

| <b>APPENDIX 2 - KEY MATTERS IDENTIFIED IN EXTERNAL AUDIT REPORT 2008-2009 AND ACTION BEING TAKEN BY THE COUNCIL</b> |  |   |
|---|--|---|
| <b>Ref</b>  | <b>Matter Identified by External Audit</b>   | <b>Action Being Taken by Council</b>  |
| <b>1</b>  | <b>Financial Statements – To provide an opinion on the Council's Financial statements for the year ended 31 March 2009.</b>  |   |
| <b>1.1</b>  | We gave an unqualified opinion on the Council's 2008-09 financial statements on 30 September 2009.   | Noted   |
| <b>1.2</b>  | Our audit opinion, however, draws attention to a failure to comply with the statutory requirement that all significant trading organisations break even on a rolling three year basis.   | Noted. The catering & cleaning trading account did achieve a surplus of £0.97m for 2008-09  |
| <b>1.3</b>  | The Council has a history of managing its finances well, but has identified a potential budget shortfall for the 3 year period to 2011-12. The current economic recession will lead to reductions in public sector funding and will require the Council to take action to reduce costs, increase income or reduce levels of service provision. | This will be addressed through the planning & budgeting process. A 3 year programme of service reviews has been agreed by SMT. The Council is taking forward development of detailed design for workforce deployment and customer management elements of Process for Change and has already moved to the implementation phase for the procurement theme |
| <b>1.4</b>  | The Council has recognised a provision of £0.8 million for the additional costs associated with implementation of single status arrangements. This provision reflects the outcome of the recent appeals process. The Council has also recognised a potential contingent liability in relation to single status appeals currently in progress.  | Noted   |

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| <b>2</b>  | <b>Governance - To review and report on the Council's corporate governance arrangements, including: systems of internal financial control, arrangements for the prevention and detection of fraud and corruption, standards of conduct and the Council's financial position.</b>                           |  |
| <b>2.1</b>  | We have concluded that the Council's systems of internal financial control are operating adequately. The Council has generally good financial management and budgetary control arrangements.   | Noted  |
| <b>2.2</b>  | The Council has not yet appointed a head of internal audit position. The Council should develop a strategy for the future provision of internal audit which sets out its vision for the future role, remit and structure of the internal audit section to meet the new challenges facing local government. | Review of Internal Audit will to be carried out to address this issue. |
| <b>2.3</b>  | The Council continued to develop its audit committee arrangements during 2008-09. An away day was held to facilitate discussion on the future role of the committee and there are plans in place to review and update the 2009-10 work plan, training arrangements and the terms of reference.             | Noted  |
| <b>2.4</b>  | The Council should ensure it completes the processing of data matches from the National Fraud Initiative exercise as a matter of urgency.  | These points will now be addressed                                     |

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| <b>3</b>  | <b>Performance - To review and report on the Council's arrangements to achieve Best Value, other aspects of arrangements to manage performance in the use of resources, and arrangements for preparing and publishing statutory performance indicators.</b>  |  |
| <b>3.1</b>  | The Council has responded positively to address the areas for improvement identified in Audit Scotland's recent best value report and has made good progress in implementing the Improvement Plan developed following the appointment of the new Chief Executive.  | Noted  |
| <b>3.2</b>  | In particular, the Chief Executive has implemented a strategy which has resulted in a significant improvement in the Council's best value arrangements and has increased the pace of change and reform to meet best value expectations. This addresses a key area of weakness highlighted by Audit Scotland as requiring priority action.  | Noted  |
| <b>3.3</b>  | The Council recognises that it needs to continue with the current pace of change and to ensure improvements in performance and strategic management lead to real and measurable improvement in service delivery outcomes and service user satisfaction. We are satisfied that officers and members understand the scale of this challenge and are committed to achieving the necessary improvement. Correspondingly, we regard the Council's prospects for future improvement as good. | A gap analysis for BV2 is taking place. The Council has also committed to the Public Service Improvement Framework. These will be used to update the Improvement Plan. |
| <b>3.4</b>  | The Council has published its performance against the Single Outcome Agreement Objectives for 2008-09. The results show the Council has made significant progress across the 15 National Outcomes, with 2 areas identified as needing further work (Health and Inequalities).  | Noted  |

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| <b>3.5</b>   | The Council achieved efficiency savings of £3.4 million for 2008-09, which met the Council's share of the national target, but below its own target of £4.6 million. A scorecard system is now in place to monitor departmental contributions to savings going forward. | Revised Efficiency Plan agreed at SMT and monitoring arrangements reviewed |