

October 2008

North Lanarkshire Council

Annual Report to Members and the
Controller of Audit

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Executive Commentary

Introduction - Section 1

Our overall responsibility as external auditors of North Lanarkshire Council (“the Council”) is to undertake our external audit in accordance with the principles contained in the Audit Scotland Code of Audit Practice (“the Code”) revised and published in March 2007.

Audit Opinion - Section 2

Our opinion for the year ended 31 March 2008, which is the format prescribed by the Accounts Commission, is unqualified. However, due to the fact that two of the trading accounts have failed to meet the statutory requirement to break-even over a rolling three year period, we are required to include the following explanatory paragraph within our audit report:

“It has not been necessary to qualify our opinion in respect of the following matter.

Local authorities have a duty under section 10 of the Local Government (Scotland) Act 2003 to conduct each of their significant trading operations in a manner that ensures income is not less than expenditure over each three year period. The Authority failed to comply with this statutory requirement for the three year period ending 31 March 2008 in respect of two such operations; the Trading Operations relating to Catering and Building Cleaning. This was due to costs associated with equal pay back-dated claims which were originally provided for in the year ended 31 March 2006.”

The Audit Process and Accounting Issues - Section 3

Our audit information requirements and associated timetable for the financial statement element of our audit were agreed with management in February 2008. Our final audit visit, which focused on the Council’s financial statements, took place in August and September of 2008. We are pleased to report that the financial statements, supporting schedules and audit working papers were presented to us for audit within the agreed timetable.

During the year management discussed a number of potential accounting treatments with us. This approach allowed us to work closely with management in agreeing potential accounting issues early and minimised the risk of potential audit changes to the financial statements. Particular accounting treatments discussed and reviewed included the treatment of revaluations following the introduction of the Revaluation Reserve and other new reserves. This proactive approach worked well and we will continue to work with management to identify and resolve future accounting treatment issues at an early stage.

Financial Performance 2007/08 – Section 4

As at 31 March 2008, the Council reported a £10.745 million increase in its general fund balance compared to an increase of £20.135 million in 2006/07. After adjusting this in-year surplus in order to reflect the necessary statutory and non-statutory accounting adjustments (for example gains and losses on disposal of fixed assets and FRS 17 pension costs) the Council reported an overall deficit of £7.665 million in its Income and Expenditure Account (compared to a £8.537 million surplus in 2006/07).

The Council’s total capital budget for 2007/08 was £136.960 million. Actual expenditure incurred during 2007/08 totalled £113.259 million, representing capital slippage of £23.701 million.

In addition to the cumulative general fund balance of £27.016 million carried forward into 2008/09, the Council also holds an £8.622 million Insurance Fund reserve and a Housing Revenue Account reserve of £4.098 million.

Financial Projections 2008/09 – Section 5

The Council's 2008/09 revenue budget is £763.519 million and reflects a number of cost pressures including pay inflation, job evaluation increments and energy cost inflation. The budget also takes account of investment in priority areas and also efficiency saving targets which have been incorporated into service budgets.

Governance and Control Arrangements – Section 6

In May 2008, the Council received the final report from the Accounts Commission in relation to the audit of Best Value and Community Planning which had been carried out in late Autumn of 2007. This report highlighted that the take up of training by members was an area for improvement. The development of the scrutiny of policy implementation was also identified as an area for development. It should be noted that specific actions in regard to these matters have been included within the Council's improvement agenda.

The Council's Statement of Accounts includes a Statement on the System of Internal Financial Control. Our review of this statement concluded that it is in compliance with the Statement of Recommended Practice (SORP) and that it is not misleading or inconsistent with other information we are aware of from our normal audit procedures.

Work undertaken at the Council on the 2006/07 National Fraud Initiative (NFI) data matches identified savings of approximately £600,000. Most of these savings related to the overpayment of Housing Benefit. Audit Scotland recently issued a national report on the 2006-2007 exercise which highlighted that North Lanarkshire Council had achieved the highest level of NFI savings in Scotland. The Council should be commended on the use of NFI as an important tool in its overall anti-fraud arrangements.

We are pleased to report that during the course of our audit we have not identified any issues that would suggest that the Council's corporate governance arrangements are not working as intended.

Performance Management – Section 7

In May 2008, the Council received the final report from the Accounts Commission in relation to the audit of Best Value and Community Planning which had been carried out in late Autumn of 2007. The overall conclusions arising from this audit are very positive.

The Council has been prompt in compiling an improvement agenda and action plan to address the key messages which were highlighted in the Accounts Commission's report. A report was taken in August 2008 to the Audit and Governance Panel setting out this plan. The Corporate Management Team is responsible for monitoring the implementation and progress of actions contained in this plan. The Audit and Governance Panel has a strategic oversight role in reviewing progress and in gaining assurance that the plan remains on track.

As part of the Best Value Improvement Agenda and Action Plan, the Council has identified improving sickness absence rates as a key target. The Council aims to reduce the percentage of available working days lost for the year to March 2009 to 5.5%. The Council has identified a number of actions to help meet this target and progress in meeting these actions will continue to be monitored by service directors and members.

We are pleased to report that all performance indicators reviewed by us were graded 'A'; "the data appears to be reliable in material aspects".

PricewaterhouseCoopers LLP
Kintyre House
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G2 2LW

17 October 2008

1. Introduction

- 1.01 Our overall responsibility as external auditors of North Lanarkshire Council (“the Council”) is to undertake our external audit in accordance with the principles contained in the Audit Scotland Code of Audit Practice (“the Code”) revised and published in March 2007.
- 1.02 The Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector, involving assurance on the financial statements but also consideration of areas such as regularity, performance and achievement of Best Value.
- 1.03 Our audit has been planned and conducted to take account of these wider perspectives.
- 1.04 Set out below for information is a summary of our responsibilities as your external auditors and the responsibilities of Council Members and the Chief Accountable Officer.

Responsibility of the Council Members and the Chief Accountable Officer	Responsibilities of External Audit
<ul style="list-style-type: none">• Maintaining proper accounting records.• Making arrangements for the proper administration of the Council’s financial affairs and to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.• Selecting suitable accounting policies and applying them consistently.• Making judgements and estimates that are reasonable and prudent in line with the Code of Practice on Local Authority Accounting in the United Kingdom.	<ul style="list-style-type: none">• Issuing an audit report (opinion) on whether the financial statements present fairly the financial position of the Council and its group as at 31 March 2008, and its expenditure and income for the year ended.• Issuing an audit report (opinion) on whether the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Acknowledgements

- 1.05 We would like to thank all management and staff involved for their assistance throughout the audit process.

2. Independent Auditors' Report

Our Audit Opinion

- 2.01 The Local Government (Scotland) Act 1973 requires that, following the completion of an audit, the auditors shall place on the abstract of accounts a certificate which sets out the basis on which they have formed their audit opinion.
- 2.02 Our opinion on the accounts sets out the respective responsibilities of management and the auditors, and concludes on whether:
- the audit has been conducted in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Code of Audit Practice; and
 - in our opinion, the accounts present fairly the financial position of the Council as at 31 March 2008.

Unqualified Audit Opinion

- 2.03 Our opinion for the year ended 31 March 2008, which is the format prescribed by the Accounts Commission, is **unqualified**. We include in Appendix 4 to this report our full audit opinion as included in the Council's 2007/08 financial statements.
- 2.04 However, due to the fact that two of the trading accounts have failed to meet the statutory requirement to break-even over a rolling three year period, we are required to include the following explanatory paragraph within our audit report:

"It has not been necessary to qualify our opinion in respect of the following matter.

Local authorities have a duty under section 10 of the Local Government (Scotland) Act 2003 to conduct each of their significant trading operations in a manner that ensures income is not less than expenditure over each three year period. The Authority failed to comply with this statutory requirement for the three year period ending 31 March 2008 in respect of two such operations; the Trading Operations relating to Catering and Building Cleaning. This was due to costs associated with equal pay back-dated claims which were originally provided for in the year ended 31 March 2006."

Group Accounts

- 2.05 As part of the financial statement process, in accordance with the Statement of Recommended Practice (SORP), the Council has prepared group accounts. Consolidated within the Council's accounts are:
- Broadwood Stadium Ltd
 - Campsies Centre Ltd
 - North Lanarkshire Municipal Bank Ltd
 - Time Capsule Trust Ltd
 - North Lanarkshire Leisure Ltd
 - 5 Joint Boards
 - Amey Roads Ltd
 - Maintenance and Property Care Ltd
 - Saltire Facilities Management Ltd
 - Fusion Assets Ltd
- 2.06 Each of these bodies within the Council group are subject to individual audits and audit opinions.

3. The Audit Process and Accounting Issues

Financial Reporting

- 3.01 The financial statements of the Council for the year ended 31 March 2008 have been prepared to comply with the 2007 Statement of Recommended Practice ("SORP").

Audit Process

- 3.02 Our audit information requirements and associated timetable for the financial statement element of our audit were agreed with management in February 2008. Our final audit visit, which focused on the Council's financial statements, took place in August and September of 2008. We are pleased to report that the financial statements, supporting schedules and audit working papers were presented to us for audit within the agreed timetable.
- 3.03 We are also pleased to report that the quality of the Council's financial statements and associated working papers were of a good standard.
- 3.04 During 2007/08 the Council has worked with us to further develop the efficiency and effectiveness of the financial statements compilation and audit completion arrangements. The Council's arrangements for coordinating and reviewing the production of the financial statements were well managed and effective.
- 3.05 These arrangements and Management's cooperation has ensured the timely completion of our audit fieldwork by mid September 2008.

Financial Statements Finalisation

- 3.06 The Council's financial statements were signed by the Executive Director of Finance and Customer Services on 25 September 2008 and submitted to the Controller of Audit by the statutory deadline of 30 September 2008.

Audit Adjustments

- 3.07 Under International Auditing Standard ("IAS") 260 – "Communication of audit matters to those charged with Governance" we are required to appropriately report all unadjusted errors identified during the course of our audit.
- 3.08 A number of adjustments to the format of, and figures within, the Financial Statements were discussed and agreed with the Executive Director of Finance and Customer Services at an audit clearance meeting on the 9th September 2008. All of these have been processed and none of these adjustments require to be reported to members.

Accounting Issues

- 3.09 We are pleased to report that we identified no material accounting issues in the course of our audit of the financial statements.
- 3.10 During the course of our audit work we identified certain housekeeping issues and accounting matters concerning the maintenance of the fixed asset register. Whilst none of these matters were material, we have agreed with the Executive Director of Finance and Customer Services that we will continue to work with management to help identify and resolve potential improvements during 2008/09.

Discussion of Accounting Treatments

- 3.11 During the year management discussed a number of potential accounting treatments with us. This approach allowed us to work closely with management in agreeing potential accounting issues early and minimised the risk of potential audit changes to the financial statements. Particular accounting treatments discussed and reviewed included the treatment of revaluations following the introduction of the Revaluation Reserve and other new reserves. This proactive approach worked well and we will continue to work with management to identify and resolve future accounting treatment issues at an early stage.

4. Financial Performance 2007/08

4.01 As at 31 March 2008, the Council reported a £10.745 million increase in its general fund balance compared to an increase of £20.135 million in 2006/07. After adjusting this in-year surplus in order to reflect the necessary statutory and non-statutory accounting adjustments (for example gains and losses on disposal of fixed assets and FRS 17 pension costs) the Council reported an overall deficit of £7.665 million in its Income and Expenditure Account (compared to a £8.537 million surplus in 2006/07).

2007/08 Financial Performance Compared with Budget

4.02 The Council set a revenue (net cost of service) budget of £610.080 million. This budget represented an increase of 6.31% from 2006/07 and took account of such cost pressures as general inflation and increasing energy and utility costs.

4.03 An extract of the Council's performance against revenue budget for 2007/08 is detailed below:

	2007/08 Actual £million	2007/08 Budget £million
Net Cost of Services	613.297	610.080
Other activities including trading operations, interest payable and investment income	<u>11.832</u>	<u>19.927</u>
Net Operating Expenditure	625.129	630.007
Income from taxation and government grants:		
Council Tax	(119.324)	(117.141)
General government grants	(380.090)	(380.090)
Non-domestic Rates	<u>(118.050)</u>	<u>(118.056)</u>
Deficit for year on Income and Expenditure Account	7.665	14.720
Adjust for amounts required by statute and non statutory proper practices	<u>(18.410)</u>	<u>(17.720)</u>
Decrease (Increase) in General Fund balance	(10.745)	(3.000)
(Surplus on) General Fund balance carried forward from 2006/07	<u>(16.271)</u>	<u>(16.271)</u>
(Surplus) on General Fund balance carried forward to 2008/09	<u>(27.016)</u>	<u>(19.271)</u>

4.04 During the year, the Council achieved an under-spend of £7.745 million (£10.745 million less £3.000 million noted above) compared with the budget set at the start of the financial year. The reasons for this under-spend are detailed below:

- £3.250 million saving as a result of Service Expenditure Reviews completed in 2007/08;
- £2.183 million increase in local tax collection;
- £2.095 million saving on external borrowing costs; and
- £0.217 million resulting from improved Trading Surpluses.

Capital Expenditure 2007/08

- 4.05 The Council's total capital budget for 2007/08 was £136.960 million. Actual expenditure incurred during 2007/08 totalled £113.259 million, representing capital slippage of £23.701 million. There were delays in realising two large capital receipts totalling £7.915 million during the year.
- 4.06 Set out below are details of the most significant areas of capital slippage in 2007/08:
- £8.764 million relates to Learning and Leisure Services: £4.346 million relates to the Ravenscraig Regional Sports Facility and £4.946 million relates to the receipt of additional Scottish Government Grants not spent during the year;
 - £5.037 million relates to the Housing Revenue Account.
 - £1.298 million relates to the Bank Street Project, Coatbridge.
 - £1.173 million relates to Environment Services' ring-fenced projects which have underspent;
 - £1.153 million relates to Housing and Social Work Services where three projects have underspent;
 - £0.900 million relates to Economic Regeneration and is due to the re-phasing of spend to 2008/09; and
 - £0.559 million relates to Central Services where there have been delays on Civic Centre Improvements.
- 4.07 It is important to note that slippage can arise with capital programmes. Capital programmes involve numerous stakeholders and unforeseen circumstances can and do arise. What is important is that the Council has arrangements in place which effectively monitor capital slippage such that its impact on service provision and the Council's financial plans is minimised and managed. We can confirm that the Council had arrangements in place during the year to monitor its capital expenditure position and respond accordingly. The Council has established a Capital Resources Working Group which monitors the Council's capital investment plans during the year. Progress reports on the capital programme are reported regularly to the Corporate Management Team, Service Committees and the Policy and Resources (Finance) Sub-Committee.
- 4.08 Going forward, Management should continue to monitor closely actual capital expenditure compared with the agreed capital plan to ensure slippage is identified on a timely basis and appropriate action taken. In particular, delays in the capital plan should continue to be linked directly to the Council's treasury management strategy to ensure that the Council's level, nature and timing of borrowing is appropriate.

Action Point 1

Other Reserves

- 4.09 In addition to the cumulative general fund balance of £27.016 million carried forward into 2008/09 (noted at paragraph 4.03), the Council also holds funds in a number of other reserves, as follows:

Reserve / Fund held	£m	Purpose of Reserve / Fund
Insurance Fund	8.622	Resources earmarked to meet outstanding claims.
Housing Revenue Account Reserve	4.098	Resources earmarked specifically for the Housing Revenue Account.

Trading Operations

4.10 The financial results of the Council's Trading Operations are summarised below:

Trading Operation	2007/08 Surplus £'000	Three Year Surplus (excl' equal pay) £'000	2005/06 Equal Pay Cost £'000	Actual Three Year Surplus £'000
Building Cleaning	243	859	(3,553)	(2,694)
Catering	419	905	(3,844)	(2,939)
Grounds Maintenance	819	1,865	(3)	1,862
Cleansing	767	1,153	-	1,153
Sport & Leisure Management	-	630	(53)	577
Transport	453	899	-	899

4.11 The table above highlights that the Building Cleaning and Catering trading operations did not meet their statutory target to break even on a rolling three year basis. We have commented upon this matter within section 2 of this report.

4.12 As agreed with us last year, during the current year the Council undertook a formal review into its commercial property management operations. This was to ascertain whether these operations constituted statutory trading operations for the purposes of disclosure within the Statement of Accounts. The Council has satisfied itself that its commercial property management operations do not constitute trading operations and as such should not be disclosed as such within the 2007/08 Statement of Accounts. Based on our discussions with management and representations made to us, we have satisfied ourselves as to the appropriateness of this conclusion.

Annual Efficiency Statement

4.13 The Council's 2007/08 Annual Efficiency Statement was submitted to COSLA in August 2008. This statement showed total Council efficiency savings of £20.844 million in 2007/08 (split between recurring savings of £10.400 million and non-recurring savings of £10.444 million). This compares with total savings of £8.532 million contained within the Council's Annual Efficiency Statement for 2006/07.

5. Financial Projection 2008/09

Projected Financial Position 2008/09

- 5.01 It is emphasised that we do not express a specific audit opinion on the figures on the following pages – these have been extracted in agreement with management from various reports, supporting papers and detailed discussions with management.
- 5.02 For the purposes of this report, we have summarised the 2008/09 budget as approved by the Council as follows:

	£ million
Base Budget for 2007/08 (including ring-fenced grants and specific grants included in the 2008/09 budget)	724.494
Cost pressures	26.118
Efficiency savings	(11.308)
Additional resources for investment in priority areas	<u>24.215</u>
Total 2008/09 Budget	763.519
Total forecasted income 2008/09	(763.519)
Forecast surplus	0

- 5.03 The Council's 2008/09 revenue budget is £763.519 million and reflects a number of cost pressures including pay inflation, job evaluation increments and energy cost inflation. The budget also takes account of investment in priority areas and also efficiency saving targets which have been incorporated into service budgets.
- 5.04 As part of the Concordat agreed between the Scottish Government and COSLA, the expectation was placed on Local Authorities by the Scottish Government that Council Tax levels for 2008/09 would be frozen at the rates set in 2007/08.
- 5.05 The Council approved the 2008/09 budget on 14 February 2008 and approved a freeze on Council Tax at 2007/08 levels. The Council received in 2008/09 £3.672 million of additional funding from the Scottish Government to support this freeze. The Scottish Government has also made resources available into 2009/10 and 2010/11 to support a continuation of a council tax freeze with the Council being able to access a resource of £7.344 million and £11.015 million respectively. The Council has not yet determined Council Tax levels for these periods.

Efficiency Savings

- 5.06 The Council has identified efficiency savings amounting to £11.308 million. The process for identifying, recording and monitoring these efficiencies is part of the annual budget process. All services are required to review their operations and to identify efficiency savings. Services also identify efficiency savings through service reviews and other continuous improvement activities carried out as part of the Council's approach to ensuring best value. This £11.308 million efficiency saving target comprises the following:

	£m
Corporate Efficiency Savings	
Absence Management	1.000
Procurement Initiatives	1.500
Property Management	1.500
Service Rationalisation	3.976
Income Generation	<u>0.253</u>
	<u>8.229</u>
	£m
Executive Service Savings	
Corporate Services	0.105
Chief Executive's	0.101
Environmental Services	0.695
Learning & Leisure	1.411
Finance & Customer Services	0.055
Housing & Social Work Services	<u>0.712</u>
	<u>3.079</u>
Total forecast efficiencies – 2008/09	<u>11.308</u>

Financial Pressures

- 5.07 The Revenue Budget Report, prepared by the Executive Director of Finance and Customer Services and presented to the Council in February 2008, pointed out that in preparing the revenue budget, a range of estimates have been made that contain a level of risk and uncertainty. Higher than anticipated pay awards, the cost of disposing of domestic waste and potential further increases in gas and electricity prices could increase the financial pressure on the Council. As highlighted above, the Council must also meet its efficiency targets in order to meet budget. It is worth noting that the Council is in the process of establishing a further efficiency savings programme as part of its response to financial pressures which have emerged since this initial budget was prepared.

Capital Forecast 2008/09

- 5.08 The Council has a capital budget for 2008/09 of £137.447 million.
- 5.09 The significant projects which will form the majority of the 2008/09 capital programme include:
- £30.716 million on Ravenscraig Regional Sports Facility, Broadwood and other Leisure facility upgrades;
 - £10.918 million on school upgrades, rewiring projects, roof and window replacement programmes;
 - £9.000 million on roads, bridges lighting and CCTV;
 - £8.700 million will be dedicated to Town Centres throughout North Lanarkshire;
 - £6.064 million on Care Services including three new childrens homes as well as the priorities of Older People Residential Care and Looked After and Accommodated Children;
 - £3.720 million on the Schools and Centres 21 programme;
 - £2.663 million will be invested in Economic Regeneration programmes to tackle a range of projects in all six Local Area Partnerships;
 - £1.100 million on the Council's Waste Strategy Management requirements; and
 - £1.000 million on flood prevention; and
 - £43.168 million on the improvement of HRA dwellings towards the target of meeting the Scottish Housing Quality Standard (SQHS) by 2015.
- 5.10 We commented in Section 4 of this report on the Council's arrangements for monitoring its capital programme. Since the 2008/09 capital budget was set, the financial climate within which the Council operates has changed significantly. These changes could directly impact on the Council's capital programme through for instance reducing asset values (and therefore anticipated capital receipts). We are pleased to note that the Council is currently assessing the impact of the current financial climate on its capital programme with a view to ensuring that it remains appropriate.

Single Outcome Agreement

- 5.11 As part of the Concordat agreement between the Scottish Government and COSLA, each local authority is committed to achieving 15 agreed national outcomes. The Council, alongside North Lanarkshire Partnership, approved a Single Outcome Agreement (SOA) for submission to the Scottish Government in June 2008. This SOA included the 15 national outcomes, and the measures that the Council intends to adopt in order to determine the progress made towards achieving these outcomes. Given that there has just been a major review of performance management arrangements within the Council, the Council took the approach of fitting the SOA into the existing reporting framework in order to avoid creating a process that was too cumbersome.

Financial Plan 2008/09 to 2010/11

- 5.12 In April 2008, the Executive Director of Finance and Customer Services reported to the Policy and Resources (Finance & Customer Services) Sub-Committee on the Council's Financial Plan for 2008/09 to 2010/11 (the Financial Plan).
- 5.13 The Financial Plan consolidates the Council's plans with regards to both revenue and capital and links these to the Council's strategic objectives and the Single Outcome Agreement. It covers the Scottish Government's three-year Spending Review period from 2008/09 to 2010/11 and reflects the Council's budget and efficiency plans for 2008/09. Indicative income and expenditure budgets for 2009/10 and 2010/11 have been also included.
- 5.14 The Council's Financial Plan identifies service growth priorities and also the key cost pressures it faces (such as pay awards, utility costs, and demographic changes).
- 5.15 The Council's Financial Plan provides a framework for effective financial management over the medium term, links financial and strategic objectives and takes account of local improvement priorities, as well as national priorities.

6. Governance and Internal Control Arrangements

Governance and Control

- 6.01 It is part of management's overall responsibility to design and maintain an appropriate system of internal control to provide reasonable assurance that accounting systems provide timely, accurate and reliable financial information and to safeguard the Council's assets. As auditors, we obtain a sufficient understanding of internal controls to plan the audit. We only evaluate and test those internal controls on which we plan to rely during our audit and which are required in relation to our Code of Audit Practice responsibilities. Accordingly, an audit would not usually identify all matters of interest to management in discharging its responsibilities.

Corporate Governance Arrangements

- 6.02 As a result of the introduction of the Single Transferable Vote (STV), the local elections held in May 2007 had a significant impact on the political composition of a number of Scottish Local Authorities. In addition, the STV system resulted in the election of a greater than normal number of new Councillors with no previous Local Authority experience and created multi-member wards for the first time.
- 6.03 In advance of the May 2007 elections, the Council took the opportunity to revise its committee structure. This helped to ensure the committee structure reflected the change in Council services that would come into effect at the start of the financial period 2007/08. The key features of the Council's governance structure were set out in our Interim Management Letter which we presented to you in March 2008.
- 6.04 The Council also identified that with the introduction of multi member wards in May 2007 there was a need to reflect on its working practices to ensure that they remained effective. In May 2007, the Executive Director of Corporate Services presented a paper to the Council outlining the Council's protocol for working in multi-member wards. This protocol took account of guidance issued by the Improvement Service which had researched the issues arising from multi-ward working in England, Wales, the Republic of Ireland and New Zealand.
- 6.05 In May 2008, the Council received the final report from the Accounts Commission in relation to the audit of Best Value and Community Planning which had been carried out in late Autumn of 2007. This report (which is discussed in further detail later in this report) highlighted that the take up of training by members was an area for improvement. The development of the scrutiny of policy implementation was also identified as an area for development. It should be noted that specific actions in regard to these matters have been included within the Council's improvement agenda.

Action Point 2

- 6.06 We are pleased to report that during the course of our audit we have not identified any issues that would suggest that the Council's corporate governance arrangements are not working as intended.

Risk Management

- 6.07 In March 2007, members of the Corporate Management Team and the Risk Management Corporate Working Group participated in a risk workshop designed to identify and approve the 2007/08 key corporate risks. This workshop considered previously identified corporate risks, Service risk registers and the 2007/2008 Performance Plan. Responsibilities for addressing the key corporate risks were allocated to relevant Services which were tasked with reviewing existing controls and ensuring that the risks were regularly monitored through their own risk registers. This approach was deemed by management to have worked well and was therefore repeated in March 2008. The Council's Audit Manager continues to consider the effectiveness of the Council's risk management procedures as part of his annual internal audit programme. We anticipate that the continued consideration of risk as part of service planning processes, as well as the challenge provided by the Audit Manager, will further assist the Council in its efforts to embed effective risk management arrangements.

Action Point 3

Follow Up Report on previous control matters raised for action

- 6.08 We followed up the Council's progress in implementing our external audit recommendations made during 2006/07 within our Follow Up report which was submitted to Management in February 2008 and reported to the Audit and Governance Panel in March 2008.
- 6.09 Of the 47 agreed recommendations reported in our follow up report, good progress had been made, as follows:

Status	Total
Fully implemented	19
Action in progress	9
Not yet implemented	2
Not yet due for Implementation	9
No longer applicable	8
Total	47

- 6.10 The Council should continue to monitor its progress in implementing the actions previously agreed with us and summarised in our February 2008 Follow Up Report.

Action Point 4

Financial Systems and our 2007/08 Internal Controls Report

- 6.11 We are pleased to report that we identified no material control issues in the course of our audit of the financial statements.
- 6.12 We reported our Interim Management Letter to the Audit and Governance Panel in March 2008. This report contained 17 recommendations to improve controls.
- 6.13 The Council has completed an action plan detailing those individuals responsible for implementing our recommendations and the timetable for completion. We will follow up the agreed action plan during our 2008/09 audit.

Action Point 5

Further Control Matters Identified During Final Visit

- 6.14 A small number of other minor control and compliance matters were identified during the course of our final accounts audit visit in August and September. We will report these matters directly to the Executive Director of Finance and Customer Services.

Internal Audit's Report on the Council's Internal Controls

6.15 The extract of the Internal Auditor's opinion for 2007/08 is reproduced below:

"My evaluation of the control environment is informed by a number of sources [including] the audit work undertaken by Internal Audit during the year to 31 March 2008; the assessment of risk completed during the preparation of the 2007-2008 and 2008-2009 annual plans; assessments of the general control environment within individual Services in 2007-2008 completed by relevant Executive Directors; reports issued by the Council's external auditors during 2007-2008, together with reports from other review agencies such as HM Inspectorate of Education, the Care Commission, Social Work Inspection Agency, Communities Scotland etc; and my knowledge of the Council's corporate governance, risk management and performance management arrangements.

It is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control systems in the year to 31 March 2008."

6.16 We are grateful for the support provided to us by the Council's Audit Manager and his team during 2008/09.

Statement of Internal Control

6.17 The Council's Statement of Accounts includes a Statement on the System of Internal Financial Control. Our review of this statement concluded that it is in compliance with the Statement of Recommended Practice (SORP) and that it is not misleading or inconsistent with other information we are aware of from our normal audit procedures.

Prevention and Detection of Fraud and Corruption

6.18 Our approach has been determined through consideration of the incentives, pressures, opportunities, attitudes and any indicators of fraud. We have reviewed certain elements of the Council's fraud and corruption arrangements through discussion of key risks with senior management as well as reviewing associated controls and selected documentation.

6.19 Our enquiries of management and our testing of financial records did not reveal any illegal or possible illegal acts. However, improper conduct is usually carefully concealed and consequently, the probability is not high that our regular audit work, however diligently performed, will bring it to light.

6.20 We have reviewed the guidance issued by Audit Scotland during 2007/08, in particular Technical Bulletins and Notes for Guidance and relevant Urgent Issues Notes, and undertaken work accordingly. There were no additional matters arising from this work that we are required to report.

National Fraud Initiative

6.21 During 2007/08, Audit Scotland working with the Audit Commission, external auditors and a range of public bodies in Scotland completed another major counter fraud exercise, known as the National Fraud Initiative in Scotland ("NFI").

6.22 This initiative is undertaken every two years as part of the statutory audits of public bodies. The Council participated in the 2006/07 exercise, which was completed during 2007/08.

6.23 NFI uses computerised data matching to compare a range of information held on public bodies' systems for example public sector pay and pensions, government register of deceased persons and housing benefits, to identify inconsistencies or other circumstances which may indicate fraud or error. Matches identified are subsequently provided to the public sector body for further investigation.

- 6.24 Work undertaken at the Council on the 2006/07 NFI data matches identified savings of approximately £600,000. Most of these savings related to the overpayment of Housing Benefit. Audit Scotland recently issued a national report on the 2006-2007 exercise which highlighted that North Lanarkshire Council had achieved the highest level of NFI savings in Scotland. The Council should be commended on the use of NFI as an important tool in its anti-fraud arrangements.
- 6.25 A report was published by the Auditor General for Scotland and the Accounts Commission in May 2008 on the NFI 2006/07. The report highlighted that to date fraud and overpayments of £9.7 million had been found as a result of the 2006/07 exercise and that this amount is expected to continue to increase.
- 6.26 Audit Scotland will continue to work with the Audit Commission on NFI and the 2008/09 exercise is planned to commence in October 2008. During 2007/08, a number of councils submitted data to Audit Scotland for an NFI Council Tax exercise. The Council withheld the data for this exercise due to legal concerns and Audit Scotland is working to clarify the legal position for any such exercises in future to ensure that a fully representative data set is available.

Procurement

- 6.27 The McClelland Review of Public Sector Procurement was published in Spring 2006. A key finding of the review was that there is an opportunity to realise financial savings across the entire public sector in excess of £400 million in 2008/09 and £600 million in 2009/10 through increased collaborative procurement, but that the public sector framework, people and technology were not at that point in place to deliver these savings. The McClelland Review resulted in 82 recommendations for public sector organisations to adopt with regard to achieving procurement savings.
- 6.28 The Council has during the year reviewed its progress in meeting the McClelland recommendations and concluded that of the 82 recommendations; 28 have been met in full, with work well underway in addressing a further 19. A further 35 recommended actions were identified as requiring action by an external party before they can be implemented or adopted by the Council.
- 6.29 The Council has put in place a number of initiatives to improve the procurement process during the year and continues to report its progress on these matters through the Policy and Resources (Finance and Customer Services) Sub Committee. Developments during 2007/08 include:
- The development of (and measurement against) a core set of National Procurement Best Practice Indicators;
 - Progress in updating the Council's Procurement Strategy for 2008-12 (which will we understand be submitted to the Policy and Resources Committee in January 2009);
 - The implementation of a training and development programme for the corporate procurement team with staff working towards the internationally recognised Chartered Institute of Purchasing and Supplies (CIPS) qualification;
 - The delivery of procurement awareness training to over 500 officers across the Council; and
 - The development of a procurement intranet site providing easy access to a range of standard procurement documents, toolkits, advice and guidance.
- 6.30 The corporate procurement department has been working closely with IT in the development of the Professional Electronic Commerce Online System (PECOS). Deployment of this system began in December 2005 with the final phase of roll-out within Learning & Leisure in progress. The PECOS service incorporates a transactional purchasing system, eTender and eAuction modules. We have been informed by management that 34% of all purchase order transactions are now made electronically and that automation and re-engineering of the purchase to pay process has resulted in a 40% reduction in the average process cost of each transaction.

- 6.31 The Council is also currently embedding the use of spend analysis software to improve the management information available to the Council. It is expected that developments in this area will enable the Council to better understand and analyse its procurement patterns.
- 6.32 Following approval of a bid endorsed by COSLA and SOLACE to the National Shared Services Board, start-up funding of £4.5m was awarded to establish Scotland Excel as the Centre of Procurement Expertise for Local Government. Scotland Excel was launched on 1 April 2008 and is intended to support and complement the existing procurement activities within the Council. The Policy and Resources (Finance and Customer Services) Committee approved the Council's membership of Scotland Excel in December 2007.
- 6.33 The Council's 2007/08 Annual Efficiency Statement which was submitted to COSLA in August 2008 highlights that recurring procurement related efficiency savings of £3.103 million were achieved in 2007/08.

7. Performance Management

Best Value

7.01 In May 2008, the Council received the final report from the Accounts Commission in relation to the audit of Best Value and Community Planning which had been carried out in late Autumn of 2007. The overall conclusions arising from this audit are very positive. In publishing its findings, the Accounts Commission concluded that the Council demonstrated a strong commitment to best value. The Commission acknowledged:

- the pace of change;
- the level of consultation with service users;
- the high rate of service improvement;
- the strong commitment to continuous improvement; and
- the well developed arrangements for financial, asset and risk management within the Council.

7.02 Also noted within the report were a number of areas for improvement, including the need for:

- improved performance in secondary educational attainment, pupil attendance, services for homeless people, housing allocations, housing repairs, library services and waste recycling;
- clear strategic direction and coordination of regeneration activities;
- an increase in the uptake of training by elected members;
- the development of the scrutiny of policy implementation; and
- the production of a comprehensive human resources strategy, together with improved sickness absence rates and staff morale.

7.03 The Council has been prompt in compiling an improvement agenda and action plan to address the key messages which were highlighted in the Account Commission's report. A report was taken in August 2008 to the Audit and Governance Panel setting out this plan. The Corporate Management Team is responsible for monitoring the implementation and progress of actions contain in this plan. The Audit and Governance Panel has a strategic oversight role in reviewing progress and in gaining assurance that the plan remains on track.

Action Point 6

Performance Management

7.04 It is the responsibility of the Council to put in place proper arrangements to manage its performance to secure economy, efficiency and effectiveness in its use of resources. We have a responsibility to review and, where appropriate, report on aspects of the overall arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

- 7.05 We reported our findings to the Council in March 2008 in our Interim Management Letter under the headings:
- Performance Monitoring;
 - Community planning and partnership working; and
 - Workforce Planning and Development.

Performance Monitoring

- 7.06 New performance management arrangements were developed by the Corporate Service Improvement Team during 2006/07 which encouraged services to supplement existing statutory performance indicators with:
- New indicators to measure financial performance, risk, quality, customer and staff satisfaction and sickness absence;
 - Performance outcomes in support to support the Council's corporate service charter;
 - Progress against planning improvement actions from service improvement plans; and
 - The inclusion of locally determined service measures within each service.
- 7.07 During 2007/08 the Council put in place procedures to develop a new Corporate Plan and a new Community Plan for the period 2008 – 2012. This process was initiated at the Policy and Resources Committee on 23 August 2007. It was determined that the Corporate Plan and the Community Plan would be prepared jointly and would require to demonstrate close alignment with the Scottish Government's strategic themes.
- 7.08 The Council has set a number of key actions, indicators and outcomes to deliver against the above themes. Performance is monitored through Service Committees, the Performance Improvement Group and the Performance Management Officer Working Group. Performance is also reported to the Corporate Management Team. In addition the Corporate Plan is monitored through a number of themed corporate working groups.
- 7.09 The Council has recognised within its improvement agenda and action plan (developed to address the Account Commission's Best Value report) that further developments are needed in the following areas:
- Ensuring that an overarching transformation programme prioritises, coordinates and articulates the objectives of the Council's wide range of improvement activities more efficiently and effectively; and
 - Developing a new corporate complaints system.
- 7.10 In order to improve complaint handling across council services, a new Complaints, Comments and Compliments policy was approved for introduction on 1st April 2008. The Council has also signed up to a joint procurement initiative to implement a Customer Relationship Management system. This initiative is being managed by the Improvement Service on behalf of the Scottish Government. The first module to be developed from this system is the complaints, comments and compliments module.
- 7.11 The Council has also been consulting with other local authorities with a view to assessing the need for a business case for the procurement of a new Performance Management System in order to improve the timeliness, consistency and quality of performance reporting.

Action Point 7

Community Planning and Partnership Working

- 7.12 Community Planning became a statutory process in April 2003 following the implementation of the Local Government in Scotland Act 2003.
- 7.13 The Council has a statutory responsibility for Community Planning and therefore plays a lead role in driving forward the agenda. North Lanarkshire Partnership has a broad membership across public and voluntary sector agencies. The Partnership oversees the newly established Local Area Partnerships that have been set up across the six locality areas within North Lanarkshire.
- 7.14 Audit Scotland's Audit of Best Value and Community Planning report identified a number of areas of good practice within the Council, including the North Lanarkshire Partnership (NLP) Information Sharing Group and the rolling reporting on progress to the NLP Board. The structure of the NLP Community Plan was also reported as praiseworthy for its links between strategic themes, four year priorities and targets.
- 7.15 As part of the development of the Community Plan for 2008 – 2012 the Council has consulted with Community Forums, the wider community, the voluntary sector and the North Lanarkshire Citizen's Panel through focus groups, meetings and media advertisements.
- 7.16 The Council is seeking to improve the reporting of the impact of community planning through the development of more effective outcome measures. The Council is also aiming to further develop the role of the Local Area Partnership and other forums and improve community engagement by fully implementing its Community Engagement Strategy. The role of the Community Safety Partnership is also to be developed through discussions with partners.
- 7.17 The Council has included specific actions in regard to these matters within the Council's improvement agenda and action plan.

Workforce Planning and Development

- 7.18 The Human Resources Division is currently operating in a highly challenging environment with a number of key issues currently being addressed which have an organisation-wide impact. These include:
- Equal Pay Claims;
 - Workforce Planning and Development; and
 - Improving the Council's absence levels.

Single Status and Equal Pay Claims

- 7.19 Following a job evaluation exercise, the Council implemented a new pay and grading structure on 6 November 2006. A revised agreement to achieve Single Status conditions of service was implemented on 1 November 2007. The Council has received a number of equal pay claims from Council staff. Legal Services has advised us that, as at 31 March 2008, there were 3,626 equal pay claims with the Council awaiting Tribunal attention
- 7.20 In order to manage the costs associated with these matters, the Council created an equal pay claims provision of £23.5m in 2005/2006. Total spend against this provision to the end of the 2007/2008 financial year was £11.2 million leaving a balance of £12.3 million.
- 7.21 The Executive Director of Corporate Services continues to monitor the adequacy of this equal pay provision on behalf of the Council.

Workforce Planning and Development

- 7.22 As part of the Best Value Improvement Agenda, the Council has recognised that further improvements are required in its workforce planning arrangements.

7.23 Steps have already been taken on this matter. A key action undertaken by the Council has been the establishment of a Workforce Planning and Development Group. This Group is charged with the development of a Workforce Planning and Development Strategy by June 2009. This Group is also charged with driving forward the implementation of this Strategy across the Council by December 2009. The Corporate Management Team will monitor the Group's progress on these matters.

Action Point 8

7.24 The Council's 2007/08 Annual Efficiency Statement, which was submitted to COSLA in August 2008, highlights that workforce planning related efficiency savings of £2.115 million were achieved in 2007/08. These savings were highlighted as recurring savings. The realignment of staffing arrangements as well as steps taken to improve absence management contributed to the achievement of these savings.

Absence Management

7.25 A Sickness Absence Management Policy has been in place within the Council for a number of years and in March 2008 a revised "Managing Attendance Policy" was approved by the Policy and Resources (Human Resources) Sub-Committee. One of this policy's stated aims was to reduce sickness absence.

7.26 As part of the Best Value Improvement Agenda and Action Plan, the Council has identified improving sickness absence rates as a key target. The levels of sickness absence in 2007/08 improved marginally to 6.06% from 6.08% the previous year when the Council was ranked the second lowest performing in Scotland for this area. The Council aims to reduce the percentage of available working days lost for the year to March 2009 to 5.5%. The Council has identified a number of actions to help meet this target and progress in meeting these actions will continue to be monitored by service directors and members. The Executive Director of Corporate Services has been allocated overall responsibility for monitoring progress on this matter within the Council's Best Value Improvement Agenda and Action Plan.

Action Point 9

Performance Indicators

7.27 The Accounts Commission published "The Publication of Information (Standards of Performance) Direction 2005" ("the 2005 Direction") in November 2005 which applies to the financial year 2007/08.

7.28 The Local Government Act 1992 places a duty on Councils to ensure they have in place adequate arrangements for collecting, recording and publishing performance information in accordance with the 2005 Direction.

7.29 It is the responsibility of the Council to ensure that, as far as practicable, the information which it publishes is complete and accurate. There are 57 performance indicators (PI's) in total, all of which have to be graded as either 'A', 'X', or 'FTR' as follows:

A: The data appears to be reliable in material aspects.

X: The lack of available systems, and/or reliable data, and/or decision rules has resulted in the Council producing information which, in the auditor's view is unreliable; and

FTR: The Council has not returned any figures for the indicator as no accurate inventory is maintained. This is classified as 'Failure to Report'.

7.30 We have a duty to "be satisfied that the Council has made such arrangements for collecting, recording and publishing performance data as required to ensure that, as far as is practicable, everything published is accurate and complete".

7.31 We are pleased to report that all performance indicators reviewed by us were graded 'A'; "the data appears to be reliable in material aspects".

7.32 Overall, the quality of systems used for data collection and analysis, and supporting documentation provided to us was of a good standard and we are grateful to Internal Audit for their assistance to us in completing our audit of the Council's performance indicators.

Appendix 1: Action Plan

We have agreed a separate action plan with management for issues raised previously within our Interim Management Letter. In response to the points raised by this report we have agreed the following action plan with the Council's management. We consider all these actions to be high priority.

Para'	Description of Action	Management Response	Resp' Officer	Due Date
4.08	<p>Action Point 1</p> <p>Management should continue to monitor closely actual capital expenditure compared with the agreed capital plan to ensure slippage is identified on a timely basis and appropriate action taken.</p>	<p>Agreed. The Council will continue to monitor closely capital expenditure to ensure that capital plans are delivered and that any issues requiring remedial action are identified at an early stage. This will include consideration of progress versus approved plans, identification of slippages and consideration of how best to finance capital expenditure plans. Reports on capital expenditure and treasury management activities are submitted regularly to the Policy and Resources Finance Sub-Committee.</p>	Head of Financial Services	Various per Committee cycle dates
6.05	<p>Action Point 2</p> <p>The Council should improve the take up of training by members and develop its arrangements for the scrutiny of policy implementation.</p>	<p>Agreed. The Council has set out in its Best Value Improvement Agenda a range of current or planned actions and initiatives designed to improve the take up of training opportunities by elected members and the arrangements for scrutiny of policy implementation.</p>	<p>Executive Director of Corporate Services</p> <p>Assistant Chief Executive</p>	<p>April 2009 (Members' training)</p> <p>October 2008 (scrutiny of policy implementation)</p>
6.07	<p>Action Point 3</p> <p>The Council should further embed its risk management arrangements through the continued consideration of risk as part of service planning processes.</p>	<p>Agreed. The service planning guidance for 2009-2010 which will be issued will include additional focus on ensuring that Services consider the identification, assessment and management of risk as part of the service planning process.</p>	Assistant Chief Executive	October 2008

Para'	Description of Action	Management Response	Resp' Officer	Due Date
6.10	<p>Action Point 4</p> <p>The Council should continue to monitor its progress in implemented the actions previously agreed with us and summarised in our February 2008 Follow Up Report.</p>	<p>Agreed. Internal Audit will continue to monitor progress on implementation and report periodically to senior management within Finance and Customer Services and to the Audit and Governance Panel.</p>	Audit Manager	October 2008 and two monthly thereafter
6.13	<p>Action Point 5</p> <p>The Council should continue to monitor its progress in implemented the actions previously agreed with us and summarised in our March 2008 Interim Management Letter.</p>	<p>Agreed. Internal Audit will continue to monitor progress on implementation and report periodically to senior management within Finance and Customer Services and to the Audit and Governance Panel.</p>	Audit Manager	October 2008 and two monthly thereafter
7.03	<p>Action Point 6</p> <p>The Corporate Management Team should monitor the implementation and progress of the Council's improvement agenda and action plan which has been developed to address the key messages highlighted in the Account Commission's Best Value report. Corrective action should be taken where necessary. The Audit and Governance Panel should receive appropriately scoped update reports to enable it to provide a strategic oversight role, to review progress and to gain assurance that the plan remains on track.</p>	<p>Agreed. The Corporate Management Team (CMT) will be responsible for monitoring the implementation and progress of the actions laid out in the Council's Improvement Agenda and will consider reports on the improvement agenda actions in accordance with timescales laid out in the report submitted to the Audit and Governance Panel meeting on 27 August 2008. Additionally, a six monthly overview report of the entire Improvement Agenda will be prepared. Reports will also be submitted to the Audit and Governance Panel in a format which has been agreed with elected members to enable the Panel to confirm the current status of individual actions and to ensure that the Improvement Agenda remains on track.</p>	CMT	various dates as per Improvement Agenda

Para'	Description of Action	Management Response	Resp' Officer	Due Date
7.11	<p>Action Point 7</p> <p>The Council should continue its efforts to improve the timeliness, consistency and quality of its performance reporting.</p>	<p>The Council will continue to seek to refine its performance management arrangements including the use of performance management software and the preparation annually of service planning guidance including requirements on performance measurement and reporting. This process will be led by the Chief Executive's Office working with Services through the Corporate Performance Improvement Working Group.</p>	Assistant Chief Executive	Six monthly reports to CMT
7.23	<p>Action Point 8</p> <p>The Corporate Management Team should monitor the Council's progress in developing and rolling out a Workforce Planning and Development Strategy.</p>	<p>Agreed. The Council has set out in its Best Value Improvement Agenda a range of current or planned actions and initiatives relating to workforce planning and development with the aim of having a workforce planning and development strategy approved and fully implemented by December 2009. These actions will be progressed and regular reports submitted to Corporate Management Team (CMT)</p>	CMT	Periodic reporting between now and December 2009
7.26	<p>Action Point 9</p> <p>The Council should continue to monitor its progress in meeting its target for improving sickness absence rates.</p>	<p>Agreed. The Council has set out in its Best Value Improvement Agenda a range of current or planned actions and initiatives relating to improving sickness absence rates. The Council will continue to closely monitor and analyse information on sickness absence and submit regular reports on sickness absence to the Corporate Management Team, Service Committees as part of performance portfolios and to the Policy and Resources (HR) Sub-Committee.</p>	Executive Director of Corporate Services	Ongoing

Appendix 2: Reporting Requirements

International Auditing Standard (“IAS”) (UK&1) 260 – Reporting to those charged with Governance, requires that we communicate certain matters to you. Summarised below are these requirements together with reference or comment as appropriate.

Communication Required under IAS 260	Reference/Comment
Engagement letters	Signed Engagement Letter with Audit Scotland at the start of our 5 year appointment.
Independence	Audit planning document reported to Audit and Governance Panel in January 2008. No member of the audit team has any direct interest, financial or otherwise in the Council.
Audit Approach and Scope	Audit planning document – reported to Audit and Governance Panel in January 2008.
Accounting Policies/Practices with a Material Effect on the Financial Statements	Section 3 of our Annual Report to Members and the Controller of Audit.
Potential Effects of Material Risks and Exposures	Audit planning document – reported to Audit and Governance Panel in January 2008.
Audit Adjustments	Section 3 of our Annual Report to Members and the Controller of Audit.
Material Uncertainties relating to Going Concern	None Identified.
Disagreement with Management about Matters that could be significant to the Financial Statements	None Identified.
Expected Modifications to the Auditors Report	Section 2 of our Annual Report to Members and the Controller of Audit.
Letter of Representation	Signed by Director of Finance and Customer Service on 25 September 2008.
Material Weaknesses in Internal Control	None identified. Internal Control findings reported in our Interim Management Letter reported to Audit and Governance Panel in May 2008.
Fraud	Section 6 of our Annual Report to Members and the Controller of Audit. See also our Interim Management Letter issued in May 2008.
Laws and Regulations	We have not identified any material breaches of laws and regulations which would impact on the 2007/08 financial statements.
Audit Materiality	Audit planning document – reported to Audit and Governance Panel in January 2008.

Communication Required under IAS 260	Reference/Comment
Fair Value Measurement and Disclosure	Included in representation letter. Signed by Director of Finance and Customer Service on 25 September 2008.
Related Parties	Other than those transactions disclosed in the financial statements, we have not identified any further transactions requiring disclosure.

Appendix 3: Our Reports

The reports we have issued to the Audit and Governance Panel in relation to the 2007/08 financial year are summarised below:

Formal Output	Timing
Audit Plan	January 2008
Detailed Timetable for 2007/08 Financial Audit	January 2008
Follow Up Report	March 2008
Interim Management Letter	March 2008
Financial Statements 2007/08 – Presentation to the Audit and Governance Panel	September 2008
Audit Opinion	September 2008
Annual Report to Council Members and the Controller of Audit	October 2008

Appendix 4: Our Opinion

Independent auditor's report to the members of North Lanarkshire Council and the Accounts Commission for Scotland

We certify that we have audited the financial statements of North Lanarkshire Council and its group for the year ended 31 March 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, the Housing Revenue Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Council Tax Income Statement, Non Domestic Rates Income Statement, Sundry Accounts Statement, Balance Sheet and Cash Flow Statement, and the Group Accounts and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of the Responsible Financial Officer and the auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities for the financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland.

We report our opinion as to whether the financial statements present fairly in accordance with relevant legal and regulatory requirements and the 2007 SORP the financial position of the Council and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

We also report if, in our opinion, the Council has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects the Council's compliance with the 2007 SORP. We report if, in our opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, whether the statement covers all risk and controls or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword to the Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Responsible Financial Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council and its group circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2007 SORP, the financial position of North Lanarkshire Council and its group as at 31 March 2008 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Failure to comply with statutory requirement

It has not been necessary to qualify our opinion in respect of the following matter.

Local authorities have a duty under section 10 of the Local Government (Scotland) Act 2003 to conduct each of their significant trading operations in a manner that ensures income is not less than expenditure over each three year period. The Authority failed to comply with this statutory requirement for the three year period ending 31 March 2008 in respect of two such operations; the Trading Operations relating to Catering and Building Cleaning. This was due to costs associated with equal pay back-dated claims which were originally provided for in the year ended 31 March 2006.

PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
Glasgow
G2 2LW

Date: 30 September 2008

Note: The maintenance and integrity of the North Lanarkshire Council website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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