-based and designed to be robust, efficient, challenging and fair. Key features of our approach are the integration of work for the finance, governance and performance strands of our remit; a focus on key national and local issues and associated risks; financial statement audit procedures that maximise assurance from existing internal control processes; and maximum reliance on internal audit work.

### Risk Assessment

33. We begin by gaining an understanding of the key national and local issues facing the Council and the associated risks. We assess the likelihood of the risk occurring and the impact this could have on delivery of services and the financial position. We then assess the control arrangements that the Council has in place to manage these risks, and whether the risk has been reduced to an acceptable level. We also consider the Council's decision-making, governance and performance management frameworks. Audit Scotland's Sector Plan, planning guidance and PRF contribute to the identification of issues to be considered in this stage of our work.
34. Information is gathered from a series of interviews with senior officers and a review of key Council documents. We also obtain information from the Council's Acting Chief Internal Auditor, through discussion and review of relevant reports (see Appendix IV for documents reviewed).
35. The key national risks identified from our planning process, based on Audit Scotland's PRF and Sector Plan, are summarised in Table 6 at Appendix V, together with the associated audit actions and outputs. Our 2008/09 PRF Report (report 2009-02) reviewed these risk areas. As part of our 2009/10 planning, we obtained updated information from officers. This confirms that officers believe the Council has taken action to mitigate all of the risks identified in Table 6. Table 7 at Appendix V summarises specific local risks and our proposed audit action.
36. During 2009/10, our on-going monitoring will include:
  - Follow-up of the BV Improvement Plan
  - Attendance at Council and Committee meetings, together with review of reports and minutes
  - Attendance at the Audit Sub-Committee
  - Discussion with officers
  - On-going review of the provision of internal audit services
  - Follow-up of National Studies
37. Proposed timings for final reports and the Audit Sub-Committee meeting to which these will be presented are summarised in Table 3 at paragraph 61.



## Audit Approach

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### Financial Control Evaluation

38. The financial control environment will be considered at an early stage of our work to update our documentation of the key controls that can be relied upon for the production of figures for the financial statements.
39. Where possible we will seek to place reliance on the controls tested by internal audit where they report the controls are working effectively. Where internal audit do not perform tests on key controls we will reassess our audit work and either test the operation of the key controls or carry out substantive testing as part of the financial statements audit.
40. For 2009/10, as explained in the section below, we believe that reliance on the work of internal audit will be limited and therefore we will test the operation of all of the Council's key controls or carry out substantive testing as part of the financial statements audit. This decision will allow the Internal Audit section to complete their current review of working practices, and implement improvements. By the time we review the position for our 2010/11 audit these improvements should be evident in files and outputs and we will re-assess the level of reliance that can be taken from internal audit work.

### Reliance on Internal Audit Work

41. The Code directs us to maintain effective co-ordination with internal audit and place the maximum possible reliance on their work. In accordance with ISA 610 – Considering the Work of Internal Audit, we have reviewed the framework for the provision of internal audit services. Our review included consideration of compliance with CIPFA's 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom. We believe that the reliance on the work of internal audit for 2009/10 will be limited.
42. Last year we concluded that we could rely on internal audit work, however issues arose during file reviews that have required us to reconsider. In our 2009-06 Report to Members and the Controller of Audit 2008/2009 and our 2009-04 Financial Statements Audit Plan we drew attention to two files on which we were unable to place reliance due to difficulties in establishing that the files presented for review support the findings reported. We also drew attention to our concerns with continuing slippage with the internal audit plans.
43. The Council recognised the significant governance issue with the provision of internal audit services in their 2008/09 Annual Governance Statement; reporting that "there is a need for significant improvement in the provision of internal audit services" and agreed to implement a number of recommendations. From our discussions with the Acting Chief Internal Auditor we are aware that these are currently underway.
44. As part of our 2009-04 Financial Statements Audit Plan we agreed with the Head of Finance to undertake a further file review and feedback on weaknesses and suggest improvements. This review has been carried out and feedback has been provided to senior members of the internal audit team.
45. We note that working practices are currently being reviewed to address issues noted; in particular we note that steps have been taken to revise the 2010/11 planning methodology. However any improvement made in 2009/10 will not feed through in time to address the reported issues in time for the 2009/10 Annual Governance Statement and the Council will need to consider this area again this year.
46. Following a period of sickness absence, the Chief Internal Auditor for the Council has resigned. During his absence an Acting Chief Internal Auditor was appointed from within the internal audit team. The resignation of the Chief Internal Auditor may have further slippage implications for the delivery of the 2009/10 internal audit plan.



## Audit Approach

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47. We will continue to review all internal audit reports and consider their findings for all aspects of our audit. From our review of the internal audit plan for 2009/10, we have identified and agreed with the Head of Finance two areas we will still look to rely on:
- Implementation of Integrated Human Resources and Payroll (IHRP) System
  - SPIs
- However as the internal audit plan may change, we will keep this under review.
48. We will perform a detailed file review of these two areas. The IHRP System project is being carried out and reported over a number of stages and we will review this work as part of our financial statements audit work. We will discuss with internal audit the scope of their SPI project with a view to feeding their findings into our 2009/10 SPI work.
49. Our audit approach and our audit fee are dependent on the availability by 31 May 2010 of those reports and upon the expectation that the reviews will find Council systems to be at least adequate.
50. The findings of our review of internal audit work will be reported in our Financial Statements Audit Plan. Further work will be reported in our Annual Report if required.

## Reliance on Work of Other Inspection Bodies

51. We are required by the Code to contribute to the “whole organisation” approach to inspection through co-ordination amongst auditors, inspectors and other scrutiny bodies. We therefore place reliance on the reported results of the work of statutory inspectorates in relation to corporate or service performance and may monitor progress with implementation of action plans resulting from these reviews. Our reliance will also be informed by the LAN and shared risk assessment as previously detailed at paragraph 13.



## Audit Approach

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### Communication and Reporting

52. Auditing standards require us to communicate throughout the audit with those charged with governance. We have agreed that such communication will be through the Audit Sub-Committee. For matters relating specifically to the audit of the financial statements, communication will be with the Head of Finance and the Leader of the Administration.
53. The main means of communication with Members during the course of the year will be through our reports and our attendance at the Audit Sub-Committee. We will also attend a selection of meetings of the Community Planning Partnership, the Council and committees. Our formal reporting to all Members will be through our Annual Report produced at the conclusion of each audit year.
54. We will communicate regularly with officers throughout the audit year to plan and conclude individual projects, maintain an overview of the Council's business risks, and discuss any new issues that emerge. This communication should be two-way, and we encourage officers to have early discussions with us on any issues that may give rise to audit comment at a later date. We also welcome feedback on our audit approach.
55. Throughout our audit, we identify areas for improvement and encourage compliance with accepted best practice. At the conclusion of each project we will discuss our findings and recommendations for action with management prior to issuing a draft report, which will include our recommendations within an action plan. Recommendations will be graded by importance.
56. A draft report will be issued to allow the Council officers to confirm the factual accuracy of the report and to provide a response to any recommendations within an action plan. This includes details of the responsible officer and reasonable timeframes to be allocated for each of the agreed actions. Once this is completed, the final report will be issued to lead officers and submitted to the next Audit Sub-Committee. Our proposed reporting timetable is included in Table 3 at paragraph 61.

## Reliance on Council Action and Working Papers

57. In assessing our audit activity we have sought to place reliance on internal audit work where key controls are tested. We also expect that adequate records and working papers will generally be available as audit evidence and that officers will respond to requests for information within a reasonable timeframe. Our Financial Statements Audit Plan will identify specific supporting working papers that we expect to be available with the draft financial statements.

## Planned Audit Activity and Outputs

58. Appendix V records the planned audit activity that we assess is required to discharge our audit responsibilities.
59. Table 3 summarises our timetable for the outputs in which we plan to report our audit activity. The outputs highlighted # in Table 3 will only be required where there are significant issues to report arising from our audit work.
60. We will monitor our progress against our plan and report this to each meeting of the Audit Sub-Committee.
61. To inform our work we will have regular meetings with officers, and review minutes of meetings and reports presented to the Council and its committees. As we identify new issues we will bring these to the attention of management and the Audit Sub-Committee, where appropriate.

**Table 3: Timetable for Planned Audit Outputs**

Planned outputs	Date of final report	Audit Sub - Committee date
<b>Overall Planning</b>		
Risk Assessment, Annual Audit Plan and Fee Proposal	26/02/10	3/03/10
<b>Governance</b>		
Financial Statements Audit Plan	30/06/10	22/09/10
Fraud returns	As required	N/A
NFI Questionnaire	26/02/10	N/A
HB/CTB Subsidy Management Letter if required#	TBA	TBA
<b>Performance</b>		
PRG Financial Information Return	30/09/10	N/A
Impact assessments – National Studies	TBA	N/A
<b>Finance</b>		
Communication of Audit Matters to Those Charged with Governance - ISA 260 Report	Sept 2010	17/11/10
Audit opinion on financial statements	30/09/10	N/A
Audit opinion on the Whole of Government Accounts	30/09/10	N/A
Year end Management Letter if required#	29/10/10	TBA
Auditors' reports on grant claims and returns (including HB/CTB Subsidy)	As required	N/A
<b>Overall Conclusion</b>		
Report to Members and the Controller of Audit – Annual Report	29/10/10	15/12/10*

(TBA – dates still to be arranged, \* refers to Council Committee date)

# Planned Audit Outputs and Fee Proposal

## Determining the Annual Audit Fee

- 62. The audit of the Council will be completed under the ‘fee for the audit’ concept. The agreed fee for the Council audit requires to be set within the indicative fee range notified by Audit Scotland to the Chief Executive in November 2009. This letter includes an explanation of the requirement to cover IFRS work in 2009/10 and include this within the negotiated fee.
- 63. The indicative fee range for the Council in 2009/10 is £296,270 to £336,530. This includes Audit Scotland’s overhead recovery charge of £115,100.
- 64. Placement within the range depends on the level of work we consider requires to be undertaken and is influenced by the number and level of risks facing the Council. It also assumes that internal audit reports and other working papers will be available timeously and be of sufficient quality and that no major revisions are required to the financial statements. Our audit activity and ultimately the level of fee may require to be reassessed where this is not the case.
- 65. For 2009/10 particular influences on the placement in the range are:
  - implementation of IFRIC 12 principles (relating to PFI / PPP accounting) in 2009/10
  - preparation for the introduction of IFRS compliant accounts in 2010/11 and the need to restate the balance sheet at 1 April 2009 on an IFRS basis
  - input into the SRA process and follow-up of the BVIP
  - input in following up progress made against the recommendations in Audit Scotland’s national studies
  - the new SPI arrangements for 2009/10
  - attendance at Council and other meetings which requires a more senior mix of staff
  - additional work for prior years’ HB/CTB subsidy claims
  - we believe that only limited reliance will be placed on the work of internal audit
- 66. From our risk assessment and our assessment of the skill mix that we believe is required to complete the identified programme of work and deliver the outputs noted in Table 3, our total proposed fee for 2009/10 is £326,465. This fee assumes six days for the IFRS work in 2009/10. It is difficult to be certain how long this will take as it is a new area of work, however we anticipate that at least six days will be required. Additional work beyond six days may result in an additional fee. This fee is still subject to agreement with the Head of Finance.

**Table 4: Proposed Fee**

<b>Financial year</b>	<b>2009/10</b>
	<b>£</b>
Proposed audit fee	211,365
Audit Scotland fixed charge	115,100
<b>Total proposed fee</b>	<hr style="width: 50%; margin: 0 auto;"/> <b>326,465</b> =====

## Arrangements for Additional Audit Work

67. Where we are required to undertake work that was not provided for within the initial audit plan, the agreed fee may be revised within the indicative range, in conjunction with the Council. Fees outwith the indicative range require express agreement from Audit Scotland.
68. Indicative fees do not include additional work, such as PFI/PPP projects. Fees for additional work will be agreed separately following approval from Audit Scotland.
69. Audit Scotland, on behalf of the Accounts Commission, will on occasion request us to investigate correspondence from the public and agree an additional fee for the initial work. This will be financed through the Audit Scotland fixed charge. Where further work is directed by Audit Scotland an additional charge to the Council may be required. This will be discussed with management should this occur.



## Audit Team

### Audit Team

70. The audit team have considerable experience of the public sector, and local authority sector in particular, and have developed an understanding of the issues faced by the Council. Table 5 provides contact details and responsibility of each of the key team members.

**Table 5: Key Team Members**

<b>Team member</b>	<b>Role and responsibilities</b>	<b>Contact details</b>
<b>Cathie Wyllie</b> Engagement Partner	The audit team is headed by Cathie Wyllie as engagement partner. Cathie is responsible for the overall delivery of our services to the Council and liaison with the Audit Sub-Committee.	Tel: 01382 594784 <a href="mailto:cbw@hendersonloggie.co.uk">cbw@hendersonloggie.co.uk</a>
<b>Margaret Richardson</b> Audit Director	Margaret is responsible for managing the day to day delivery of the audit, Best Value and overall delivery of the financial statements audit.	Tel: 01382 594786 <a href="mailto:mar@hendersonloggie.co.uk">mar@hendersonloggie.co.uk</a>
<b>David Archibald</b> Manager	David is responsible for managing governance and performance work and is the main point of contact for Statutory Performance Indicators and NFI.	Tel: 01382 594748 <a href="mailto:dma@hendersonloggie.co.uk">dma@hendersonloggie.co.uk</a>
<b>Adrienne Borrows</b> Assistant Manager	Adrienne is the main point of contact for financial statements and grant audit work.	Tel: 01382 594768 <a href="mailto:aab@hendersonloggie.co.uk">aab@hendersonloggie.co.uk</a>
<b>Kenneth Brooker</b> Assistant Manager	Kenneth is responsible for managing the delivery of the financial statements audit in relation to Revenues, Council Tax and Housing Benefit, and the review of the Subsidy Claim.	Tel: 0131 226 0201 <a href="mailto:kib@hendersonloggie.co.uk">kib@hendersonloggie.co.uk</a>
<b>Irene Leiper</b> Administrator	Irene supports the team and will liaise with Council officers to organise papers for committees etc.	Tel: 01382 594789 <a href="mailto:irenel@hendersonloggie.co.uk">irenel@hendersonloggie.co.uk</a>
<b>Steve Cartwright</b> Partner	Steve is available as an independent partner to deal with any comments or complaints.	Tel: 01382 200055 <a href="mailto:scc@hendersonloggie.co.uk">scc@hendersonloggie.co.uk</a>



## Audit Team

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### Confirmation of Independence

71. Ethical Standard 1, Integrity, Objectivity and Independence, issued by the Auditing Practices Board (APB), requires that external auditors should ensure that those charged with governance are appropriately informed on a timely basis of all significant facts and matters that bear upon the auditors' objectivity and independence.
72. We confirm that Henderson Loggie has procedures in place to ensure compliance with APB Ethical Standards. We confirm that in our professional judgement we are independent of Perth & Kinross Council and our objectivity and independence have not been compromised in any way. There are no relationships between Henderson Loggie and the Council, its members and senior officers that may reasonably be thought to bear on our objectivity and independence. Henderson Loggie does not (and will not) provide any consultancy or non audit services to the Council.



## Appendix I Respective Responsibilities

### **Respective Responsibilities of Members, Officers and Auditors**

Each public sector body is accountable for the way in which it has discharged its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests upon both members and officers of a public sector body.

That responsibility is discharged primarily by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources and by the preparation, maintenance and reporting of accurate and informative accounts.

It is our responsibility to undertake an independent appraisal of the discharge by management of its stewardship responsibilities, to enable us to give an assurance that those responsibilities have been reasonably discharged.

The Council and the Head of Finance's responsibilities for the Financial Statements are set in the Financial Statements. Our responsibility is to form an independent opinion, based on our audit, on the abstract of accounts and report that opinion to you.

We are required to review whether the annual governance statement reflects compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the corporate governance procedures or its risk and control procedures.



## **Appendix II Grant Claims included in Fee Proposal**

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Housing and Council Tax Benefit Subsidy Claim

Non Domestic Rates Income Return

Criminal Justice Social Work Services Annual Financial Statement

Education Maintenance Allowance



## Appendix III Statutory Performance Indicators

The following analysis is drawn from information published in February 2010 by Audit Scotland and relates solely to those indicators which were ranked across all councils who reported. This is split into 4 quartiles, quartile (Q) 1 being the councils ranked 1 to 8 and Q4 being the councils ranked 25 to 32.

	Q1	Q2	Q3	Q4	Total
Adult Social Work	3	10	6	3	22
Corporate Management	5	4	2	1	12
Cultural & Community Services	0	5	4	3	12
Development Services	0	0	4	1	5
Education & Children's Services	1	8	2	1	12
Housing	3	6	2	1	12
Protective Services	1	2	1	0	4
Roads & Lighting	0	2	5	1	8
Waste Management	3	2	0	1	6

Number of Indicators in each quartile	16	39	26	12	93
Percentage of Indicators in each quartile	17	42	28	13	100
% in middle quartiles (Q2 + Q3)			70%		

### Number of indicators ranked in Top 3 for Scotland 6

Percentage of care staff in local authority residential homes, who have appropriate qualifications for the level of post held.

Trading standards: The percentage of consumer complaints dealt with within 14 days of receipt.

Overall cleanliness index.

Proportion of abandoned vehicles requiring removal that were removed within 14 days.

Council Housing: Percentage of repairs completed within target times.

Proportion of internal floor area of operational buildings in satisfactory condition.

### Number of indicators ranked in Bottom 3 for Scotland 3

Percentage of public service buildings that are suitable for and accessible to disabled people.

Number of overnight respite nights provided per 1,000 population aged 0-17.

Planning: Successful appeals as a percentage of determinations.

## Appendix IV Documents Reviewed



HENDERSON LOGGIE

### Audit Scotland and other Regulatory Guidance

Planning guidance	
Code of Audit Practice	
Current Priorities and Risk Framework (PRF)	
Local Government Sector Plan 2008-2011	
Technical bulletins	
The SORP	

### Council Documents

Community plan 2006-2020	
Corporate plan 2009-2012 and Corporate Improvement Plan 2009-2012	
Single Outcome Agreement	
Current year budgets for capital & revenue & budget monitoring reports	
BVIP and six monthly BVIP Improvement Plan Progress Updates	
Various Minutes of the Council and its Committees	

### Previous Year Audit Reports

Report to Members and Controller of Audit for 2008/09	
Financial Statements Audit Plan 2008/09	
ISA 260 Report 2008/09	
PRF returns for 2008/09	
HB/CTB Subsidy Claim Management Letter Follow-up	

Local Code of Corporate Governance

Risk Management Quarterly Update and Annual Review January 2010

Internal Audit plan and recent reports

Financial regulations, standing orders, Scheme of administration, contract rules, whistle-blowing policy, fraud and corruption policy etc

Various Asset Management Plans, Reports, Condition Reports etc

IT strategies

Human Resources Strategy

Various Equalities Schemes, Plans, Action Plan etc

Annual Public Performance Report 2008/09

Various newsletters

### Other Bodies Reports

Various HMIE and SWIA inspection reports	
Tayside Procurement Consortium Procurement Strategy 2008-2011 & Annual Report 2008-09	
Audit of Housing Benefit Services and Administration - inspection Oct'08	



## Appendix V National and Local Risk Analysis and Plan

During 2009/10, our ongoing monitoring will include: follow-up of the BVIP actions; attendance at Council and committee meetings; review of reports and minutes; discussion with officers; reliance on internal audit; and follow-up of national studies.

**Table 6 – National Issues Risk Analysis and Plan**

Key risks	Audit actions	Planned output
<p><b>Vision and Strategic Direction</b></p> <p>Aims and objectives set out in the Community Plan, the Single Outcome Agreement and the Corporate Plan may not be properly supported by more detailed strategies and operational plans. <b>PRF 57</b></p> <p>The aims and objectives may not be informed or influenced by a good understanding of the views of service users or the needs of local communities. <b>PRF 57</b></p> <p>Lack of clarity over members' strategic leadership role, or poor working relationships between members or between members and officers may have an adverse influence on the impact and efficacy of the council and its services. <b>PRF 61</b></p> <p>If member training and development is not effective it will not address specific objectives or lead to improvements in performance, and address competency areas such as partnership working. <b>PRF 62</b></p>	<p>Ongoing monitoring</p> <p>We will continue to monitor and review the Council's Codes, regulations and Guidance for officers and members and the extent to which members are being supported effectively. We will also review the interaction between elected members and senior officers at our attendance at Community Planning Partnership, Council and committee meetings.</p>	<p>Annual Report</p>

## Appendix V National and Local Risk Analysis and Plan

Table 6 – National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Partnership Working and Community Leadership / Engagement</b></p> <p>The Council may not be fulfilling its duties under the Local Government in Scotland Act 2003 to initiate, facilitate and maintain a Community Planning Partnership (CPP). <b>PRF 70</b></p> <p>The Council may not provide effective leadership to ensure partners are committed to Community Planning and have a shared vision for the community which is evidenced based and reflects local needs. <b>PRF 78</b></p> <p>Consultation and engagement with local communities and service users may be poorly co-ordinated or insufficiently linked to wider community empowerment activity. <b>PRF 83</b></p> <p>The Council may lack clear arrangements for linking Community Planning priorities to financial and service planning processes, including those of partners, resulting in insufficient resources being available to deliver agreed outcomes. <b>PRF 87</b></p>	<p>Ongoing monitoring</p> <p>We will monitor the Council's budget and relevant Council and CPP reports for evidence of the delivery of key outcomes and priorities in the key plans.</p>	<p>Annual Report</p>

## Appendix V National and Local Risk Analysis and Plan

Table 6 – National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Governance and Accountability</b></p> <p>The operation of the Council may not be based on sound decision-making supported by appropriate structures and processes. <b>PRF 93</b></p> <p>The Council may not be able to demonstrate that it has taken informed and transparent decisions. Decisions may not be subject to effective scrutiny, challenge and risk assessment. <b>PRF 100</b></p> <p>The reasons for establishing an external organisation or for supporting an existing external organisation, the intended benefits and the links with the Council's objectives may not be clear. The extent of or limitations on financial commitment to such organisations, or the circumstances in which the funding relationship will be reviewed may not be clear. <b>PRF 104, 105</b></p>	<p>Our review of the Council's governance framework will be informed by the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework' and the guidance note for Scottish authorities. We will monitor the Council's action to implement the framework and any use of the self-assessment framework. We will also review any changes to the Council's Local Code, the Acting Chief Internal Auditor's annual review statement and the Annual Governance Statement included in the draft financial statements. There may be some reliance on internal audit in this area.</p> <p>We will review, monitor and report on the scrutiny and governance arrangements in place by attending the Audit Sub-Committee and some Council and other relevant committee meetings. We will review Council and committee papers and minutes.</p> <p>Ongoing monitoring</p>	<p>Financial Statements Audit Plan</p> <p>Audit Opinion on the financial statements</p> <p>ISA 260 Report</p> <p>Annual Report</p>



## Appendix V National and Local Risk Analysis and Plan

Table 6 – National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Performance Management and Improvement</b></p> <p>Priorities and objectives may not be clearly articulated at corporate or service level or may lack specific and measurable outcome targets. As a consequence, resources may not be targeted effectively at priority areas and there is a risk that councils may not achieve their aims. Councils should have clearly defined corporate priorities which are identified and cascaded through plans, including the community plan, corporate and service level plans. These plans should contain measurable performance targets. <b>PRF 126</b></p> <p>The Council's performance indicators may not measure the right things, meaning that the Council may be unable to demonstrate the quality, effectiveness or cost of its services. <b>PRF 130</b></p> <p>The Council may not have systems to collect relevant information to report on the delivery of agreed outcomes, in particular those included in the new SOA. <b>PRF 130</b></p> <p>Performance information may not be produced on a timely basis and be quality controlled to ensure it is robust. <b>PRF 131</b></p>	<p>We will maintain an overview of the approach the Council and its partners are taking to monitoring performance against the SOA. In particular we will review how the planned outcomes and targets are underpinned by resource plans and sound performance management. We will also review other key plans and performance monitoring reports to ensure there are clearly defined corporate priorities that are cascaded through the Council plans and that measurable outcome and performance targets are set.</p> <p>We will review the systems and arrangements for collecting, recording and publishing performance information (including Statutory Performance Indicators) to ensure the Council is measuring the right things that demonstrate the quality and effectiveness or cost of its services.</p> <p>We will review the systems and arrangements that the Council and its partners put in place to collect the relevant information to report the delivery of agreed outcomes, in particular those developed for the SOA.</p> <p>We will review the Council's internal quality control processes for ensuring that this information is produced to the required deadlines and is robust.</p>	<p>Annual Report</p>



# Appendix V National and Local Risk Analysis and Plan

Table 6 – National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Risk Management</b></p> <p>The Council may not be clear on what the overall strategy for risk management is or in communicating how this should work in practice. <b>PRF 153</b></p> <p>The Council may not be effectively managing corporate / strategic risks to the achievement of its key objectives. <b>PRF 155</b></p> <p>The Council may not effectively manage departmental risks, which could impact on the quality of service delivery and could contribute to failure to achieve corporate objectives. <b>PRF 158</b></p>	<p>Ongoing monitoring</p>	<p>Annual Report</p>



## Appendix V National and Local Risk Analysis and Plan

Table 6 – National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Use of Resources – Financial Management</b></p> <p>Priorities from the SOA, Community and Corporate Plans may not have been properly costed and planned for and the Council's revenue and capital plans may not link to these priorities. <b>PRF 197, 199, 204</b></p> <p>The financial planning process may not be aligned to the Corporate and Service planning processes and timetables. <b>PRF 197</b></p> <p>The plans may be relatively short term and not consider longer term affordability and whole life funding and investment requirements. <b>PRF 198</b></p> <p>The budget setting process may not be outcome based and may fail to take account of the reporting of the attainment of key priorities. <b>PRF 204</b></p> <p>Efficiency savings or demand led service requirements may not be met due to cash limits and mounting cost pressures. <b>PRF 205, 206</b></p>	<p>We will review the SOA, Community and Corporate Plans in conjunction with the agreed capital and revenue plans for linkage with priority outcomes.</p> <p>We will review capital and revenue budget setting and monitoring papers throughout the year together with a review of the Council's strategy for maintaining reserves and balances and the Council's longer term funding strategy reports.</p> <p>We will consider the clarity of links between revenue budgets and capital plans and the stated priorities within the key plans and consider if all existing and known future commitments are properly accounted for. We will review virements and the Council's accounting for additional grants and funding as part of our year-end audit.</p> <p>We will review the annual efficiency savings report and ongoing budget monitoring reports.</p>	<p>Financial Statements Audit Plan</p> <p>Annual Report</p>

## Appendix V National and Local Risk Analysis and Plan

Table 6 – National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Use of Resources - Current Economic Climate</b></p> <p>In the current economic climate, there is likely to be even greater pressure on funding across the public sector, with an increased emphasis on savings and efficiencies to help with planning for the future.</p> <p>Recent budget pressures on winter maintenance were reported to the Enterprise and Infrastructure Committee on 27 January 2010, with forecast that a budget of £2.88 million could end up at between £4 million and £4.4 million. In addition the final cost for repairing damage to the road structure is not yet known.</p> <p><b>Planning Guidance additional PRF topic 209/10</b></p>	<p>We will continue to monitor the position from our attendance at Council and committee meetings and our ongoing review of revenue monitoring and budget preparation reports. We will request a formal update from Officers for our Annual Report.</p>	<p>Annual Report</p>
<p><b>Use of Resources – People Management</b></p> <p>The implementation of Single Status will continue to affect employer/employee relations and may affect service delivery and the achievement of corporate objectives and performance improvement. The ongoing costs of equal pay, single status and age discrimination may not be properly budgeted for. <b>PRF 238</b></p> <p>A comprehensive workforce strategy, covering issues such as health and safety, equalities, business continuity and succession planning may not be in place. <b>PRF 241</b></p> <p>Arrangements for managing absence may not be effective in tackling abuse and work-related causes of ill-health and in supporting staff so that they can return to work. <b>PRF 249</b></p>	<p>Ongoing monitoring</p>	<p>Annual Report</p>



# Appendix V National and Local Risk Analysis and Plan

Table 6 – National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Use of Resources – Asset Management</b></p> <p>Asset management may not be viewed as an integral part of the strategic and business planning process, with the result that business planning may not be supported by the most appropriate asset base. The financial consequences of acquiring, holding and maintaining assets may not be recognised in financial planning. <b>PRF 267</b></p> <p>Information on asset condition and suitability may not be used to inform management proposals for new investment and maintenance plans. Key performance indicators in relation to cost and utilisation may not be available or may not be used to maximise the use of assets and identify efficiency savings. <b>PRF 269</b></p> <p>The Council may not have established which assets to which it has title are common good assets. <b>PRF 270</b></p>	<p>Ongoing monitoring</p> <p>We will review the Council's and Common Good Funds' fixed asset registers as part of our year-end audit work.</p>	<p>Financial Statements Audit Plan</p> <p>Annual Report</p>

## Appendix V National and Local Risk Analysis and Plan

Table 6 – National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Use of Resources - Procurement</b></p> <p>The Council's procurement strategy may not be fit for purpose. The Council may fail to engage fully with the procurement centres of excellence. <b>PRF 289</b></p> <p>The Council may not be able to demonstrate that their procurement and governance arrangements comply with the standards set out in the McClelland report. <b>PRF 289</b></p>	<p>Ongoing monitoring</p>	<p>Annual Report</p>
<p><b>Use of Resources – Information Management</b></p> <p>The Council may fail to achieve the desired outcomes if government initiatives and directives (including the OneScotland portal, Scotland Performs, the National Performance Framework and Single Outcome Agreements) are not sponsored at the appropriate level and progress is not reported on a regular basis. <b>PRF 312</b></p>	<p>Ongoing monitoring</p>	<p>Annual Report</p>
<p><b>Services</b></p> <p>Council services may fall below acceptable standards and fail to meet statutory requirements. <b>PRF pages 60-63</b></p>	<p>Ongoing monitoring</p>	<p>Annual Report</p>

## Appendix V National and Local Risk Analysis and Plan

Table 6 – National Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Cross Cutting Issues</b></p> <p><b>Equality and Diversity</b></p> <p>If the Council cannot evidence its approach to equalities and its performance, it risks being criticised by the electorate, the workforce and Equalities and Human Rights Commission. <b>PRF 37</b></p> <p>The Council may be unable to give a clear, evidence-based account of its performance against its duties in relation to equalities issues, including race, gender, disability, age, sexual orientation and religion / belief. <b>PRF 36</b></p> <p><b>Sustainability</b></p> <p>Across Scotland, the primary focus of council efforts has been on waste management and energy management. There is a risk that progress towards the government's wider sustainability agenda and proposed targets will be insufficient. <b>PRF 42</b></p> <p>Implementation of the local waste management strategy is important from an environmental perspective, however the immediate financial risk for the Council is that failure to achieve nationally set targets on waste reduction measures will have a financial penalty.</p> <p>Targets for energy and water efficiency and management of the Council's carbon footprint will be increasingly challenging in the current financial climate.</p>	<p>Ongoing monitoring</p>	<p>Annual Report</p>



## Appendix V National and Local Risk Analysis and Plan

Table 7 – Local Issues Risk Analysis and Plan

Key risks	Audit actions	Planned output
<p><b>Integrated Human Resources and Payroll (IHRP) System</b></p> <p>The Council has implemented a new IHRP System, ResourceLink in 2009/10. This system aims to allow the Council to manage and maintain comprehensive employee information on a single system over the next ten to fifteen years.</p> <p>Payroll costs are a main expenditure cost for all Councils and the Council may not have in place effective management for the introduction of the new IHRP system.</p>	<p>We will monitor the implementation of the new IHRP system and document the Council's processes for Human Resources and Payroll; in particular noting the key controls in place.</p> <p>We plan to place some reliance on internal audit work on implementation of the IHRP System in this area, as detailed at paragraph 47.</p>	<p>Financial Statements Audit Plan</p> <p>Annual Report</p>
<p><b>2009 SORP</b></p> <p>The Council's annual accounts may not fully comply with the SORP.</p> <p>For 2009/10, the most significant change to the SORP is in respect of the requirements for private finance initiative (PFI) and similar contracts. Accounting treatment for PFI and similar contracts is no longer based on FRS 5 but on an interpretation of IFRIC 12 Service Concession Arrangements contained in the Government's Financial Reporting Manual. <b>(from AS NfG 2009/7 para 7)</b></p> <p>There are also amendments in respect of accounting for non-domestic rates and council tax.</p>	<p>We will discharge our responsibilities for the audit of the financial statements in accordance with International Standards on Auditing and Quality Control (UK and Ireland), and Ethical Standards, applicable Practice Notes and guidance issued by the Auditing Practices Board. We will use the CIPFA disclosure checklist to ensure compliance with statutory requirements and the SORP for accounting presentation and disclosure.</p>	<p>Audit Opinion on the financial statements</p> <p>ISA 260 Report</p> <p>Annual Report</p>



## Appendix V National and Local Risk Analysis and Plan

Table 7 – Local Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Whole of Government Accounts</b></p> <p>The Council's Whole of Government Accounts (WGA) submission may not meet the certification deadline of 30 September 2010.</p> <p>The deadline for submission of the audited 2009/10 WGA to the Scottish Government has been brought forward by one month compared with 2008/09.</p>	<p>We will have early discussions with the Finance team to agree a timetable that allows adequate time for completion of the required audit work before 30 September 2010.</p>	<p>Audit Opinion on the Whole of Government Accounts</p>
<p><b>International Financial Reporting Standards (IFRS)</b></p> <p>The Council may not be fully prepared for compliance with revised requirements for the financial statements from 2010/11.</p> <p>From 2010/11, local authority accounts must be prepared in accordance with International Financial Reporting Standards (IFRS). An IFRS-based Code of Practice on Local Authority Accounting has been prepared which replaces the SORP from 2010/11.</p> <p>The Council will need to restate 2009/10 comparative information onto an IFRS basis, and disclose a restated 1 April 2009 IFRS-based balance sheet. From initial discussions, the Council are making progress in preparing for full IFRS implementation.</p>	<p>We will review the Council's planning for and progress with the implementation of IFRS.</p> <p>We will review the IFRS restatement once the work has been completed. Our findings will be reported to management at an early stage and summarised in our Annual Report.</p>	<p>Annual Report</p>



## Appendix V National and Local Risk Analysis and Plan

Table 7 – Local Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>FRS 17, Retirement Benefits, Disclosure</b></p> <p>Legislation may not be in place to allow FRS 17 pension costs for the new police and fire pensions to be reversed out in the Statement of Movement on General Reserve Balance and replaced with the actual amounts paid through the financial ledger.</p>	<p>In 2008/09, the accounts of Tayside Fire and Rescue Board and Tayside Joint Police Board had a qualified audit opinion, in that they showed a true and fair view of the financial position, with the exception of the FRS 17 issue.</p> <p>The Council's Group accounts were not qualified as the impact was not considered to be material. If the required legislation is not in place for 2009/10, we will review the impact on the Group accounts before signing our audit opinion.</p>	<p>Audit Opinion on the Financial Statements</p> <p>ISA 260 Report</p> <p>Annual Report</p>



## Appendix V National and Local Risk Analysis and Plan

Table 7 – Local Issues Risk Analysis and Plan (Cont'd)

Key risks	Audit actions	Planned output
<p><b>Possible investment losses in Icelandic Banks as a result of problems in the global financial markets</b></p> <p>The SP&amp;R Committee (10 February 2010) reported that there is uncertainty with the recovery of the Council's deposit with Glitnir Bank; the level of recovery being dependent on whether priority status is or is not confirmed for local authority deposits. The Scottish Government Statutory Guidance allows accounting for the loss to be deferred to 2010/11. The Council has deferred a final decision on which year to make any charge in accounts until preparing the final statutory accounts for 2009/10.</p> <p>The Council's accounts may not comply with guidance issued on accounting for investments and impairment.</p>	<p>We will continue to review the Council's accounting for investments and impairment to ensure this is in line with relevant guidance issued and the SORP for accounting presentation and disclosure.</p>	<p>Audit Opinion on the financial statements</p> <p>ISA 260 Report</p> <p>Annual Report</p>
<p><b>Internal Audit</b></p> <p>The 2008/09 Annual Governance Statement reported there was a need for significant improvement in the provision of internal audit services. Corporate Services six month Business Management and Improvement Plan (BMIP) Exception Report for the six month period to 30/9/09 reported that the percentage of internal audits undertaken in accordance with the approved plan was not on target.</p> <p>There is a risk that the Council may not receive the required level of independent assurance due to failure to report audits in accordance with the approved plan.</p>	<p>We will continue to review internal audit services throughout 2009/10, by review of internal audit reports and our review of internal audit files. We will also attend meetings of the Audit Sub-Committee.</p>	<p>Financial Statements Audit Plan</p> <p>Annual Report</p>



## Appendix VI Acronyms

AIP	Assurance and Improvement Plan	LAN	Local Area Network
APB	Auditing Practices Board	NFI	National Fraud Initiative
AS	Audit Scotland	NfG	Note for Guidance
BMIP	Business Management and Improvement Plan	PFI/ PPP	Private Finance Initiative/ Public Private Partnership
BV	Best Value	PRF	Priorities and Risk Framework
BVIP	Best Value Improvement Plan	PRG	Performance Reporting Group
CIPFA	Chartered Institute of Public Finance and Accountancy	PPR	Public Performance Reporting
CPP	Community Planning Partnership	SOA	Single Outcome Agreement
FRS	Financial Reporting Standards	SOLACE	Society of Local Authority Chief Executives
FSAP	Financial Statements Audit Plan	SORP	Statement of Recommended Practice
HB/ CTB	Housing Benefit/ Council Tax Benefit	SPI	Statutory Performance Indicator
HMIE	Her Majesty's Inspectorate of Education	SP&R	Strategic Policy and Resources
IFRIC	International Financial Reporting Interpretations Committee	SRA	Shared Risk Assessment
IFRS	International Financial Reporting Standards	SWIA	Social Work Inspection Agency
IHRP	Integrated Human Resources and Payroll	TBA	To Be Agreed
ISA	International Standards on Auditing		
IT	Information Technology		