



Scotland Excel

Proposed Annual audit
report to Members and
the Controller of Audit

August 2015

The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies. (www.audit-scotland.gov.uk/about/ac)

Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General. (www.audit-scotland.gov.uk)

The Accounts Commission has appointed Anne McGregor as the external auditor of Scotland Excel for the period 2011/12 to 2015/16.

This report has been prepared for the use of Scotland Excel and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by Scotland Excel. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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Key messages

 <p>Audit of financial statements</p>	<ul style="list-style-type: none"> • Unqualified auditor's report on the 2014/15 financial statements.
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none"> • Scotland Excel reported a deficit of £402k compared to a budgeted deficit of £455k. • Reform funding balance soon to be fully utilised increasing pressure for a new funding regime to be developed and implemented for 2016/17. • Balances with local authorities are £0.5m, which is 14% of 2015/16 budget and sufficient to cover unexpected costs.
 <p>Governance and transparency</p>	<ul style="list-style-type: none"> • New governance statement completed and included in the 2014/15 financial statements. • Satisfactory internal control arrangements. • Register of interests being implemented. • New corporate strategy in place for 2015-18.
 <p>Outlook</p>	<ul style="list-style-type: none"> • In common with other public sector organisations, Scotland Excel faces the key challenges of reducing budgets and the public expectation of high quality services value. The Corporate Strategy emphasises Scotland Excel's role in supporting public sector bodies deliver better and more cost effective services. Key to this is developing a new funding model.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of Scotland Excel. The report is divided into sections which reflect our public sector audit model.
2. The management of Scotland Excel is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of Scotland Excel, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at **appendices II and III**, include recommendations for improvements.
6. **Appendix IV** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that Scotland Excel understands its risks and has arrangements in place to manage these risks. The Joint Committee and executive officers group should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2014/15 financial statements

Audit opinion	<ul style="list-style-type: none"> We have completed our audit and issued an unqualified independent auditor’s report.
Going concern	<ul style="list-style-type: none"> The financial statements were prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on Scotland Excel to continue as a going concern.
Other information	<ul style="list-style-type: none"> We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. There were minor disclosure changes made to these statements as a result of the audit.

Submission of financial statements for audit

- We received the unaudited financial statements on 3 June 2015, in accordance with the agreed timetable. The working papers were of a high standard and staff provided good support to the audit team.

Overview of the scope of the audit of the financial statements

- Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan provided to management in March 2015.
- As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have

not undertaken non-audit related services. The 2014/15 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

- The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix I** sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

13. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

14. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
15. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
16. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of Scotland Excel we set our planning materiality for 2014/15 at £33,000 (1% of gross expenditure). We report all misstatements greater than £1,000. Performance materiality was calculated at £16,000 to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.
17. On receipt of the financial statements we reviewed our materiality levels. Materiality remained at 1% but all pension costs were now included and materiality increased to £40,197 and performance materiality to £20,098.

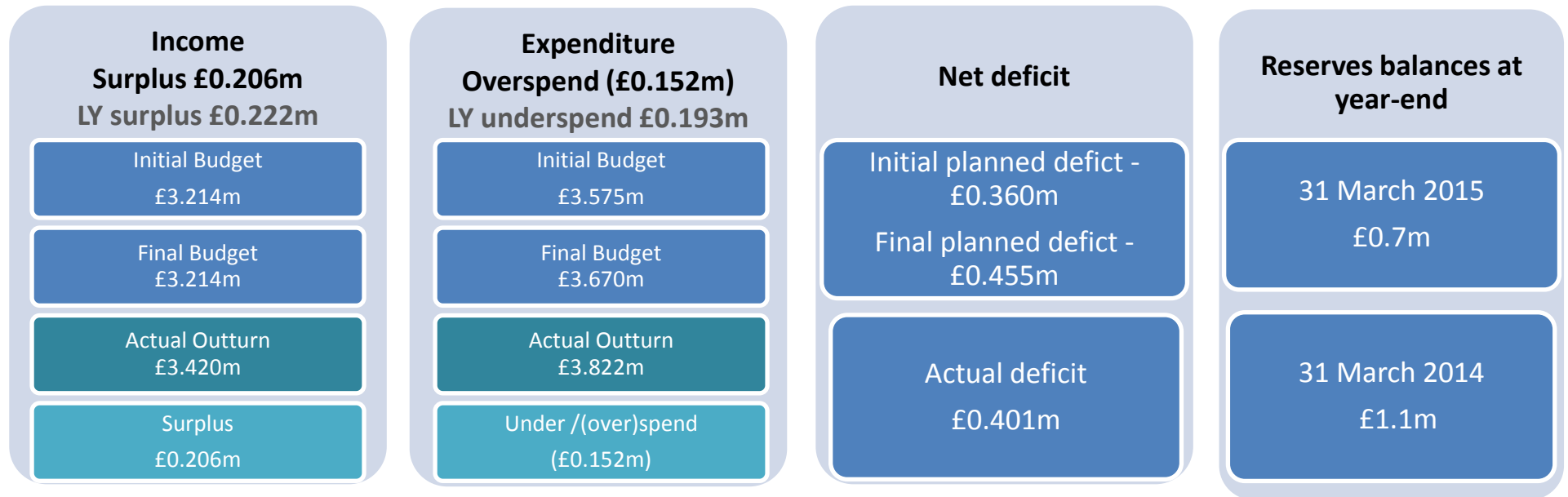
Evaluation of misstatements

18. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. There were no monetary errors impacting on the Comprehensive Income and Expenditure Statement.

Significant findings from the audit

19. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
 - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
20. There are no matters, other than those set out elsewhere in this report, to which we wish to draw to your attention.

Financial management and sustainability



Financial management

21. Scotland Excel sets an annual budget to meet its commitments for the forthcoming financial year. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

Financial outcomes

22. Scotland Excel incurred an accounting deficit on the provision of services of £0.6m, as shown in the Comprehensive Income and Expenditure Statement (CIES). In the CIES, cost of services increased from £3.538m to £3.946m, a 12% increase. The main increases from 2013/14 are on employee costs due to voluntary redundancy/ early retirement costs and on administration costs, due to recruitment costs and legal fees associated with a supplier challenge to a contract.

23. The deficit as presented in the management commentary of £0.401m is different because it is prior to items such as pension adjustments and employee leave accrual. As the budget is prepared and monitored against in this way, it is appropriate for the management commentary details to be presented as such.
24. Overall Scotland Excel reported an underspend of £0.054m against a budgeted deficit of £0.455m. The surplus on other income of £0.206m is due to the recovery of training fees and reimbursements of temporary employee costs. These costs contribute to the overspend recorded against employee costs (£0.075m) and payments to other bodies (£0.089m). In addition there was an underspend on supplies and services due to delays in systems development work.
25. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- financial regulations are comprehensive, current and promoted within Scotland Excel
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance.
26. Revenue budget monitoring reports are regularly provided to the Scotland Excel Executive sub-committee and core operations split from non-core.
27. Internal audit confirmed that regulations reviewed and updated, then approved in December 2014.
28. Forecasting the year-end deficit is complicated by the difficulty in recruiting staff and the level of re-charges received for costs incurred. For 2014/15 and 2013/14, other income budget was £0.03m but outturn was £0.252m and £0.236m, respectively.
29. The anticipated year-end budget fluctuated during the year: original £0.036m; revised £0.455m; at 10 months £0.338m and then the outturn was £0.401m In quarter 4, Scotland Excel took the opportunity to fund voluntary severance costs, bringing the anticipated year-end deficit back to nearer the revised budget.
30. For 2015/16, the budget level has remained at £30k but based on previous years may increase due to the level of recharges.

Conclusion on financial management

31. We have concluded that the Scotland Excel's financial management arrangements are broadly satisfactory but that more work is required on planning for re-charged costs. The new funding model will look in particular at the charging regime with local authorities.

Appendix 4 – Action Plan No. 1

Financial sustainability

32. Financial sustainability means that Scotland Excel has the capacity to meet its current and future plans. In assessing financial sustainability we are concerned with whether:

- there is an adequate level of reserves
- spending is being balanced with income in the short term
- long-term financial pressures are understood and planned for
- investment in services and assets is effective.

Effective long-term financial planning, asset management and workforce planning are crucial to sustainability.

Pension liability

33. The net liability on Scotland Excel's balance sheet has increased from £1.720m in 2013/14 to £3.523m in 2014/15. The principal reason for this increase is the pension liability rise from £1.662m to £3.460m. This increase is driven by changes in pension actuary's assumptions, mainly by the reduction in the net discount rate over this period.

34. The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost.

35. A material net liability can highlight a potential going concern issue however we recognise that the appointed actuary is of the view that the asset holdings and contributions from employees and employers

together with increases in contributions provide security over future liabilities. In light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

Reserve balances

36. Like all joint committees, Scotland Excel has no specific powers to retain reserves to meet future requirements the balances are used to support medium term financial planning and address any unforeseen costs.

37. Total reserves decreased by £0.401m from £1.135m to £0.734m at March 2015, as Scotland Excel uses these balances to fund reform activities. As noted in previous years, Scotland Excel has been investigating options on how to fund procurement improvement activity, as the ring-fenced reform funding of £0.287m will be used by 2016/17. The remaining balance of £0.447m is 14% of 2015/16 budget and therefore can cover unexpected costs.

Financial planning

38. Scotland Excel approved its 2015/16 budget in November 2014 and made an alteration to this at the Joint Committee meeting in June 2015. The 2015/16 budget of total expenditure was set at £3.214m representing a decrease of £0.456m from 2014/15. The main alterations from the previous year are budgeting for a decrease in employee costs of £0.118m, a decrease in supplies and services costs of £0.095m and decrease of £0.249 million as there is no budget for contractor costs in the year.

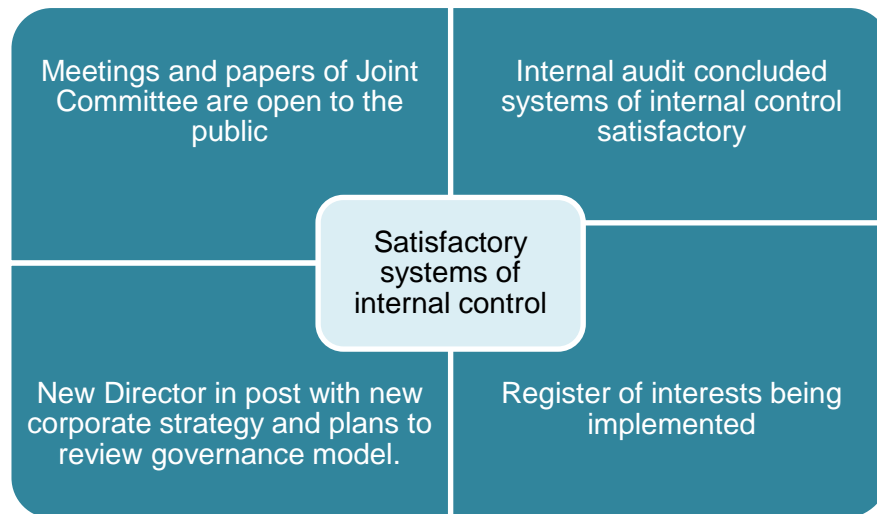
39. An indicative budget was not formally presented and approved for Scotland Excel for 2016/17 as the funding settlement for that year and beyond is uncertain and they also intended to undertake a fundamental review of the funding model during 2015. In the mean time officers have carried out medium term financial planning based on certain assumptions and changes to national insurance.

Conclusion on financial sustainability

40. We conclude Scotland Excel has an adequate level of reserves and is containing its core expenditure within annual budgets for the immediate future but funding models need to be prepared to deliver the corporate plan.

Appendix 4 – Action Plan No. 1

Governance and transparency



- 41. Members and management of Scotland Excel are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.
- 42. Citizens should be able to hold audited bodies to account about the services provided. Transparency means that citizens have access to understandable, relevant and timely information about how an audited body is taking decisions and how it is using its resources.

Corporate governance

- 43. During the year there has been a change in Director with Dorothy Cowie leaving on 31 August 2014 and Julie Welsh starting on 1 September 2014.
- 44. A new corporate strategy 2015-18 and operating plan are in place. It concludes that the governance model needs to be reviewed; much has changed since the inception of Scotland Excel and the 2015-16 operating plan includes a review to see how the oversight of Scotland Excel can support, through challenge and accountability, its performance and business activities.

Internal control

- 45. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
- 46. With Renfrewshire Council (the council) being the host for Scotland Excel, all financial transactions of Scotland Excel are processed through the financial systems of the council and are subject to the same controls and scrutiny of the council including regular reviews of internal audit.

47. In the Internal Audit Annual Report 2014/15 on Scotland Excel, the Chief Auditor concluded that the system of internal control is operating in a satisfactory manner.

Internal audit

48. Internal audit provides members and management of Scotland Excel with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.
49. Our review of internal audit concluded that they operate in accordance with the Public Sector Internal Audit Standards and have sound documentation standards and reporting procedures in place. We placed reliance on their work on Renfrewshire Council's treasury management and payroll systems.

Arrangements for the prevention and detection of fraud

50. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities, although it should be noted that no system can eliminate the risk of fraud entirely. In our opinion the overall arrangements for the prevention of fraud within Scotland Excel is satisfactory but could be improved with the points below.

51. Scotland Excel is not part of this year's National Fraud Initiative (NFI). NFI is a counter-fraud exercise led by Audit Scotland, overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. These exercises are undertaken every two years. <http://www.audit-scotland.gov.uk/work/nfi.phpf>.
52. We would encourage Scotland Excel to consider being involved in the next exercise in 2016/17.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

53. Scotland Excel has in place codes of conduct for employees and members. In our 2013/14 annual audit report, we recommended that Scotland Excel follow the recommendation from Audit Scotland's report *Procurement in Councils*, to establish a register of interests. We consider this principle should apply to staff involved in negotiating contracts. Scotland Excel is implementing the registers, planning to have them in place for senior management and contract owners by October.

Appendix 4 – Action Plan No. 2

Transparency

54. When assessing transparency we consider questions such as:

- Are meetings are held in public?
 - Are papers and corporate documents available online and there is only limited use of taking papers in private?
 - Are financial statements clearly presented and budget monitoring papers concise and clear?
 - Is a register of interests available on the website?
55. Meetings of Scotland Excel Joint Committee are held in public and papers available from the Renfrewshire Council website. Where commercially sensitive contracts are being discussed, the papers for sub-committees are not publicly available, which is appropriate. Scotland Excel website also publishes the new corporate strategy and operating plan. We concluded that the financial statements are clear and actual expenditure and income clearly linked to budgeted figures, as described in the commentary.
56. Under the new corporate strategy there is a commitment to transparent reporting with plans that clear annual performance metrics will be provided and progress reported to governance bodies on a quarterly basis
57. Scotland Excel is implementing a register of interests and putting this online when complete would add to the body's commitment to transparency.

Appendix 4 – Action Plan No. 2

Best Value and performance

59. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. Scotland Excel should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Overview of performance targets in 2014/15

60. The year-end performance report was given to the Executive Sub-Committee in May 2015 showing performance against the business plan. For 2014/15 the business plan had 21 objectives and the following performance was noted:
- Nine objectives were fully achieved including: achieve savings of between 2-7% against the delivery programme, reduce and maintain sickness absence at below 4%.
 - Seven objectives were partially achieved including: eight extensions and 11 renewals were made to contracts and developing a new three-year corporate strategy which has subsequently been approved.
 - Five objectives were not achieved, including eight new contracts were delivered against a target of 16 and the advertised annual value of contracts on the portfolio falling

£102m below target of £750m. Setting realistic timescales for new areas of contracting was a recommendation in the *Procurement in Councils* report and this is included in the 2015-16 business plan.

Corporate Strategy

61. In June 2015, members approved a three-year strategic plan which covers the period 2015-2018. The strategy is based around 12 objectives aligned to four business goals:
- Supporting the delivery of better and more effective public services.
 - Being sustainable in everything we do.
 - Placing customers at the heart of our business.
 - Becoming the partner of choice for delivering shared services.
62. Scotland Excel also developed an annual operating plan which will be used to cascade objectives and activities throughout the organisation in order to deliver agreed goals. The strategy and operating plan was issued to all Joint Committee members and communicated to wider stakeholder groups. Clear annual performance metrics will be provided and progress reported to governance bodies on a quarterly basis.

Audit Scotland national study

63. On behalf of the Accounts Commission, Audit Scotland carried out an audit on how well councils in Scotland manage procurement and

Scotland Excel was part of that study. The report was published in April 2014 and included three recommendations for Scotland Excel.

Exhibit 1: Audit Scotland study *Procurement in councils and Scotland Excel's progress*

Recommendation	Progress
Set realistic timescales for contracts development, particularly in new areas of contracting.	2015/16 operating plan includes plans to deliver a rolling schedule of new contract opportunities identified and agreed with local authority stakeholders.
Maintain and improve its sharing of knowledge and experience with the Scottish Futures Trust.	New corporate strategy 2015-18 commits to ongoing partnership working, specifically mentioning areas like Review of Procurement in Construction.
Work with councils and review and formalise arrangements to fund procurement improvement activity beyond 2016.	The new corporate strategy 2015-18 and operating plan for 2015/16 include objective to develop a new sustainable funding and delivery model based around core and chargeable services.

Source: Audit Scotland Report *Procurement in councils*; *Scotland Excel corporate strategy 2015-18*; *Scotland Excel operating plan 2015-16*

Appendix 4 – Action Plan No. 1

National performance audit reports

- 64. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2014/15, a number of reports were issued specifically covering local government topics. These are outlined in appendix III. While these reports might not directly cover the work of Scotland Excel, there may be lessons learned or helpful information on wider issues in local government.
- 65. Scotland Excel's corporate strategy picks up the recommendations from Audit Scotland's procurement study but there are no formal processes in place to update members on the wider reports and disseminate the impact for the work of Scotland Excel.

Appendix IV – action plan point 3

Outlook

- 66. In common with other public sector organisations, Scotland Excel faces the key challenges of reducing budgets and the public expectation of high quality services value. The Corporate Strategy emphasises Scotland Excel's role in supporting public sector bodies deliver better and more cost effective services.

Appendix I – Significant audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement		
<p>Approval of the accounts</p> <p>Due to the timetable of committee meetings for 2015 the approval of the accounts will be delegated to the Executive sub-committee; however this will require an amendment to the scheme of delegation that still requires Joint Committee approval.</p>	<ul style="list-style-type: none"> Review revised scheme of delegation to ensure Executive sub-committee can approve the 2014/15 accounts. Continue to work with officers to deliver the audit to the revised timetable. 	<ul style="list-style-type: none"> For 2014/15 the approval of the accounts was delegated by the Joint Committee to the Executive sub-committee which will meet on 28 August.
<p>Management override of controls</p> <p>As stated in ISA 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates for bias. Evaluating significant transactions that are outside the normal course of business. 	<ul style="list-style-type: none"> No issues have arisen as part of our audit work that would indicate management override of controls affecting the outturn or year-end position.

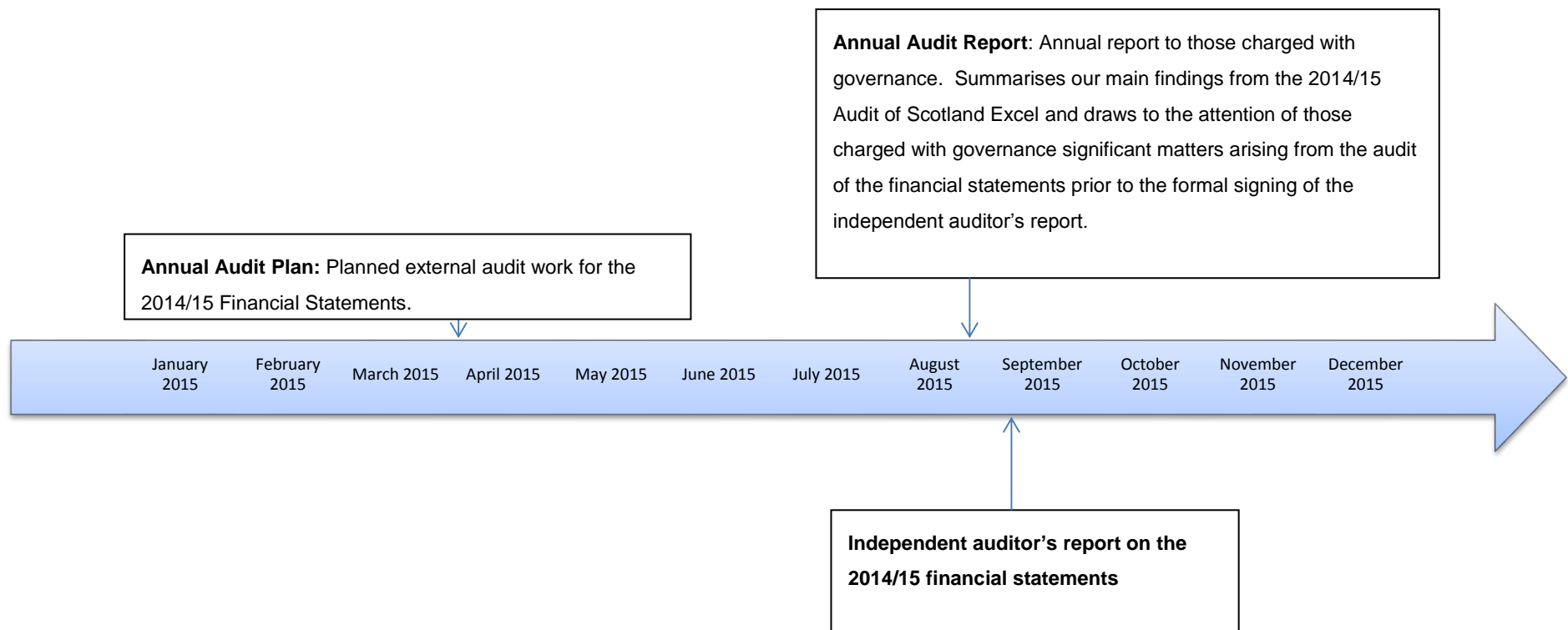
Audit Risk	Assurance procedure	Results and conclusions
<p>Annual Governance Statement</p> <p>The LG 2014 regulations require the annual accounts to include a governance statement, when in the past Scotland Excel would prepare a statement on the system of internal financial control (SSIFC). The governance statement contains a number of additional disclosures compared to the SSIFC and there is a risk not all the required disclosures are made.</p>	<ul style="list-style-type: none"> Review of disclosures in annual governance statement against the <i>Delivering good governance in local government</i>: framework. Ensure disclosures are consistent with the information within the financial statements and internal audit reports. 	<ul style="list-style-type: none"> The annual governance statement followed the guidelines and was consistent with information on the audit. There was only a minor presentation change to wording.
<p>Management Commentary</p> <p>The LG 2014 regulations require the annual accounts to include a management commentary, which will include a number of additional disclosures in comparison to the current explanatory foreword. The Scottish Government is providing guidelines on preparing the management commentary but these have not yet been issued.</p>	<ul style="list-style-type: none"> Ensure information in management commentary is consistent with that contained in the financial statement and complies with disclosure requirements. 	<ul style="list-style-type: none"> The management commentary was compared to the Scottish Government guidance issued. In general the commentary met the guidance. Minor changes were made to include more information about 2014/15 performance against objectives.

Audit Risk	Assurance procedure	Results and conclusions
<p>Staff costs and changes</p> <p>2014/15 Scotland Excel's staff costs will cover exit packages, permanent and temporary staff costs.</p> <p>The Code and the LG 2014 regulations require specific disclosures for exit packages for the remuneration report and signed agreements should be in place for all exit packages and temporary contracts.</p> <p>There is a risk the different costs are not disclosed correctly or not supported by formal and signed agreements.</p>	<ul style="list-style-type: none"> • Review of remuneration report to ensure that exit packages disclosures are complete, accurate and follow guidance. • Review accounts to check that all costs to the council are included e.g. amounts paid to individuals and strain-on-the-fund costs. • We will undertake substantive testing on temporary staff in order to ensure that they are being paid the correct remuneration according to contracts / invoices. • Review final breakdown of permanent versus temporary costs in the financial statements for large and unusual movements. 	<ul style="list-style-type: none"> • We tested the exit packages and confirmed they were all approved and strain-on-the-fund costs included in the accounts. However, notional costs for the capitalised costs of added years had not been included. Officers changed the exit packages note and added information to explain the nature of the costs. Total cost of exit packages increased from £0.110m to £0.193m. • All other testing was satisfactory.

Audit Risk	Assurance procedure	Results and conclusions
<p>Financial position</p> <p>In previous years we have noted that the funds available for procurement improvement activity were being gradually utilised and new models were needed to resource this type of work. In 2014, Audit Scotland published its report on how well councils in Scotland manage procurement. This reiterated the need to for Scotland Excel to work with councils to review and formalise arrangements to fund procurement improvement activity beyond 2016.</p> <p>There has been a change in Director following the report being published and a risk of delay in addressing the recommendations.</p>	<ul style="list-style-type: none"> We will follow-up progress on the recommendations for Scotland Excel from Audit Scotland's report and provide an update in the annual report on the audit. 	<ul style="list-style-type: none"> In 2015 Scotland Excel published a new Corporate Strategy for 2015-18 and the 2015-16 business plan includes an objective for review funding and business delivery models. The funding model needs to be reviewed for setting the budget for 2016/17, which will go to members in November 2015.
<p>Staffing Vacancies</p> <p>There have been a number of staff changes in 2014/15. A new Director joined Scotland Excel and a small number of exit packages were approved for 2014/15. As in previous years Scotland Excel has had difficulties in recruiting permanent staff members for a number of vacancies and relied on temporary staff.</p> <p>There is a risk changes will further impact on the staffing pressures currently faced and delay contract development.</p>	<ul style="list-style-type: none"> Monitoring of revenue budget monitoring reports for employee cost spend against budget. Review business plans for work planned on contract development. Report on position in final report on the audit. 	<ul style="list-style-type: none"> Contractor costs only £5k over budget of £249k and employee costs £75k over budget due to redundancy/ early retirement. New operating plan includes workforce plans to address recruitment and retention risks.

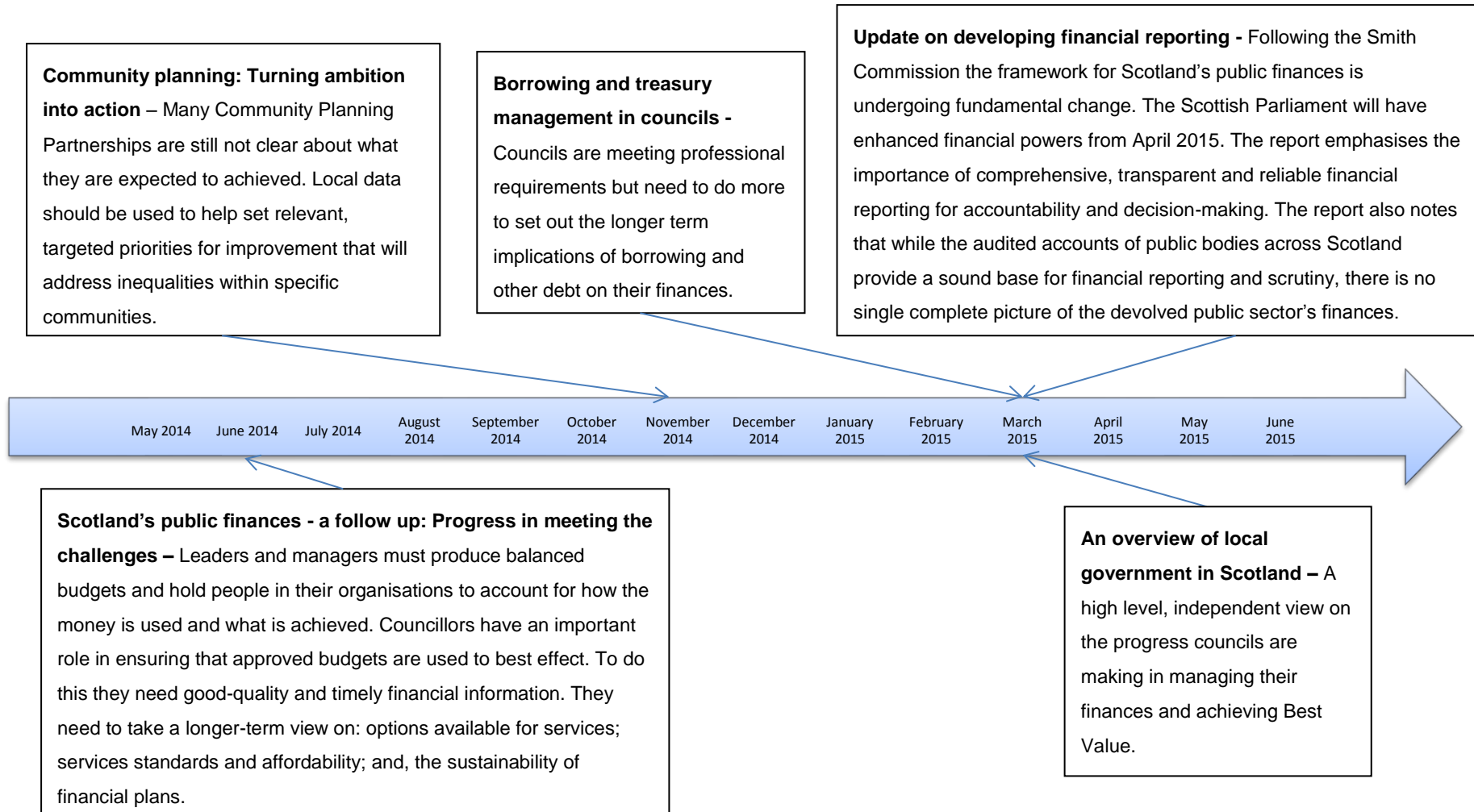
Appendix II

Summary of Scotland Excel local audit reports 2014/15



Appendix III

Summary of Audit Scotland national reports 2014/15



Appendix IV

Action plan

No./ para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
1 31/40/63	<p>Financial planning</p> <p>The balance of ring-fenced reform funding is likely to be fully utilised in 2016 and there are no agreed plans in place to fund future reform work from 2016 onwards.</p> <p>Risk</p> <p>There is a risk Scotland Excel cannot fund its plans under its new corporate strategy 2015-18.</p> <p>Recommendation</p> <p>Options are prepared and recommendations made to members as part of the budget-setting process for 2016/17.</p>	The 2015-16 Operating plan includes commitment to develop and implement a transparent funding model based around core and chargeable services.	Director and Treasurer	30 November 2015

No./ para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
<p>2 53/57</p>	<p>Register of interests</p> <p>The Audit Scotland April 2014 report on <i>Procurement in Councils</i> recommended that council staff involved in procurement should complete a register of interest statement and we consider this principle should apply to staff involved in negotiating contracts at Scotland Excel.</p> <p>Risk</p> <p>A register of interests can improve the transparency around the awarding of contracts and is an appropriate arrangement for prevention and detection of corruption.</p> <p>Recommendation</p> <p>A register of interests is put in place for all senior staff and all staff involved in negotiating contracts. This should be available on Scotland Excel's website once complete.</p>	<p>A new template is now in place and will be completed by senior managers and contract owners by 2 October. The registers will be reviewed annually thereafter.</p>	<p>Director</p>	<p>Original target date: 31 December 2014</p> <p>Revised target date: 2 October 2015</p>

No./ para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
3 65	<p>Audit Scotland National Reports</p> <p>There is no formal process in place to review Audit Scotland national reports pertinent to Scotland Excel.</p> <p>Risk</p> <p>There is a risk that Scotland Excel misses out on lessons learned from other audits across local government.</p> <p>Recommendation</p> <p>Audit Scotland reports are reviewed by officers and summary information or lessons learned disseminated to members, as appropriate.</p>	<p>As part of the procurement development role, reports will be reviewed bi-annually to identify key issues on commissioning or on specific councils.</p>	<p>Head of Strategic Procurement</p>	<p>30 November 2015</p>