



Audit Committee

Date:	Wednesday, 18 March 2020
Time:	10:00
Venue:	Civic Space, Council Offices, 16 Church Street, Dumbarton
Contact:	Craig Stewart, Committee Officer Tel: 01389 737251 craig.stewart@west-dunbarton.gov.uk

Dear Member

Please attend a meeting of the **Audit Committee** as detailed above. The business is shown on the attached agenda.

Yours faithfully

JOYCE WHITE

Chief Executive

Distribution:

Councillor John Mooney (Chair) Councillor Jim Brown Councillor Karen Conaghan Councillor Daniel Lennie Councillor Jonathan McColl Councillor John Millar Councillor Martin Rooney (Vice Chair) Councillor Brian Walker Mr C Johnstone

All other Councillors for information

Chief Executive Strategic Director - Transformation & Public Service Reform Strategic Director - Regeneration, Environment & Growth Chief Officer of West Dunbartonshire Health & Social Care Partnership

Date of issue: 5 March 2020

AUDIT COMMITTEE

WEDNESDAY, 18 MARCH 2020

<u>AGENDA</u>

1 APOLOGIES

2 DECLARATIONS OF INTEREST

Members are invited to declare if they have an interest in any of the items of business on this agenda and the reasons for such declarations.

5 - 8

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3 MINUTES OF PREVIOUS MEETING

Submit for approval as a correct record, the Minutes of Meeting of the Audit Committee held on 20 November 2019.

4 OPEN FORUM

The Committee is asked to note that no open forum questions have been submitted by members of the public.

5 STRATEGIC RISKS 2017-22: BI-ANNUAL UPDATE 9 – 40

Submit report by the Strategic Lead – People & Technology providing an update on the strategic risks for 2017-22.

6 INTERNAL AUDIT PLAN 2190/20 – PROGRESS TO 19 41 - 50 FEBRUARY 2020

Submit report by the Strategic Lead – Resources advising of progress at 19 February 2020 against the Audit Plan 2019/20.

7 INTERNAL AUDIT PLAN 2020/21

Submit report by the Strategic Lead – Resources advising of the planned programme of work for the Internal Audit Section for the year 2020/21.

8 AUDIT ACTION PLANS

Submit report by the Strategic Lead - Resources advising of:-

- (a) recently issued Internal Audit action plans; and
- (b) progress made against action plans previously issued contained within Internal Audit and External Audit reports.

9 AUDIT SCOTLAND ANNUAL AUDIT PLAN 2019/20 77 - 96

Submit report by the Strategic Lead - Resources presenting Audit Scotland's Audit Plan for the audit of financial year 2019/20 to Committee for information.

10PUBLIC INTEREST DISCLOSURES AND OTHER INTERNAL97 - 102AUDIT INVESTIGATIONS - 1 JULY TO 31 DECEMBER 2019

Submit report by the Strategic Lead - Resources advising of the outcome of investigations into allegations and disclosures in line with public interest disclosure and business irregularities policies received by Internal Audit between 1 July to 31 December 2019.

11ACCOUNTS COMMISSION REPORT: LOCAL103 - 150GOVERNMENT IN SCOTLAND FINANCIAL0VERVIEW 2019/20

Submit report by the Strategic Lead - Resources providing information regarding a report recently published by the Accounts Commission as prepared by Audit Scotland.

AUDIT COMMITTEE

At a Meeting of the Audit Committee held in the Council Chamber, Clydebank Town Hall, Dumbarton Road, Clydebank on Wednesday, 20 November 2019 at 2.00 p.m.

Present:	Councillors Jim Brown, Karen Conaghan, Jonathan McColl, Martin Rooney and Brian Walker.
Attending:	Joyce White, Chief Executive; Angela Wilson, Strategic Director – Transformation & Public Service Reform; Stephen West, Strategic Lead – Resources; Victoria Rodger, Strategic Lead – People & Technology; Malcolm Bennie, Strategic Lead – Communications, Culture, Communities & Facilities; Colin McDougall, Audit & Risk Manager; Andi Priestman, Chief Internal Officer, Inverclyde Council; Amanda Coulthard, Performance & Strategy Manager; Gillian McNeilly, Finance Manager; Julie Slavin, Chief Financial Officer, West Dunbartonshire Health & Social Care Partnership; Stephen Daly. Citizen & Digital Services Manager and Craig Stewart, Committee Officer.

- AlsoMs Zahrah Mahmood, Senior Auditor and Ms Kirsten Sharp,Attending:Trainee Auditor, Audit Scotland.
- Apologies: Apologies for absence were intimated on behalf of Councillors Daniel Lennie and John Millar, and Lay Member Mr Chris Johnstone.

Councillor John Mooney in the Chair

DECLARATIONS OF INTEREST

It was noted that there were no declarations of interest in any of the items of business on the agenda.

MINUTES OF PREVIOUS MEETING

The Minutes of Meeting of the Audit Committee held 25 September 2019 were submitted and approved as a correct record.

OPEN FORUM

The Committee noted that no open forum questions had been submitted by members of the public.

NOTES OF MEETINGS OF MEMBER/OFFICER WORKINGGROUP ON NATIONAL NON-DOMESTIC RATES

The Notes of Meetings of the Member/Officer Working Group on National Non-Domestic Rates held on 12 June and 25 September 2019 were submitted for information and noted.

TREASURY MANAGEMENT MID-YEAR REPORT 2019/20

A report was submitted by the Strategic Lead – Resources providing Members with the further opportunity to scrutinise the Treasury Management Mid-Year report which was previously reported to Council on 30 October 2019.

The Committee agreed to note the contents of the report.

AUDIT ACTION PLANS

A report was submitted by the Strategic Lead - Resources advising of:-

- (a) recently issued Internal Audit action plans; and
- (b) progress made against action plans previously issued contained within Internal Audit and External Audit reports.

After discussion and having heard the Audit & Risk Manager, the Strategic Director, Chief Executive, and relevant officers in further explanation and in answer to Members' questions, the Committee agreed to note the contents of the report.

INTERNAL AUDIT PLAN 2019/20 – HALF-YEAR PROGRESS REPORT

A report was submitted by the Strategic Lead – Resources advising on progress at the half-year against the Audit Plan 2019/20.

After discussion and having heard the Audit & Risk Manager and the Strategic Lead in further explanation and in answer to Members' questions, the Committee agreed to note the contents of the report.

AUDIT COMMITTEE ANNUAL SELF-ASSESSMENT

A report was submitted by the Strategic Lead – Resources advising on the results of the annual self-assessment exercise carried out recently by the Chair of the Audit Committee and the Audit & Risk Manager.

After discussion and having heard the Audit & Risk Manager, Chief Executive, and the Senior Auditor, Audit Scotland, in further explanation and in answer to Members' questions, the Committee agreed:-

- to note the progress of the agreed actions arising from the first selfassessment exercise carried out in 2018;
- (2) to note the self-assessment which formed Appendix 2 to the report and which showed that the Council's Audit Committee largely complied with Cipfa good practice and thereby could assess its performance as generally meeting the Cipfa requirements;
- (3) to approve the actions identified from this latest self-assessment and request that these are now progressed;
- (4) to note that progress on the completion of the agreed actions would be reported annually to the Audit Committee;
- (5) that subsequent reviews should take place every three years; and
- (6) to note the knowledge and skills framework for potential areas for development within the Elected Member development programme.

WEST DUNBARTONSHIRE BEST VALUE ASSURANCE REPORT

A report was submitted by the Strategic Lead – Communications, Culture, Communities & Facilities providing an update on progress towards delivery of the improvement plan agreed with the Accounts Commission following the 2018 Best Value Assurance process of West Dunbartonshire Council.

After discussion and having heard the Performance & Strategy Manager and Chief Executive in further explanation of the report and in answer to Members' questions, the Committee agreed to note the contents of the report.

SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINTS REPORT 2018/19

A report was submitted by the Strategic Lead – Communications, Culture, Communities & Facilities presenting the Scottish Public Services Ombudsman (SPSO) report on complaints handling by West Dunbartonshire Council for the year 1 April 2018 to 31 March 2019. After discussion and having heard the Citizen & Digital Services Manager and the Chief Executive in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to note the information contained within the report;
- (2) to note a commitment to improve response times for complaints to ensure compliance with Scottish Public Services Ombudsman (SPSO) timelines;
- (3) to encourage an improvement culture that welcomed complaints in any form so that the Council could capture all expressions of dissatisfaction and use this information to drive future improvements; and
- (4) to ensure each service uses the data provided to identify and progress improvement activity.

VALEDICTORY – COLIN McDOUGALL

Councillor Mooney, Chair, informed the Committee that this was the last meeting which Mr Colin McDougall, Audit & Risk Manager, would attend as he was retiring from Council Service at the end of December. On behalf of the Committee, Councillor Mooney thanked Mr McDougall for his hard work, dedication and commitment for over 30 years in local government and wished him a long and happy retirement. All of the other Members present concurred with the Chair's remarks and similarly took the opportunity to wish Mr McDougall well in retirement. In response, Mr McDougall thanked everyone for their kind words and advised that he had enjoyed his time working for West Dunbartonshire Council.

The meeting closed at 2.50 p.m.

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead – People & Technology

Audit Committee: 18 March 2020

Subject: Strategic Risks 2017-22: bi-annual update

1. Purpose

1.1 To provide an update on the strategic risks for 2017-22.

2. Recommendations

- **2.1** It is recommended that the Committee note:
 - The strategic risks as detailed at Appendix 1.
 - Supplementary EU Assurance Plan at Appendix 2.

3. Background

3.1 The Council's strategic risk arrangements are now well-embedded. The appended risks were fully reviewed and added to in 2017 with re-assessment undertaken bi-annually before being reported to this committee.

4. Main Issues

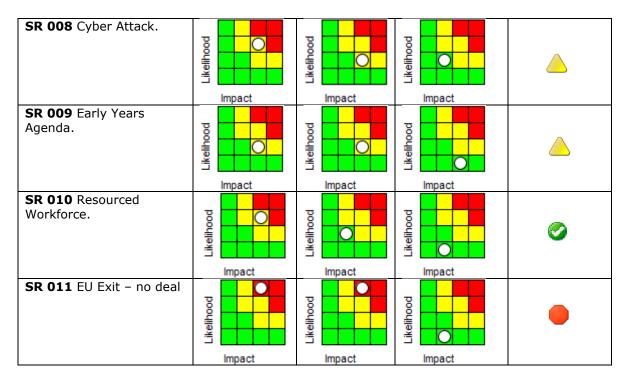
Strategic Risk

- **4.1** In line with the Council's Risk Management Framework, a re-assessment of the strategic risks has taken place as detailed within Appendix 1. Each risk is managed through internal controls, linked actions and associated milestones with the objective being to reduce or stabilise the level of risk through completion of linked actions over a period of time and / or ensure mitigation factors are adequate should the risks actually materialise.
- **4.2** Table 1 represents a risk dashboard that includes information on the original, current and target ratings for each strategic risk, as well as an assessment of the current risk status. Each strategic risk is identified and supported by more detailed information available on a "drill-down" basis in Appendix 1. Nine Strategic Risks, associated actions and milestones are progressing as expected and likely to reach their assigned targets. SR001 is significantly off target and is not likely to reach its intended risk outcome of low. The risk owner and this committee are aware of the current financial situation.

4.3 Due to the uncertainty surrounding EU Exit, SR011has been assessed as high risk. This risk should stabilise over time once local impacts become clearer. There are 10 actions associated with SR011, with multiple owners, the complexity of which does not sit well within the Council's monitoring system (Pentana). To avoid duplication, the established reporting to government agencies in the form of EU Exit plan (Appendix 2) will be utilised for reporting to this committee. SR011 is monitored by the Strategic EU Exit Group, a sub group of the Resilience Group.

Strategic Risk	Original	Current	Target Risk	Risk Status
	Risk 2017	Risk 2019	2022	Rationale
SR 001 Financial Funding.				•
	Impact	Impact	Impact	
SR 002 School improvements.				
SR 003 Council Assets.	Impact	Impact	Impact	
SK UUS COUNCILASSELS.	Likelihood	Likelihood	Likelihood	0
	Impact	Impact	Impact	
SR 004 Information Technology.	Likelihood	Likelihood	Likelihood	0
	Impact	Impact	Impact	
SR 005 Partnerships.		rie Line Impact		0
	Impact	Impact	Impact	
SR 006 Citizens and Communities.	Likelihood	Likelihood	Likelihood	0
	Impact	Impact	Impact	
SR 007 Health and Safety of Employees and Others	Likelihood	Likelihood	Likelihood	0
	Impact	Impact	Impact	

 Table 1 Key Strategic Risk Information



Risk Methodology and Reporting

- **4.4** Each strategic risk is populated in Pentana in terms of the following template:
 - Risk title and code;
 - Description;
 - Ownership;
 - Potential effect;
 - Measures of impact;
 - Risk factors;
 - Internal controls;
 - Risk opportunity; and
 - Linked actions.
- **4.5** Each risk has been scored using a "4 x 4" matrix for likelihood and impact in relation to:
 - Current risk (with review dates set at pre-determined intervals); and
 - Target risk (i.e. 31 March 2022 the duration of the Strategic Plan).

The risk descriptors used in the "4 x 4" matrix are as follows:

<u>Likelihood</u>

Score	Descriptor
1	Unlikely
2	Likely
3	Very likely
4	Certain

Impact

Score	Descriptor
1	Minor
2	Moderate
3	Significant
4	Critical

4.6 For ownership, each strategic risk is "Managed By" a Strategic Lead and "Assigned To" a Service Manager. Strategic risks are reported on a bi-annual basis to the Performance & Monitoring Review Group and Corporate Services Committee.

Service Risk

4.7 Following the methodology in 4.3 to 4.4 above, each service has service owned operational risk registers in Pentana; these will be updated through the 2020/2021 service planning process.

<u>EU Exit</u>

- **4.8** The Scottish Government planning assumptions are derived from the UK planning assumption but have been further developed to identify the Scotland level of impacts of a no deal UK Exit. The key risks to the Council have been identified as disruption of services, workforce, and congestion at sea and air ports, concerns around the supply of medicines, all potentially impacting locally. Finally there is concern around the supply of and consequently, a rise in the cost of food. While there are other risks identified in the EU Exit Assurance action plans. The aforementioned risks are deemed high.
- **4.9** Following the general election on 12 December 2019, the UK is expected to leave the European Union (EU) on 31 January 2020. There remains considerable uncertainty about the longer-term implications of withdrawal from the EU. The Council's Resilience Group continues work with the Civil Contingencies Service (CCS) in exploring the risks and potential impact on services associated with Britain's exit from the EU and seeking appropriate mitigation where available. To compliment this, there is frequent liaison with multi-agency partners to ensure a shared understanding of the risks arising locally/regionally and nationally.
- **4.10** The Council has additionally developed an EU Exit Assurance Action Plan. The action plan is based on the National Planning Assumptions of reasonable worst-case scenarios. Within the Assurance Action Plan, a number of risks and mitigations have been identified. This continues to be a live document with updates made as required. This plan is appended and is available on the Council website.

Business Continuity

4.11 A recent review of all Strategic Lead area Business Continuity Plans has ensured a robust standard of organisational resilience across the Council. This exercise has allowed service areas to identify critical functions and ensure the appropriate mitigation is in place. The Business Continuity Plans and EU Exit Assurance Action plan should complement the preparatory work for the EU Exit.

5. **People Implications**

5.1 There are no people implications associated with this report.

6. Financial and Procurement Implications

6.1 There are no financial and/or procurement implications.

7. Risk Analysis

- **7.1** Failure to progress on risk management is likely to result in the Council being criticised by External Audit for not having an integrated approach to embedding risk management within the authority with the result that a "no scrutiny required" status will not be achieved.
- **7.2** Progressing with risk management will demonstrate that the Council is taking ownership of risk management so that effective measures will be put in place for the management of risk. The ability to demonstrate risk ownership should benefit the Council in terms of:
 - Understanding risk and its potential impact on the Council's priorities and objectives;
 - Reducing insurance premiums going forward by recognising that a mature approach to risk management will contribute to a reduction in the number and value of claims across a range of insurance classifications;
 - Contributing towards incident prevention based upon post-incident investigation;
 - Meeting statutory/regulatory requirements; and
 - Ensuring better partnership working with external and internal partners.

8. Equalities Impact Assessment (EIA)

8.1 An equalities screening was undertaken that identified no impact on a particular protected group.

9. Consultation

9.1 The strategic risks have been discussed with the Strategic Leads and Directors.

10. Strategic Assessment

- **10.1** At its meeting on 25 October 2017, the Council agreed that its five main strategic priorities for 2017 2022 are as follows:
 - A Strong local economy and improved employment opportunities;
 - Supported individuals, families and carers living independently and with dignity;
 - Meaningful community engagement with active empowered and informed citizens who feel safe and engaged;
 - Open, accountable and accessible local government; and
 - Efficient and effective frontline services that improve the everyday lives of resident
- **10.2** The strategic risks in 4.1 have been identified to complement the main strategic priorities.

Name: Designation: Date:	Strategic L	Victoria Rogers Strategic Lead People & Technology 20 th February 2020		
Person to Co	ntact:	John Duffy (Section Head) Risk and Health & Safety. Telephone 01389 737897 john.duffy2@wdc.gcsx.gov.uk		
Appendices:		Appendix 1: Detailed Strategic Risk List Appendix 2: EU Exit Assurance Plan		
Background I	Papers:	Report to Council on 25 October 2017 - West Dunbartonshire Council Strategic Plan 2017-22 Risk Management Framework		

Strategic Risk Report 2020 January Appendix1

Generated on: 24 January 2020

•	SR 001 Significant financial funding reductions from Scottish Government	Current Risk Matrix	Current Rating	Last Review Date	
Description	The Council is faced with significant ongoing funding reductions from the Scottish Government. Austerity is expected to continue for a number of years into the future and likely to result in funding reductions. This coincides with a period where costs are expected to rise in relation to Social Care due to aging	Likelihood Impact	12	23-Dec-2019	
	population and capped powers to raise funds through Council Tax.	Target Risk Matrix	Target Rating	Target Date	
Potential Effect	Shortfall in finances and therefore the Council is unable to provide all services as intended.	Likelihood Impact	4	31-Mar-2022	
Measures of Impact	 Reduction in government grant Demographic change (population decline/growth, aging population) Savings required including cutting level and/or quality of service provision Increased Debt (collection of Council Tax, HRA rents, etc) 	Risk assessed and vie remains as before - th there remains a high likelihood of significar funding reductions fro Scottish Government assessment is based of		efore - that s a high significant ctions from the ernment. This s based on the	
Risk Factors	 Level of government grant Lack of time to plan for changes in the level of grant funding Welfare reform General inflationary factors Significant additional burdens - Capital receipts 	Latest Note	Finance Strat lack of future announcemen UK and Scotti Governments has been asso remains at Si is expected th potential valu the Council w	ements from both cottish ents. The Impact assessed and at Significant, as it ed that whilst the value is high that cil will require to any such funding	
	 - 10 year Financial Strategy subject to regular review - Monitor and maintain General Services and Housing Revenue 	Managed By	Stephen West		
	Account prudential targets - Reporting and monitoring of Treasury Management Strategy - Budgetary control process	Assigned To	Gillian McNeilly		
Internal Controls	 Regular budgetary control and savings monitoring reports provided to CMT and Council / committees Rigorous debt collection processes Annual Internal Audit Plan Work of External Auditors (external control) Annual Governance Statement - Procurement Improvement Plan 				
Progress of Linked Actions					
Risk Opportunity	 Annual exercise to identify efficiencies Projects to implement new ways of working (e.g. commercialisation, asset management) Enhance the reputation of the Council as an organisation which manages its finances soundly 				

SR 002					
	SR 002 Failure to implement broad-ranging school improvement to raise attainment and achievement	Current Risk Matrix	Current Rating	Last Review Date	
Description	This risk concerns the delivery of excellence and equity for our young people to support them to attain and achieve at the highest level. In particular, it is aimed at bridging the attainment gap and breaking the cycle of disadvantage. This also includes the focus on intervention at early years to improve life chances	Likelihood Impact	6	14-Jan-2020	
	at all points on the learning journey. A key driver is the Council's participation in the Scottish Attainment Challenge which will be delivered over 4-years from 2015. Year 3 commenced in April 2017 and will bring together the work streams to deliver a self-improving school system programme.	Target Risk Matrix	Target Rating	Target Date	
Potential Effect	The national expectation for education would not be delivered. Improved outcomes for young people would not be attained and achieved. The Council would fail to meet the needs of individual learners. The Service would fail to bridge the attainment gap and break the cycle of disadvantage. The Council would fail in its legal duty for the education of young people within West Dunbartonshire. There would be reputational damage to the service and the wider Council. There would be a lack of income generation from external funding sources.	Likelihood Impact	1	31-Mar-2022	
Measures of Impact	Examination results - HMIE inspection reports - validation reports - stakeholder feedback - local learning community attainment data - control group model - small test of change model - risk matrix model - bespoke model of intervention for young people and families at early stages to improve on attendance/lateness; social and emotional health; supports for mental health issues; parenting/behaviour management skills and early linguistic & cognitive development - pre/post intervention assessment - increased expectation of raising attainment being the responsibility of all - school to school collaboration with locally initiated bottom-up enquiry - higher level of STEM subject uptake in secondary schools - increased numbers of learners entering STEM related career pathways - standardised literacy and numeracy tests	Latest Note	We continue to maintain progress over time with ACEL. In P1, S3 and S4 attainment levels are maintained. In P4 and P7 improvements in numeracy and literacy have been very strong in comparison to 2016. Analysis of 2018/2019 data against national performance will be conducted in January 2020		
Risk Factors	Staff resources - adequate funding for projects - workforce development - effective leadership - accurate and timely data collection - accurate and timely reporting - effective communication with partners and external agencies		following pub data in Decer	lication of ACEL nber 2019.	
		Managed By	Laura Mason		
	Raising Attainment Strategy Project management by Service Manager Raising Attainment Project Board (led by Chief Education Officer)	Assigned To	Julie McGrogan		
Internal Controls	Termly progress reports submitted as part of Educational Service committee reports Relevant CPD programme to support education staff Meetings between WDC and Education Scotland/HMIE BGE Attainment and Performance Data School Improvement Literacy, Numeracy and HWB Steering Group National Improvement Framework (NIF)				
Progress of Linked Actions	E/1920DP/02DEI Develop and Deliver Educational Improvement Across West Dunbartonshire		37%	Andrew Brown; Julie McGrogan	
Risk Opportunity	Improved attainment - improved attendance - reduced exclusions - reduced violent incidents - reduction requirement for targeted support over time - reduction requirement for specialist placements over time - improved learning & community engagement - children/pupils at risk identified earlier and more effectively - more empowered community providing self-sustaining peer support - increase in the percentage and range of positive destinations over time		·		

	SR 003 Councils Assets	Current Risk Matrix	Current Rating	Last Review Date
Description	Risk: That the Council's assets and facilities are not fully fit for purpose with consequent adverse impact on our ability to deliver efficient and effective services. Assets included in this assessment are; the Council's property portfolio, housing stock,	poor	4	15-Jan-2020
	roads and lighting, fleet and open space	Target Risk Matrix	Target Rating	Target Date
Potential Effect	 Assets are not utilised in the most effective and efficient manner Service cannot be properly delivered to the satisfaction of service users Service users seek alternative service provision Increase in reactive maintenance costs Roads assets in poor conditions -Assets fail to meet relevant standards 	Likelihood Impact	4	31-Mar-2022
Measures of Impact	 Condition surveys Suitability surveys Road Condition SPI Customer perceptions of service delivery Investment levels in upkeep and improvement of asset base and facilities Staff satisfaction -Operating costs and savings 		The managers responsible for Council Assets have reviewed this risk in relatio to current asset condition and the score at present should remain unchanged. Ongoing investment and control measures remain in place with appropriate asse management plans. Cautionary note that this risk may increase should there be a lack of maintenance and investmen funds as this will have an impact on asset conditions and their suitability to mee the standards expected.	
Risk Factors	Adequacy of funding available to improve asset base - Adequacy of staff resources allocated to the area of asset management - Council buildings deemed to be unfit for existing purpose - Economic conditions may reduce level of potential capital receipts from surplus property sales -Over one third of the road network is in need of repair and the current long term capital funding only sustains a steady state condition of the road network - Increased public liability claims due to poor condition of roads network	Latest Note		
	 Corporate Asset Management Strategy Schools Estate Strategy 	Managed By	Richard Cairns	
Internal Controls	 Capital Investment Team Existence of Asset Management Group with meetings held on a regular basis Property Asset Management Plan HRA Capital Investment Programme Capital plan Roads and Lighting Asset Implementation Plan Fleet Asset Implementation 	Assigned To	Craig Jardine; Michelle	
	 Open Space Asset Implementation Plan Detailed asset database that shows relevant information on a property by property basis Sustainability Policy Housing Improvement Board - Housing Improvement Plan - Housing Asset Management Strategy 			
	Regen/1920/AM/01 Review the Strategic Plan for the regeneration of the remaining schools estate including the production of a new Schools Estate Management Plan.		75%	Jim McAloon
Progress of Linked Actions	Regen/1920/AM/03 Deliver the allocated General Services investment programme projects for 2019/20		80%	Jim McAloon
	Regen/1920/HAI/02 Deliver the HRA Capital Investment programme for 2019/20.		60%	Jim McAloon
Risk Opportunity	-Enhance reputation of Council by being able to improve Council -Estate, assets and service delivery (e.g. new school buildings, operational building upgrades, office and depot rationalisation projects, housing investment programme to meet SHQS/EESSH,			

	roads upgrade programme, vehicle replacement programme, greenspace upgrade projects) - Enhance employee "feel good" factor by providing modern office accommodation equipped with up to date IT facilities - Secure external funding for development of assets (e.g. EC, lottery, Historic and Environment Scotland) - Prioritised Building Upgrade Plan - The continued implementation of the energy efficient street lighting project will both improve the asset and reduce costs significantly through reduced maintenance, energy Consumption and carbon output. - The effect of these energy efficiencies has demonstrated that significant savings and environmental benefit can be achieved through the utilisation of developing technology.
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I	SR 004 Information Technology	Current Risk Matrix	Current Rating	Last Review Date
Description	Failure to keep pace with changing technology environment during periods of austerity and supplier rather than business led change	Likelihood Impact	2	24-Dec-2019
		Target Risk Matrix	Target Rating	Target Date
Potential Effect	A lack of consistent, sufficiently robust planning in respect of ICT arrangements is likely to result in the Council being ill prepared to meet future demands in key service areas and lacking the capacity to respond effectively to changing need.	Likelihood Impact	4	31-Mar-2022
Measures of Impact	 Degree of compliance with security controls to prevent data loss through poor o/s patching, cyber-attack, firewall configurations etc. Extent of wireless connections in the C ouncil network – all schools and refurbished Office accommodation complete Number of ICT Help Desk calls resolved within half day - exceeding target of 35%. Target was increased. Extent of functionality development in key Council systems (i.e. lack of development beyond base system leading to ineffective management information) – several channel shift projects delivered and more are in progress Workforce mgmt. self-service, increased volume of web and intranet traffic, streamlined financial and purchasing processes, document management. Fit for purpose Council website, delivering information and services to a significant percentage of the Council's customers. Provide efficient desktop services to meet changing workforce flexibility and property rationalisation requirements. Thin client deployment complete in corporate estate and started in Education. 5-year Device replacement programme in place. Implementation of mobile and flexible working, enabling a downsizing of required office accommodation through enabling people to work more efficiently and to adopt a more flexible policy towards office accommodation and desk provision. Bridge St, Aurora, CTCO, Municipal, Church St complete. Broadband speeds in Scotland. Investigating funding options for fibre network. 	Latest Note	Dec 19. There is continue Investment in technology refresh as well as a strong focus on digital transformation, thereby reducing the likelihood of this risk.	
Risk Factors	Insufficient resourcing of ICT developments so that benefits and opportunities identified are not realised - poor network security controls implemented. Lack of intrusion detections alerts, failure to respond to audit / PSN test findings and recommendations, insufficient resources allocated to security tasks. Service redesigned and resources aligned to			

	security tasks and improved monitoring processes and tools implemented. - Poor project and programme change management arrangements. - Poor quality of mobile communication provision. - Poor uptake on channel shift			
Internal Controls	 Capital programme established for technology refresh projects Information & Communication Technology (ICT) Policy Governance structures such as ICT Steering Board, Education ICT Steering Board, Digital Transformation Board in place to support integrated planning and decision making in relation to ICT Use of both internal IT resources from across the Council and 	Managed By Assigned To	Victoria Rogers James Gallagher; Patricia Kerr; Brian Miller	
	skilled specialist advisers in key areas - Fit for purpose data centre (with remote back up site). New shared data centre went live in Dec 2014 and new WDC data centre live January 2018. WDC and EDC are taking a lead role on data centre sharing across Scotland		1	
	P&T/1920/ICT/01 Transformation & Channel Shift		75%	Patricia Kerr
Progress of	P&T/1920/ICT/02 Explore Sharing Opportunities		66%	Patricia Kerr; Victoria Rogers
Linked Actions	P&T/1920/ICT/03 Deliver a secure and resilient IT Infrastructure		37%	Patricia Kerr; Victoria Rogers
	P&T/1920/ICT/04 Implement ICT Service Improvements		57%	Patricia Kerr
Risk Opportunity	 annual network penetration tests Annual PSN compliance audit Annual External Audit on ICT Controls Continued investment and Modernisation of ICT infrastructure and its focus on network security and resilience. Provide 21st century state of the art technology for employees and service users Rationalise IT systems Use of innovative IT linked service delivery models to effect change Provide Council employees with secure access to email and supporting systems at times and locations of choice Increased use of mobile devices e.g. tablet devices and mobile phones. Provide self-service style systems to employees and the local community 		<u>.</u>	

I	SR 005 Partnerships	Current Risk Matrix	Current Rating	Last Review Date
Description	The council rails to engage adequately with partnership bodies	Impact	3	15-Jan-2020
		Target Risk Matrix	Target Rating	Target Date
Potential Effect	failure of partnership impacts on Councils obligations under Community Empowerment Act	Impact	3	31-Mar-2022
Measures of Impact	Successful delivery of LOIP and supporting plans positive partnership inspections	Latest Note	As per previo this risk is un	us assessment, likely as a

			result of the s	
Risk Factors	 inability to deliver improved outcomes which require strong partnership activity Council's reputation is adversely affected through a failed partnership arrangement 		range of partnership arrangements in place	
	- Align the Council's strategic plan with the Local Outcome	Managed By	Amanda Coulthard	
Internal Controls		Assigned To	Amanda Coulthard	
	outcomes and targets set in the LOIP - Develop data sharing protocols with partner agencies - Participate in reform agenda as it impacts on Council area			
	CCCF/1920/P&S/01 Support Community Planning West Dunbartonshire to further develop locality planning and involvement in line with the Community Empowerment Act		100%	Amanda Coulthard
Progress of	CCCF/1920/P&S/04 Ensure robust data and analysis is available to support decision making across all services		50%	Amanda Coulthard
Linked Actions	CCCF/1920/P&S/06 Review and embed frameworks which support continuous improvement and best value across the organisation		50%	Amanda Coulthard
	GOV-18-008 8. Partnership risk		100%	Malcolm Bennie
Risk Opportunity	- Position West Dunbartonshire as a modernising Council			

Ø	SR 006 citizens and communities	Current Risk Matrix	Current Rating	Last Review Date
Description	The risk is that the Council does not establish or maintain positive communications with local residents and the communities it represents	Likelihood Impact	2	14-Jan-2020
		Target Risk Matrix	Target Rating	Target Date
Potential Effect	- Tensions develop with citizens and local community groups	limpact	2	31-Mar-2022
Measures of Impact	- informed and engaged citizens participating in consultation activity			
Risk Factors	Lack of appropriate staff development / skills may be lacking to support new model of service delivery inequity of engagement across the partnership on key local issues council seen as unresponsive to community if feedback from engagement not acted upon apathy within communities leads to little or no engagement some community groups feel their voices are not being heard	Latest Note	Risk assessed	I, no change.
Internal	- Ensure robust mechanisms for public feedback (Embedding the Strategic Engagement Framework)	Managed By	Malcolm Bennie	
Controls	- Annual budget consultation events	Assigned To	Amanda Coulthard;	

	 Open Forum questions at Council meetings continue to deliver 4 issues of housing news each year delivery of effective communications and public information through social media use of telephone survey 	Amanda Graham	
Progress of Linked Actions	CCCF/1920/COT/03 Increase social media audience (to 40%) and engagement (to 1.5m) across each platform through continually evaluating our approaches to social media and responding to social media trends and evolution	33%	Amanda Graham
Risk Opportunity	Community Empowerment Act participation requests asset transfer		

Ø	SR 007 Health and Safety of Employees and Others	Current Risk Matrix	Current Rating	Last Review Date
Description	Failure to meet the Council's duty to protect the health, safety and welfare of its employees and other people who might be affected by its business, either in the provision of an effective health and safety management system or in ensuring adherence to that system as part of an embedded health and safety culture.	Likelihood Impact	4	30-Dec-2019
	Risk of an employee, service user, pupil (young person) or		Target Rating	Target Date
Potential Effect	Risk of an employee, service user, pupil (young person) or member of the public being seriously / fatally injured by fault of the Council. There are various risks associated with the outcome: reputational risk regarding negative publicity; financial risk in terms of claims management compensation to the injured party; risk of prosecution by the HSE resulting in a fine or, , Strategic Leads/Directors / Chief Executive being subject to criminal charges.	Likelihood	4	31-Mar-2022
Measures of Impact	Time and cost associated with in-house/HSE investigation. Service delivery impact in terms of injury-related absence and potentially enforced cessation of work activities. Impact of legal proceedings, in terms of costs, potential reputational damage and, worst case, risk of criminal charges.	Latest Note	Actions to mitigate this risk are progressing as planned.	
Risk Factors	Resources, robust policies and practices, adequate H&S strategy.			ng as planned.
	• Council has in place a robust H&S policy and strategy (and separate Fire Risk Management Strategy) that includes service	Managed By	Victoria Rogers	
	specific health and safety plans, duties and responsibilities for Strategic Directors, Strategic Leads, managers and employees.	Assigned To	John Duffy; Alison McBride	
	• Adequate H&S resources in place to fulfil statutory obligations in terms of the Health and Safety at Work etc. Act and the Management of Health and Safety at Work Regulations.			1
Internal Controls	• Embedded H&S culture that discusses H&S issues at a top level and cascades throughout the organisation through the health and safety committee system.			
	• Monthly reports to PaMG on organisational safety performance.			
	• Each link H&S Officer attends Service Strategic Lead meeting to report on service safety performance			
	• Services have H&S committees at Service and Directorate level.			

	Workplace inspection and audit programme.		
	 Service risk profiling. H&S training needs analysis for every employee group. 		
	 Toolbox talks take place at directorate level. 		
	• The Council has in place a Trade Union Health and Safety Partnership Agreement.		
	• Council promotes health and safety training for TUs to diploma level.		
	P&T/1920/H&S/01 Embed an organisational health and safety culture though extending organisational use of Figtree and understanding of health & safety	83%	Alison McBride
Progress of Linked Actions	P&T/1920/H&S/02 Increase understanding of Council Fire Risk Management Strategy.	75%	Alison McBride
	P&T/1920/H&S/03 Undertake a review of the effectiveness of Council approach to risk management and implement improvement action as appropriate.	75%	Alison McBride
Risk Opportunity	Demonstrate to committees, elected members, Trade Unions, employees, the community and other external partners of robust H&S culture.		

	SR 008 Threat of Cyber-attack	Current Risk Matrix	Current Rating	Last Review Date
Description	Data, systems and/or infrastructure are impacted as result of security attacks which are increasing in number at a time when this threat is already placing demands on resources to deliver increased levels of security controls.	Impact	6	15-Jan-2020
		Target Risk Matrix	Target Rating	Target Date
Potential Effect	 Disruption of Services impacting service delivery to citizens Loss of Data Staff and Citizen data loss with the potential for misuse such as identity fraud Mis-information being delivered to the public via WDC communication channels Potential for significant fines currently under the Data Protection Act and from May 2018 under the provisions of the General Data Protection Regulations Reputational damage Redirection of resources to deal with the effects of an attack and away from BAU work 	Impact	4	31-Mar-2022

Measures of Impact	 Recorded attempts from external sources to breach council cyber defences Recorded cyber related incidents in the Cyber incident log Quantity of breaches/incidents reported to the Information Commissioners Office Fines levied for breaches 		Outputs from the Annu Penetration & Health c have been received, evaluated and any rectification works are progress. The WDC PS assessment submissio	
Risk Factors	 Inappropriate Cyber defences at the perimeter of the council networks Inappropriate delivery of security patches to desktop and server estates Compliance with security standards such as PSN, PCI, Public Sector Action Plan on Cyber resilience for Scotland Continually changing threat landscape Maintaining relevant skill sets among staff group/cost of securing expert resources 	Latest Note	officer for Dig been in conta and has advis revisit adopti IA Maturity as are developir plan based or	nission 23rd e Chief security jital Office has ct with WDC sed WDC to on of the digital ssessment. ICT g an action
Internal Controls	 Implementation of internal Policies on Patching and hardware/software hardening Annual PSN compliance audit including a comprehensive IT Health Check Governance structure in place, ICT Board consisting of senior management and relevant stakeholders meeting once per month or as required in response to incidents/events Programme of Internal and External ICT audits PC1 working group Information Security/Data Protection forum Multiple layers of Cyber defences Network Segration Rolling programme of security awareness sessions Interagency and cross Council working groups and sharing. National Digital Office / Scottish Government Public Sector Security programme and guidance 	Managed By Assigned To	James Gallagher; Patricia Kerr; Brian Miller Iain Kerr	
Progress of Linked Actions	CS/IAAP/519 1. Underlying Technical Controls required to facilitate automatic failover to DR site still to be configured/tested CS/IAAP/520 2. DR Plans for the main telephony delivery systems have yet to be implemented/tested CS/IAAP/521 3. Systems without parallel DR arrangements are not fully tested CS/IAAP/525 7. Lack of formal DR testing schedule at primary DR site	 ✓ ✓ ✓ ✓ ✓ ✓ ✓ 	100% 100% 100%	Patricia Kerr Patricia Kerr Patricia Kerr Patricia Kerr

1		P&T/1920/ICT/01 Transformation & Channel Shift	75%	Patricia Kerr
		P&T/1920/ICT/02 Explore Sharing Opportunities	66%	Patricia Kerr; Victoria Rogers
		P&T/1920/ICT/03 Deliver a secure and resilient IT Infrastructure	37%	Patricia Kerr; Victoria Rogers
		P&T/1920/ICT/04 Implement ICT Service Improvements	57%	Patricia Kerr
- 11	Risk Opportunity	 Increase Cyber resilience and awareness for staff, members and citizens Contribute to Scottish Government Public Sector Action Plan on Cyber resilience for Scotland Upskill staff to address current and emerging threats Increased staff awareness across Council 		

	SR 009 Failure to deliver the Early Years Agenda	Current Risk Matrix	Current Rating	Last Review Date
Description	This risk concerns an increase in entitled hours which the Scottish Government is planning to provide for early years children, from 600 to 1140 hours by 2020. In project management terms this is a complex piece of work of products,	Impact	6	05-Nov-2019
	demanding timescales and dependencies across its duration.	Target Risk Matrix	Target Rating	Target Date
Potential Effect	Reputational damage Failure to meet the Scottish Governments delivery plan to increase free ELC hours Children would not receive the best start in life Failure to meet our statutory duties Partner providers may be adversely affected	Impact	3	31-Mar-2022
Measures of Impact	Care Inspectorate standards Key project milestones Scottish Government requirements Parental expectations Key personnel positions		I	
Risk Factors	Maintaining level of Scottish Government investment Availability of contractors within project timescales Recruitment of suitable staffing for centres Creation of flexible delivery model Staff engagement with the Early Years Strategy Quality of communication with parents and staff Successful transition to new delivery model	Latest Note	delivering the model.	inders are now blended
		Managed By	Laura Mason	
	Reports to Education Services Committee Early Learning and Childcare Strategy 2016 - 20 Care Inspectorate	Assigned To	Kathy Morrison	
Internal Controls	Children and Young Peoples Act (S) 2014 Education Governance Board Early Years Implementation Board Financial reports - budget monitoring and review Inter departmental working Partnership SLA's Workforce Development Change Board updates			
Progress of Linked Actions	E/1920DP/11EYS Deliver the Early Years Strategy		83%	Andrew Brown

Risk Opportunity	Parents and children will receive a more flexible childcare service Greater opportunities to tackle the impacts of inequalities on the very young and vulnerable children Improvement in quality assessment and moderation and interactive play-based methodologies across the Early Level Accessible provision will play a vital role in reducing the poverty related attainment gap through high quality early learning and childcare Opportunities for professional learning to meet the standard required
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	SR 010 Ensure an appropriately resourced	Current Risk	Current	Last Review
	workforce.	Matrix	Rating	Date
Description	Failure to ensure that there is an appropriately resourced workforce in place to meet future organisational needs, either in effectively executing the Council's 2017-22 Workforce Plan, or in ensuring that the Plan is adapted over time if and when earlier assumed circumstances change.	Impact	4	06-Nov-2019
		Target Risk Matrix	Target Rating	Target Date
Potential Effect	 Low staff morale Inability to deliver services effectively Reduced level of service Lack of improvement or increase in staff absences Council underachieves as an organisation Employee conflict 	Likelihood Impact	2	31-Mar-2022
Measures of Impact	 Access to and participation of employees in learning and development activities Absence rate and trends Employee turnover Grievance, discipline and other monitoring information Employee survey results and associated actions Reports from external scrutiny bodies and award bodies Benchmarking with appropriate comparators 	Latest Note	Employee survey results showing indication hat workforce development programmes are having an	
Risk Factors	 Lack of appropriate development / shortage of skills may pose a risk to new models of service delivery Lack of capability to deliver Workforce unable to adapt to change 		impact	
	 - HR processes designed to meet service delivery needs - Develop new structures to reflect strategic priorities and 	Managed By	Victoria Rogers	
	aligned to Future Operation Model (FOM) - Align workforce plan to the Council's strategic planning processes (i.e. have the right people available at the right time	Assigned To	Alison McBride	
Internal Controls	 with the right skills to fulfil properly all of the Council's strategic priorities) Periodic review of pay arrangements in accordance with EHRC guidance (currently every 3 years) Incorporation of succession planning into workforce planning framework Identify training programmes to reskill staff as identified by training needs analysis Effective use of SWITCH to support alternative careers Flexible HR policies, in particular recruitment & selection, learning & development (including eLearning), continuous improvement / development flexible working, attendance management, employee wellbeing related polices Effective use of Occupational Health Service Robust Be the Best Conversations process Effective leadership and management behaviours and practice 			

	P&T/1920/OD/01 Continue to progress and deliver a variety of development opportunities such as Lean/Six Sigma, New Managers Induction, build digital literacy workforce knowledge & skills and relaunch the Coaching & mentoring Programme	33%	Alison McBride
Drogross of	P&T/1920/OD/03 Monitor the impact of Be The Best Conversations council wide.	75%	Alison McBride
Progress of Linked Actions	P&T/1920/SHR/01 Address workforce equalities objectives	60%	Alison McBride
	P&T/1920/SHR/02 Review and relaunch the Council's Employee Wellbeing Strategy.	60%	Alison McBride
	P&T/1920/SHR/04 Continue to embed the Council's Strategic Workforce Planning Framework with a particular focus on the impact of digital skills	20%	Alison McBride
Risk Opportunity	 Identity previously unknown skills and talents in the workforce Realise the potential of staff 		

	Risk Status			
۲	Alert			
	High Risk			
\triangle	Warning			
0	ОК			
?	Unknown			

West Dunbartonshire Council EU- Exit Assurance Action Plan – January 2020 Appendix 2

<u>Background:</u> The themes of Issues/Risks identified below are based on the Scottish Planning assumptions. This document will remain live, and regularly updated throughout the response to any "No Deal" EU Exit, or delay of Article 50.

Broad Risk	Action	Comments – Martin Keeley – Updated - Environmental Health Manager 23 rd October 2019
Congestion at sea	Potential requirement / funding	WDC EH Manager is linked in through the Scottish Food Enforcement Liaison Committee to
•	case to Scottish Government	work with groups looking at EU Exit implications. While the position is being led nationally, by
ports & airports		
through delayed	has been submitted for a	DEFRA, they are supportive of the work of the Scottish Food Enforcement Liaison Committee
processes with	minimum of 2 and a maximum	who has developed a deliverable risk based system (resource dependent). WDC EH
potential impacts to:	of 4FTE officers in	Manager is linked to the various groups involved (including APHA, Scottish Government,
- Ports / Airports	Environmental Health, this will	Food Standards Scotland and Food Authorities (Local Authorities)
- Warehouse	depend on the need to engage	
distribution	in food import controls and / or	
centres	enhanced export certification	Scottish Government is aware of potential bottlenecks in the delivery of the system, with Local
- Motorway / Trunk	work to support the Scottish	Authorities potentially having to resource hubs for delivery of the system. £8M of funding has
Road network	food sector.	been identified for Scottish LAs to fund Export Health Certification (EHC) activities in a no
- Rail Network		deal scenario. LAs have been invited to bid for funds to resource Export Health Certification.
	Requirement to directly deliver	WDC have bid for funds for Environmental Health resource (submitted on the 24 th October)
	controls or the requirement to	
	assist other food authorities in	Through the funding request from CoSLA. WDC have proposed to re-establish EHO trainee
	these matters (Regional /	positions. The funding, potentially ring-fenced would support this request
	National Hubs for food export	
	certification or port health	The Scottish position of certification based on risk for Products of Animal Origin (POAO) has
	controls for food import)	been accepted and adopted as the UK position. As of 23/10/2019, DEFRA issued the
		technical guidance for the risk based approach for EU exports (exports from the UK to the
	Signposting of Scottish	EU) in the event of a no deal scenario
	Government EU Exit website	-,
	providing information on	

Broad Risk	Action	Comments – Martin Keeley – Updated - Environmental Health Manager 23 rd October
		2019
	passports / personal travel	
	https://www.gov.scot/brexit/	
		Groups are working on the basis of a Reasonable Worst Case Scenario (RWCS). In such a
		scenario, the national demand for food export Health Certification is predicted to exceed
		capacity. Food shortages are likely to impact on all businesses. Within the Council work has been undertaken to minimise any potential disruption
		Capacity for import does not exist in Scotland and is limited UK wide. Discussions at a UK
		level and Scottish level are ongoing to determine the level of need and the development of
		capacity to meet such need.
		The likelihood of WDC becoming a port authority for food is unknown. The demand for an establishment of an export hub(s) in WDC also unknown.
		Information on DPEs and BIPs related to the EU are given here along with a Brexit reference.
		https://ec.europa.eu/food/safety/official_controls/legislation/imports/animal_en
		https://ec.europa.eu/food/safety/official_controls/legislation/imports/non-animal_en
		https://ec.europa.eu/food/animals/vet-border-control/bip_en
		Network Rail have produced a Risk Management Document, along with other EU Exit
		materials; providing reassurance that measures will be taken to ensure network operation.

Disruption to Service			
Broad Risk	WD Impact	Action	Comments Jen Watt Civil Contingencies Officer - Updated 24 th October 2019
Reduction, delay or stoppage in supply of medicines and medical supplies. Reduction, delay or		Continued engagement with	Please see bespoke HSCP Action Plan. This has been deemed a risk. APHA and DEFRA look after the animal
stoppage in movement, holding of animals and supply of veterinary medicines / supplies	-Concerns with regards to livestock welfare and disposal	APHA and DEFRA	movements and it's under vet control for medicines etc. for farm animals
Reduction, delay or stoppage in supplies of other consumables	 Impacts on capital or infrastructure projects, e.g. new school at Renton Impacts on other services provided through other nations, e.g. software Impact to Chemicals (Leisure Trust) 	Services to consider supply and projects in line with significant assurance work carried out by Procurement. Supply, etc which is continually monitored. Continued engagement with Facilities Manager re school and care home provisions. Refer to Broad Risk : Certain types of fresh food may decrease /prices of certain foods many increase Check on existing and future contracts in terms of where the risk lies. (service led)	Considerable work carried out by Scotland Excel to provide assurances. The Corporate Procurement Unit (CPU) sent out a supplier / provider questionnaire however of the suppliers / providers that did respond, those responses were generic. The CPU also sent out questionnaires to the Council's service areas to ascertain contingency plans should a supplier / provider not meet the specification / delivery due to Brexit REG and Legal to check on existing and future contracts in terms of where the risk lies. Scottish Water / UK Water Suppliers have provided written assurance that their supply will be maintained

	Disruption to Service			
Broad Risk	WD Impact	Action	Comments Jen Watt Civil Contingencies Officer - Updated 24 th October 2019	
	- Polyaluminium Chloride (PAC) – supplier: Brenntag UK	WD Leisure continuing to monitor	There is currently a maintenance outage at the Runcorn plant causing a shortage of hydrochloric acid. This is one of the main components of PAC. It has been advised that Scottish Water will be prioritised if shortages become critical. However, PAC and other components that make up the product are all produced in the UK; therefore EU-Exit will not be an issue	
	-Calcium Hypochlorite (HTH) – supplier: Brenntag UK	WD Leisure continuing to monitor	HTH is imported from the USA and this could be affected by EU-Exit. WD Leisure has stocked up a 3 month supply. HTH will be transported in shipping containers with electronic paperwork send in advance to minimise delays	
	-Carbon Dioxide – supplier: Air Products UK	WD Leisure continuing to monitor	This is being reported as 'business as usual'. WD Leisure has supplies of sodium bisulphate as an alternative to CO2 for pH control	
Impact upon low impact groups as a result of lack of supply of foods or price increase of fuel, food, etc.	 Potential welfare requirements (including Welfare Fund) enhanced Potential impacts upon foodbanks etc. 	Engagement with Working 4U/Communities Teams to gauge how foodbanks may be affected / can be linked in with Consideration on messaging with regards to the type of supplies foodbanks need Consider the level of social welfare funding available	Risk of additional costs due to welfare needs of the public. WDC has also agreed to provide funding to support two local foodbank charities, though not necessarily as a result of the potential impact of EU- Exit. The food banks have built strong a relationship with the Council. As such, this will enable regular monitoring of potential impacts caused by a No Deal Exit and allow concerns to be raised using appropriate and recognised channels Campaign to encourage donations to West Dunbartonshire Community Foodbanks is ongoing. Activity on the Intranet to encourage officers to donate & highlighting thanks for those who have donated to keep the project relevant	

		Disruption to S	ervice
Broad Risk	WD Impact	Action	Comments Jen Watt Civil Contingencies Officer - Updated 24 th October 2019
		against potential need (W4U - include consideration of fuel poverty)	Foodbanks currently have sufficient stock supplies and money to purchase stock if it was to run low. They have highlighted that their social media campaigns have typically led to upsurge in donations, which continues to be the case. The group has contact with the Communities Team with regards community budgeting grants
		Continued engagement with	
		local food banks	 Working 4U liaise with local organisations (foodbanks and third sector organisations) providing access to low cost cafes and support for 'food on a budget' for people with limited resources. The aim is to work with key organisations to develop an action plan that will include action to: Raise awareness of the need for services; promote availability of food and services; maintain/increase supplies of food and donations to the organisations (from individuals, local business, public and third sector organisations; Support access to additional funds for the provision of food
Fuel Supply Disruption	 Potential requests for Council Resources Potential impact on Council records 	Roads / Transportation to consider ensuring Council reserves are at optimal levels and processes in the event of	Scottish Government planning assumptions suggests there will not be an impact on fuel levels, etc. Recent discussions with Energy Sector have provided reassurance in this area and confirmed that Scottish stocks are sufficient
	Council reserves	requests from partner agencies	There will be no provision to stock pile fuel. WDC do not have the capacity to store any more fuel. Fuel delivery tankers bring in 8-10,000 litres per delivery as required
			WDC do not envisage any issue with fuel deliveries as supplies are sourced from creditable fuel suppliers
			As highlighted in the UK planning assumptions to date the only foreseen

	Disruption to Service			
Broad Risk	WD Impact	Action	Comments Jen Watt Civil Contingencies Officer - Updated 24 th October 2019	
			potential for disruption to fuel supplies is for London and South East England. This is being associated to traffic congestion & linked customer behaviours rather than supply shortages	
Increased unemployment as a result of economic disruption	- Greater number of people in receipt of benefits with additional knock-on demand for support services. Including welfare/debt advice, employability support and discretionary welfare payments	Working 4U will work with strategic partners to ensure information about access to services is widely available Continued review of services to ensure increasing areas of demand are addressed	 Working 4U will coordinate efforts of service providers through joint working with strategic partners in: The West Dunbartonshire Information and Advice Partnership The local strategic employability group 	
Certain types of fresh food may decrease /prices of certain foods many increase	 Potential additional costs for services/that purchase/supply foods to increase by up to 20% Impacts on food provision at schools, care homes, etc. 	Short term: Consider earmarking additional resource, or consider use of prudential reserve if required Long term: Consider building in additional costs into the long term finance strategy based on evidence post- EU Exit	 WDC 19-20 budget for supply of food to Education and HSCP is set. Risk of additional costs The risk of cost increases arising from EU-Exit has been advised to Council in the budget preparation reports since October 2018. The budget report advises that any price variations will be reported and that it is expected that the Council would manage such price variations should they arise through ongoing budgetary control and, if necessary, use of free reserves Facilities Services maintain a very limited stock of tinned and dried food that is maintained year round, in case of single premise emergencies – while this is not EU Exit specific, it could be utilised in the event of a localised issue being experienced 	

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		Disruption to	Service
Broad Risk	WD Impact	Action	Comments Jen Watt Civil Contingencies Officer - Updated 24 th October 2019
			At this stage, and in line with Scottish Government and CoSLA advice, there is no intention to stock pile beyond this contingency as storage capacity as freezer space prohibits this. In addition, nursery and school meals are produced in line with national legislation which details nutrient requirements. Most meals are therefore produced using fresh fruit, vegetables and other produce which has an extremely limited shelf-life and is not suitable for stock- piling Additionally, there is a requirement by Scottish Government that in the event of a no deal EU-Exit authorities are required to continue to ensure compliance with national nutritional standards. This could require significant resource input and also sourcing of alternative products Without detailed knowledge on the nature of the final EU-Exit arrangements it is impossible to accurately identify the physical or financial impact other than to anticipate significant cost increases for food provisions and therefore increased expenditure in this area by the Council for the provision of nursery and school meals. This potential additional expenditure has been highlighted to CoSLA on our submission of their Brexit Cost template

Information & Data Sharing

Broad Risk	WDC Impact(s)	Action	Comments Victoria Rogers, Strategic Lead People and Technology /Stella Kinloch, Section Head Transactional Services - Reviewed– 25 th October 2019
Disrupt in flow of personal data due to legal requirements affecting law enforcement / intelligence sharing between UK & EU	 Delay in PVGs, significant impact on teaching & care staff SSSC registration requirements 	Seek information / assurance / guidance from Scottish Government	Scottish Government Update in relation to PVGs is as follows: "Disclosure Scotland currently uses arrangements under the Directive and Council Decision to request information from 12 Member States for nationals of those Member States to work in childcare positions in Scotland. If the UK should leave the EU without a deal then the arrangements will end In the short-term, recruiting organisations will have to make use of certificates of good conduct provided by the individual. Disclosure Scotland isn't involved in that process. PVG disclosure requests will rely on information held in UK records only, and will be handled in line with the 14-day service level target" The above remains current

	Demonstrations & Disorder			
Broad Risk	WDC Impact(s)	Action	Comments	
Increase in protests in	 Increased license 	Ensure awareness with	Police intelligence is currently that there is no activity planned	
relation to:	requests	relevant Leads / Officers for		
- EU Exit	 Lack of Police / 	this		
- Scottish	Partner resourcing			
Independence	to events			
- Irish / Northern				
Irish tension				

Workforce

Broad Risk	WDC Impact(s)	Action	Comments Victoria Rogers, Head of People and Technology/Stella Kinloch Section Head, Transactional Services – Updated- 9 th January 2020
Loss of staff – both highly skilled and lower skilled / entry level	 Impact on Care for People. Agency Staff Significant concern in Education regarding supply teachers, learning assistants, probationer allocations and officers with language skills Potential impact on school transportation Potential risk if contracts are subcontracted companies employing EU-nationals 	Signposting of key information / support in relation to EU Workers within the Council <u>https://www.gov.scot/brexit/</u> Education is revising processes with regards recruitment to reflect guidance and in relation to engagement with universities on earlier allocation of probationers Education to liaise with SPT & taxi contractors	 EU Nationals have already been identified within the organisation, letters have been issued. Managers have access to a Right to Work report within HR21. A key element will be to offer continued engagement with all affected parties REG to consult with existing contractors to seek assurance of continued project plans or the contingencies they have in place Planning for Settled Status assistance clinics are available within HR Connect to access online government systems where staff groups require further assistance, particularly those with limited PC literacy WDC HR has identified 31 employees with contractual obligation whose origin is EU or EEA The current position for employees is to apply for settled or pre-settled status by 30 June 2021. However, if the UK leaves without a deal this date is brought forward to 31 Dec 2020. All employees and line managers have been advised of the requirement and process to apply A full review of all employee roles and impact on each service area has been undertaken and there is a low risk to service delivery as there are no unique or difficult to fill positions identified, nor one single service impacted significantly
			 The ability to identify individuals and line managers is readily available to HR and full individual support can be offered in the event of deadlines changing. HR Connect Section Head continues to monitor for any change notifications. Plans to review and advise employees is set for early 2020 providing employees with a year to conclude the application process for the earlier of

Workforce				
Broad Risk	WDC Impact(s)	Action	Comments Victoria Rogers, Head of People and Technology/Stella Kinloch Section Head, Transactional Services – Updated- 9 th January 2020	
			the 2 dates, with continuous monitoring by HR through this period Education – School taxis and SPT will be addressed by procurement as all contracts are arranged via the Procurement route.	

Other Considerations					
Broad Risk	WDC Impact(s)	Action	Comments Stephen West – Updated Revenue Spend, December 2019		
EU Funds / Grants	- Ongoing projects, planned projects or staffing that are reliant on EU funding, either directly or indirectly through the Scottish Government	Scottish Government has provided written reassurance that ESF will be continued in current form until 2023	Assurance has been provided by the Scottish Government and circulated to Resilience Group. ESF, ERDF & ETC projects signed by end of 2020 are covered by a UK Guarantee - <u>https://www.gov.uk/government/news/funding-from-eu-programmes-</u> guaranteed-until-the-end-of-2020 2023 commitments remains in place and will be funded by the UK Govt. There is uncertainty whether this will cover all European spend		
Impact on the European Structural Fund	- Impact on outstanding allocations of structural funding committed by Managing Authorities under the 2014-2020 programmes	The UK Govt has stated that under a 'NO-deal Brexit', HM Treasury will honour the outstanding allocation	 Hilary Pearce Head of European Structural Funds and State Aid Division is fully engaging with other Managing Authority heads across the UK and in relevant UKG departments to ensure her and her team are kept up to date with developments Additionally – In the expectation of the UK's exit from the EU. The European Commission (EC) has issued two regulations that would allow the UK to remain part of the European Development Fund and European Social Fund Programmes. The first regulation allows the UK to stay within the existing programmes until Dec 2019; the second regulation – which is currently in draft-, would extend this offer to the end of Dec 2020. Both are dependent or 		

	Other Considerations					
Broad Risk	WDC Impact(s)	Action	Comments Stephen West – Updated Revenue Spend, December 2019			
			the UK paying its share of the EU budget during 2019 and 2020 respectively			
Other Financial Considerations	-Impact of any fluctuations in the currency rate to expenditure. -Impact on future economic growth Impact on any regeneration projects and plans	Ensure council services purchasing though currency exchange remain within budget	Revenue spend Our transactions are in UK Sterling Pounds (£) but there may be an increase in the cost due to market fluctuations. WDC are subjected annually to an approx. 3% increase for many systems. An expected increase is built into the budget each year, however due to exchange rate fluctuations there is a lack of certainty and this can lead to an overspend. This risk of exchange rate fluctuation is higher due to Brexit and would likely to be more volatile with a "no deal" Brexit. See comments above re reports to Council on the budget-setting process and approach to managing this financial risk. <u>Capital spend (ICT)</u> Again WDC transactions are in £ and there may be an increase in the cost if the market does fluctuate. For capital projects, WDC approach is to adjust the volumes to remain within budget as device prices change every 6 months on the frameworks anyway. WDC have in the past asked for capital funding approval to be accelerated from future years where we have an urgent requirement and have no budget left. Costs will be monitored and any variations reported through normal budgetary control processes, which highlight reasons for cost increases			
Expenditure	- Impact of increasing inflation – costs to the council (excluding food): e.g. Energy costs; care agency costs	Monitor increases in costs of those identified as high risk/ high volume Monitor overall position through budgetary control process SHORT TERM: consider earmarking additional resources at the year-end for	Energy bought in advance – short term risk minimal; however could have a longer term impact The risk of cost increases arising from Brexit has been advised to Council in budget preparation reports since October 2018. The final budget report advises that any price variations will be reported and that it was expected that Council would manage such price variations should they arise through ongoing budgetary control and, if necessary, use of free reserves			

	Other Considerations				
Broad Risk	WDC Impact(s)	Action	Comments Stephen West – Updated Revenue Spend, December 2019		
		the risk; or consider use of prudential reserve if required short term.			
		LONGER TERM: consider building-in additional costs into the long term finance strategy based on evidence post-Brexit			
Funding Support	- Impact to Council of chancellor revisiting the budget and affecting local government funding settlements	Monitor ongoing Brexit discussions and potential impact on the councils finances & the wider implications of the Scottish economy			
Capital Receipts	- Capital Receipts do not materialise or are lower than anticipated	Longer term vision on capital programme for both income and expenditure levels Regular Strategic Asset Management Group updates feeding through to the capital budgetary control report (to both Council and CMT) Capital Disposal Strategy with longer term vision to allow movement in the assets due sold and timing of those assets Capital programme being monitored by CMT, Council and Committees on a regular			

	Other Considerations					
Broad Risk WDC Impact(s) Action			Comments Stephen West – Updated Revenue Spend, December 2019			
		basis Early identification of possible issues to allow action to reduce spend or identify further surplus assets for possible disposal to minimise shortfall.				
Broad Risk	WD Impact(s)	Action	Comments – Michael McGuinness, Economic Development Manager -			
			Updated – 5 th September 2019			
Provision of information to Local businesses	- A review of the potential impacts suggests they have either been covered off already, or that services will not be affected. For example, more or less use of the libraries will not have any significant risk to the service.	Communications and the web team need to be ready to respond proactively to any messages that the wider Council needs to issue following Brexit	The web team have already uploaded information on the Council internet site sign posting local businesses to the guidance supplied by the Scottish Government Prepare for Brexit core messages - upda A recent document produced with a number of key public stakeholders provides useful information in regards to Business engagements from Public bodies			

Business Continuity						
Broad risk WD Impact(s) Action Comments – Jen Watt, Civil Contingencies Officer - Updated 19 th September 2019 September 2019						
Assess impact of no deal EU- Exit on Business Continuity	Potential disruption to services - Food	WDC have recently undertaken a full review of all Business Continuity	Business Continuity planning remains an operational focus. Any changes pre/post EU-Exit will be reflected into the respective Business Continuity Plan			
Plans	- Medicines - Staff	Arrangements	The Multi-Agency Coordination Centre (MACC) will now only activated if there is any indication of unrest			

	Business Continuity					
Broad risk	WD Impact(s)	Action	Comments – Jen Watt, Civil Contingencies Officer - Updated 19 th September 2019			
		Reporting into the Multi				
	Agency Coordination Centre (MACC) (when active) Reporting to CoSLA and		CoSLA and Scottish Government continues to request information from WD with regards to funding concerns and preparedness. This information helps adequately inform CoSLA and Scottish Government of Council preparations ahead of a potential no deal EU-Exit			
		Scottish Government Dialling into teleconferences	In addition to the above, he Civil Contingencies Officer/EU Exit Tactical Leads are dialling in every two weeks to CoSLA teleconferences to discuss any arising issues and requests from Scottish Government and CoSLA			

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead – Resources

Audit Committee: 18 March 2020

Subject: Internal Audit Plan 2019/20 – Progress to 19 February 2020

1. Purpose

1.1 The purpose of this report is to advise Members of progress at 19 February 2020 against the Audit Plan 2019/20.

2. Recommendations

2.1 It is recommended that Members note the contents of this report.

3. Background

3.1 The annual audit plan for 2019/20 was approved by the Audit Committee on 20 March 2019. This report provides information on the progress in implementing the plan to date.

4. Main Issues

<u>Audit Plan</u>

- **4.1**. The annual audit plan sets out the audit coverage for the year utilising available staff resources to enable the Audit Manager to provide the annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.
- **4.2** Since the last Audit Committee meeting in November 2019, two audits have been finalised as follows:
 - Members Services (December 2019)
 - CM2000 (February 2020)

These reports identified a total of 4 issues categorised as below:

High	Medium	Low	
0	4	0	

Members Expenses

An audit was conducted on Members' Expenses as part of Internal Audit's 2019/20 Internal Audit Plan.

The review covering the following areas:

- Compliance with Policy & Procedures relating to Members' Expenses.
- Examination of Reimbursement Claims and Payments for Travel Expenses; and
- Examination of Procedures for Use of the Council Car.

Overall the systems in place are generally satisfactory however one Medium issue was identified as follows:

• Currently there is no specific guidance in place for Elected Members relating to Travel and Subsistence. The lack of clear guidance has led to inconsistencies in claims submitted.

An action plan is in place to address the issues identified and a clear set of Rules and Guidance will be drafted by 1 April 2020 for Council approval thereafter.

CM2000 Functionality

An audit was carried out on CM2000 Functionality as part of Internal Audit's 2019/20 Annual Audit Plan.

The CM2000 system is used within Homecare to schedule resources to meet service demands.

The review covered:

- Available functionality compared to actual usage;
- Compliance Levels with agreed clocking in and out performance measures;
- Management Information available from the CM2000 system for the efficient running of the Home Care service; and
- Development Plan for the additional CM2000 functionality.

Overall, the systems examined are generally working effectively and the review highlighted the following areas of good practice:

- CM2000 system takes into consideration a number of factors in order to prepare scheduling which ensures a very efficient service delivery for the Homecare Team;
- The system allocates any unscheduled absences e.g. sick leave by best matching various factors to the carers so that overtime costs are kept to a minimum; and

• A new App is being piloted in the Vale of Leven area which, once rolled out, should help with clocking in and clocking out by Homecare staff. This will enhance the Team's ability to meet the overall compliance level target of 90% set by management.

However, the review also highlighted 3 Medium rated findings as follows:

- Currently, compliance with target levels of clocking in and out are not being achieved. Audit testing identified missed clock in or out recordings on CM2000 for a number of Homecare staff. Management have implemented checks on levels of compliance by the Admin team however due to capacity issues during 2019, these checks were not being performed.
- From a review of a sample of timesheets processed in September 2019, we identified 12 instances where staff were paid for overtime but the corresponding clock bookings had not been registered in the CM2000 system. The total overtime hours claimed were 194.25 totalling £2,423.50.
- Additional functionality is available on CM2000 in relation to mileage and financial modules. Management have advised that the Mileage module is to be piloted in Dumbarton in March 2020 but no dates have yet been set for rollout to other areas. In relation to the Financial module, management have a plan to introduce this functionality in the future but this has not yet been fully costed.

We have made a number of recommendations and an action plan is in place to address all issues by 30 November 2020.

Stage	Number of Audits		
Final Report	5		
Draft Report	3		
Fieldwork Complete	2		
Fieldwork	4		
Planning	1		
Not Started	0		
Deferred to 2020/21	1		
Total	16		

4.2 The current status of the 2019/20 Annual Audit Plan is as follows:

4.3 The detailed Annual Audit Plan progress to 19 February 2020 is set out at Appendix 1.

In relation to the audit of Pupil Equity Funding, this audit has not yet started and will now be carried forward to the 2020/21 Annual Audit Plan due to an unforeseen vacancy arising in the audit team. However, it is anticipated that the fieldwork for the remainder of the plan will be complete by 31 March 2020. **4.4** In relation to audit action plans, these are now being monitored for completion by Internal Audit and good progress continues to be made by management in implementing agreed actions.

However, in relation to the Procurement Follow Up audit carried out in June 2019, 7 further recommendations were agreed by management for implementation by 30 November 2019. Internal Audit has now carried out a follow up exercise in relation to the 7 actions, 4 of which have been confirmed as complete through audit testing and partially complete for 3 actions. New completion deadlines have been set for these 3 actions and Internal Audit will follow up these actions at the agreed action date. The status of the 3 actions is set out in the undernoted table:

Recommendation/Agreed	Internal Audit Opinion		
Action			
1. Roads - Formalising	A reconciliation is now being performed by the		
Reconciliation of Capital Works	roads service. However, Internal Audit would		
The existing process for reconciling	recommend the frequency of the reconciliation		
the records maintained for capital	increases to monthly.		
works to the ledger should be			
formalised and carried out on a	Currently the reconciliation is handwritten.		
regular basis.	Internal Audit recommends that it is carried out in excel.		
(Medium Risk)			
(Internal Audit has offered support to the team in		
Format will be developed with	order to develop a robust reconciliation process.		
colleagues in Resources section to			
improve processes.	Revised deadline: 31 March 2020		
2. Roads & Greenspace - Revenue	Roads – There is not a complete list of revenue		
Works Records	works maintained by the team and there are		
A more comprehensive approach to	limitations to the reports that can be run from		
recording of revenue works should	Profess. Rather the team needs to run a report		
be introduced, including	for each contractor including Road Ops in order		
reconciliations.	to get the information required.		
(Medium Risk)	The reconciliation will only be performed at year		
	end. However, if reconciliations are only		
Roads - Format to be developed	performed annually any errors found will not be		
with colleagues in Resources	corrected in a timely basis. We would		
section to ensure full compliance.	recommend that the reconciliation for the		
Greenspace – will replicate capital	external contractors should be performed at		
approach for revenue projects.	least monthly. Internal Audit has offered support		
	to the team to develop a reconciliation process.		
	Greenspace – A list of all revenue works within		
	Greenspace has been developed in line with the		
	list of capital works. The reconciliation process		
	mainly looks at individual jobs to ensure the		
	ledger matches the invoices and should be		
	developed further to include all the cost centres		
	within Greenspace to pick up any miscoding		
	errors and should include a sign off by		
	management.		
	Revised completion date: 31 March 2020.		

4. Roads - Evidenced Monitoring of	A new monitoring form was introduced in
Works	September 2019 which is to be used for all site
Introduce a proforma document for	visits and includes detail on the work performed
both capital and revenue works in	and the status of the contract including the value
order to formally evidence the	of works undertaken.
completion of works and also the	
decision to release retentions.	Roads are still also relying on external firms to
	carry out some of the monitoring/ surveying for
(Medium Risk)	them, although the use of such contactors is
<u></u>	reducing. The team have recruited new
Proforma will be held within each	employees to carry out this role as at November
project file and completed following	2019.
inspection at completion of works.	2010.
At present payment not made until	Internal Audit testing was not able to confirm the
works inspected.	use of the monitoring form due to the timing of
works inspected.	the form being introduced.
	Revised completion date: 31 March 2020.
	Revised completion date. ST March 2020.

- **4.5** The Council's Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective April 2013 (updated April 2017) which includes:
 - Definition of Internal Auditing;
 - Code of Ethics;
 - Attribute Standards (responsibility, independence, proficiency, quality);
 - Professional Standards (managing activity, nature of work, engagement planning, performing the engagement, communicating results, monitoring progress, risk management).
- **4.6** An annual internal self-assessment against the PSIAS of the Internal Audit function has recently been completed, which shows a current compliance level for WDC Internal Audit of 89.74%. It is anticipated that the next external PSIAS review, required every five years, will take place during 2020/21.

Ongoing Corporate Fraud Team Work

4.7 From 1 April 2019 to 31 January 2020, the Corporate Fraud team's day to day work has resulted in actual recoveries, charges and re-billings as detailed below, against an annual target of £225,000.

Description	Amount (£)
Council Tax Reduction	39,576
Council Tax Single Person's Discount	29,696
Scottish Welfare Fund Grant	24,224
National Fraud Initiative	36,572
J/W Housing Benefit / Council Tax Benefit	53,944
Non DWP HB	148,200
Non DWP CTB	4,261
Administrative Penalties	4,273
Landlord Fraud	3,267
Total	£344,013

4.9 The Internal Audit Team and the Corporate Fraud Team continue to work together as appropriate in order to ensure a joined-up approach to fraud investigation and detection.

National Fraud Initiative

- **4.10** The National Fraud Initiative (NFI) is a series of bi-annual exercises run by the Cabinet Office and Audit Scotland to identify or prevent fraud and error by matching electronic data held by public bodies. Participating bodies are required to investigate data discrepancies within a timescale and report back on any savings.
- **4.11** The most recent bi-annual exercise was released in January 2019, providing matched datasets for organisations to investigate. WDC was provided with a total of 5,955 matches datasets of which 1,242 were described as "high risk" matches and 4,713 additional matches. There is an expectation that organisations will examine all "High Risk" matches and a proportion of the other matches too.
- **4.12** To date a total of 4,451 cases have been processed, for which fraud (16 cases) and error (146 cases) amounting to £48,965 has been identified.

Benchmarking

- **4.13** In accordance with the Council's Strategic Improvement Framework, services should undertake benchmarking activity with the equivalent function in other Councils. Therefore, WDC Internal Audit has entered into a benchmarking group which involves five other Councils, these being:
 - Argyll and Bute
 - Clackmannanshire
 - East Dunbartonshire
 - Falkirk
 - West Lothian
- **4.14** The Chief Auditors of these five Councils have met on a regular basis during 2019 in order to discuss their respective ways of working, consider topical issues with the objective being to identify and share best practice. In addition, a set of performance indicators has been developed. Regular meetings will continue to take place during 2020 to review performance against agreed performance indicators and relevant action will then be taken where improvements are identified.

Structural Changes

4.15 The share management approach to Internal Audit with Inverclyde Council took effect from 1 January 2020 and the Shared Service Manager – Audit & Fraud is now in post.

5. **People Implications**

5.1 There are no people implications.

6. Financial and Procurement Implications

- **6.1** As a result of Corporate Fraud Team activity, actual recoveries, charges and rebillings of £344,013 from 1 April 2019 to 31 January 2020 have been identified, against an annual target of £225,000.
- 6.2 There are no procurement implications arising from this report.

7. Risk Analysis

7.1 There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide assurances over the Council's system of internal financial control to those charged with governance. The main basis for providing assurance is coverage of the planned risk based systems audits. Every endeavour is made to ensure that no material slippage occurs in risk based systems audits by concentrating resources on these audits.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

Stephen West Strategic Lead - Resources Date: 19 February 2020

Person to Contact:	Andi Priestman, Shared Service Manager – Audit & Fraud E-mail: <u>andi.priestman@west-dunbarton.gov.uk</u>
Appendices	2019-20 Annual Audit Plan – Progress to 19 February 2020 (Appendix 1)
Background Papers:	Audit Committee – 20 March 2019: Internal Audit Plan 2019/20 Audit Committee – 21 March 2018: Counter Fraud and Corruption Strategy Audit Reports: Members Expenses, CM2000 Functionality (Copies available on request)
Wards Affected:	All wards

Audit/Status	Not Started	Planning/TOR	Fieldwork	Fieldwork Complete	Draft Report	Final Report	Reported to Audit Committee
Cash and Banking	\checkmark	✓	\checkmark	√	\checkmark		June 2020
Taxi Licensing	\checkmark	✓	\checkmark	\checkmark			June 2020
Housing Rents – Calculation and Collection	\checkmark	✓	√				June 2020
Pupil Equity Fund	\checkmark	Carried forward	to 2020-21 An	nual Audit Plan		•	
Third Party Providers	\checkmark	✓	\checkmark				June 2020
Procurement Follow Up	\checkmark	✓	\checkmark	\checkmark	\checkmark	✓	September 2019
CM2000 Functionality	\checkmark	✓	\checkmark	\checkmark	\checkmark	✓	March 2020
Members Expenses	\checkmark	✓	\checkmark	\checkmark	\checkmark	~	March 2020
Debt Recovery	\checkmark	✓	\checkmark	\checkmark	\checkmark	✓	November 2019
Housing Voids	\checkmark	✓	\checkmark				June 2020
Social Care – Attendance Management	\checkmark	✓	\checkmark	✓	\checkmark		June 2020
Social Care – Case Management	\checkmark	✓	\checkmark	~	\checkmark		June 2020
Cyber Security	\checkmark	✓	\checkmark				June 2020
Logical Access Controls	\checkmark	✓					June 2020
Valuation Joint Board – Review of Risk Management Arrangements	√	×	~	~			June 2020

Leisure Trust – Review of Risk Management Arrangements	✓	\checkmark	~	~	~	~	Report to LT Audit Committee February 2020			
National Park Authority Annual Audit Plan	5 out of 5 aud	5 out of 5 audits are now complete.								
WD IJB	Audit plan is	now complete.								
National Fraud Initiative	have also be		To date 84.4%	o of all matches			er of other matches gated resulting in 16			

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit Committee: 18 March 2020

Subject: Internal Audit Plan 2020/21

1. Purpose

1.1 The purpose of this report is to advise members of the planned programme of work for the Internal Audit Section for the year 2020/21.

2. Recommendations

2.1 It is recommended that the Committee approve the Audit Plan for 2020/21.

3. Background

3.1 The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepared a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

4. Main Issues

- **4.1** The audit universe contains all areas that have been identified for review and an assessment has been undertaken of the risk relating to each area based on a number of criteria. Account has also been taken of the risks identified in the Council's risk registers ad risk identified by external scrutiny bodies through the Local Scrutiny Plan.
- **4.2** It is intended that audit work will be focused on areas of greatest risk taking into account management's own view of risk and meetings have been held with Strategic Directors and Strategic Leads as appropriate. Each area has been assessed against a broad range of risk criteria and a risk score has been generated based on probability factors such as current control environment, results of last audit and time since last audit.
- **4.3** The Audit Plan also includes the activity of the Corporate Fraud team and includes an allocation of days to provide the Internal Audit Service to the WD Integration Joint Board, the WD Leisure Trust and the Valuation Joint Board.
- **4.4** Internal Audit monitors delivery of the plan continuously during the year using a number of performance indicators. Progress is reported to members twice a year.

- **4.5** Outlined below are the current risk factors influencing our proposed audit coverage for 2021-21:
 - Learning Disabilities Services provide a range of support services to adults with learning disabilities. A number of contracts are in place to implement these services and Internal Audit will review the adequacy and effectiveness of the financial monitoring of these contracts.
 - The new integrated housing management system has a number of modules including inventory management. Internal Audit will review the procedures which are in place to ensure that inventory management is adequate and effective.
 - As part of the annual audit planning process, corporate procurement is a key risk area that is reviewed each year. For 2020-21 Internal Audit will carry out an audit of procurement spend up to £50k across the Council to ensure compliance with relevant regulations, policies and procedures.
 - Social Work provide a range of services to adults living in care homes who require assistance with shopping, budgeting and benefits. Internal Audit will review the adequacy and effectiveness of client account administration arrangements.
 - Clients who require Council funding of their costs within care homes are required to complete financial assessments. It is therefore important to gather accurate and up to date information when calculating the contributions due from clients and the Council. Internal Audit will review the adequacy and effectiveness of the financial assessment process.
 - Core functions of the Homelessness Service include homelessness prevention, client assessment and managing accommodation options. The audit will review the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks in relation to this service.
 - Occupational Therapy is an important service provided by the HSCP and targets have been set in relation to waiting times for referrals. Internal Audit will review the adequacy and effectiveness of arrangements in place to ensure targets are achieved.
 - Rent from council houses provides a significant income stream for the Council. There are a number of factors which can lead to rent arrears including tenants' income levels, how quickly arrears action is taken and the level of advice offered to tenants and it is therefore important that an effective process is in place in relation to the management of rent arrears. A number of policies and procedures have been implemented to more effectively manage rent arrears and Internal Audit will review the adequacy and effectiveness of these procedures.
 - The roads costing system allows officers to monitor the costs incurred in relation to the management and maintenance of the roads network. Internal Audit will review the processes which are in place to analyse and report on costs to ensure that processes are adequacy and effective.
 - A number of key projects are underway within the Council. Internal Audit will carry out a review of the project management arrangements that are in place to ensure these are adequate and effective.

- Overtime is used as a means to manage fluctuations in workloads and staff resources to ensure seamless delivery of services. Internal Audit will review the adequacy and effectiveness of control procedures in place to manage overtime.
- Employees can incur expenditure whilst on official duties away from their normal workplace. The Council has a travel and subsistence policy which sets out the framework in relation to allowable expenditure. Internal Audit will review the adequacy and effectiveness of processes surrounding the management and administration of expense claims incurred by employees.
- **4.6** The draft Audit Strategy and Plan for 2020-21 is included at Appendix 1. There are sufficient resources to deliver the planned programme of audit assignments detailed and there are no significant threats to the independence of the internal audit activity, such as inappropriate scope or resource limitations. The Plan contains contingency provision that will be utilised during the year in response to unforeseen work demands that may arise e.g. special investigations and provision of ad hoc advice.
- **4.7** The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

5. Personnel Implications

5.1 There are no personnel issues with this report.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications arising directly from this report.

7. Risk Analysis

7.1 The Plan has been constructed taking cognisance of the risks associated with major systems. Consultation with Senior Managers was carried out to ensure that risks associated with delivering the Council's objectives have been considered.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

Stephen West Strategic Lead - Resources Date: 18 March 2020

Person to contact	Andi Priestman, Shared Service Manager – Audit & Fraud Telephone: 01389-737436 Email: <u>andi.priestman@west-dunbarton.gov.uk</u>
Appendix 1:	Draft Internal Audit Strategy and Plan 2020/21
Background Papers:	None
Wards Affected:	All wards

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) set out the requirement for the Shared Service Manager Audit & Fraud to prepare a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.2 The Shared Service Manager Audit & Fraud must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations and priorities.
- 1.3 The audit plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.
- 1.4 The strategy shall be reviewed on an annual basis as part of the audit planning process.

2. Internal Audit Objectives

2.1 The definition of internal auditing is contained within the PSIAS as follows:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 The primary aim of the internal audit service is to provide assurance services which requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 2.3 The internal audit service also provides advisory services, generally at the request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 2.4 The internal audit service supports the Chief Financial Officer in his role as Section 95 Officer.

3. Risk Assessment and Audit Planning

- 3.1 The internal audit approach to annual audit planning is risk-based and all areas which may be subject to audit review are contained within an Audit Universe which is subject to formal review, at least annually.
- 3.2 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

3.3 The Audit Universe is risk assessed each year to determine the Annual Audit Plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Each area within the Audit Universe is assessed for impact against a number of broad risk categories as follows:

•	Strategy	Risks associated with the setting and achievement of strategic objectives.
•	Economy	Risks associated with the economy in which West Dunbartonshire Council operates.
•	Reputation	Risks associated with threats to West Dunbartonshire Council's name and standing in the sector.
•	Customer	Risks associated with customer relationships.
•	Legal/Regulatory	Risks associated with the requirement to comply with a wide range of statute.
•	Financial	Risks associated with financial loss or inefficiency.
•	Technology	Risks associated with application systems, their integrity, security and development.
•	Management Information	Risks associated with the provision of information for decision-making purposes.
•	Human Resources	Risks associated with people, eg recruitment, succession, development, motivation and morale etc.
•	Operations	Risks associated with the business operating process.
•	Business Continuity/Resilience	Risks associated with disaster scenarios which would threaten the continuing operation of West Dunbartonshire Council.
•	Security	Risks associated with security over customer and West Dunbartonshire Council's assets.
•	Stakeholder	Risks associated with management of stakeholder expectations (eg Government or local communities)
•	Fraud	Risks associated with asset misappropriation, corruption and financial statement fraud.

- 3.4 Account has also been taken of the risks identified in the Council's Risk Registers and risks identified by external scrutiny bodies through the Local Scrutiny Plan.
- 3.5 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

4 Service Delivery

- 4.1 The provision of the internal audit service is through a directly employed in-house team. The Shared Service Manager – Audit & Fraud is provided through a shared service arrangement with Inverclyde Council.
- 4.2 In relation to the total staff days allocated to the 2020-2021 plan, each member of staff completes a resource allocation spreadsheet for the year which is split between annual leave, public holidays, training days, general administration and operational plan days. This spreadsheet is reviewed and updated each period by each member of staff against time charged to timesheets.

The combined operational plan is 1,240 days which will be resourced as follows:

Team Member

Auditor (1 FTE) – 190 days Auditor (0.6 FTE) – 85 days* Auditor (0.5 FTE) – 95 days Auditor (0.4 FTE) – 76 days Audit Assistant – 160 days Section Lead – Corporate Fraud – 150 days Corporate Fraud Officer – 190 days Corporate Fraud Officer – 142 days Intelligence Officer – 152 days

* The post will become vacant from 1 April 2020. It is anticipated that this post will be filled by July 2020 and the resource allocation has been adjusted accordingly.

The Shared Service Manager – Audit & Fraud does not directly carry out the assignments included in the annual audit plan but provides the quality review and delivery oversight of the overall plan. As such, no direct time is included within the plan. Where there are any resource issues which may impact on delivery of the plan, this will be reported to Audit Committee at the earliest opportunity.

- 4.3 Given the range and complexity of areas to be reviewed it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The PSIAS requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Internal Auditor), CCAB or equivalent and be suitably experienced. The internal auditor posts must also be CMIIA/CCAB or equivalent with previous audit experience.
- 4.4 Internal audit staff members identify training needs as part of an appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development. All training undertaken is recorded in a personal training record for CPD purposes.
- 4.5 Internal audit staff members require to conform to the Code of Ethics of the professional body of which they are members and to the Code of Ethics included within the PSIAS. An annual declaration is undertaken by staff in relation to specific aspects of the Code.

- 4.6 Following each review, audit reports are issued in draft format to agree the accuracy of findings and agree risk mitigations. Copies of final audit reports are issued to the Strategic Director, Strategic Lead and Service Manager responsible for implementing the agreed action plan. A copy of each final audit report is also provided to External Audit.
- 4.7 The overall opinion of each audit report feeds into the Internal Audit Annual Report and Assurance Statement which is presented to the Audit Committee and is used by the Chief Financial Officer in the preparation of the Annual Governance Statement.

5 Proposed Audit Coverage 2020-2021

- 5.1 The proposed audit coverage is set out in the table below. This includes a range of risk based reviews, limited scope financial reviews and regularity audits.
- 5.2 The Plan contains a contingency provision that will be utilised during the year in response to unforeseen work demands that arise eg special investigations and provision of ad hoc advice.

Audit Area	Service	Risk Score	Staff Days
Risk-Based Audit Reviews		•	
LD Services – Financial Monitoring of Contracts	HSCP	8240	30
IHMS – Inventory Management	Corporate	8240	30
Homelessness	Housing	8024	30
Management of Rent Arrears	Housing	7788	30
OT Waiting Times	HSCP	7788	20
Client Accounts Administration Process	HSCP	7552	30
Financial Assessment Process	HSCP	7552	30
Corporate Procurement – up to £50k spend	Corporate	6844	30
Overtime	Corporate	6844	40
Roads Costing System Process	Roads and Transportation	5900	30
Pupil Equity Funding	Education	5000	25
Project Management Arrangements	Regeneration, Environment and Growth	4956	30
Employee Expenses	Corporate	3717	30
Total			405
Limited Scope Financial System Reviews			•
Council Tax – Discounts and Exemptions	Finance	7316	25
Total			25
Corporate Governance Reviews			
Annual Governance Statement (2019/2020)	Corporate	-	15
Total			15
Other Work			
Audit follow up	Corporate	-	30
National Fraud Initiative	Corporate	-	100
Fraud Referrals including Joint Working	Corporate	-	445
SPOC Liaison with DWP	-	-	10
Fraud Awareness Training	Corporate	-	15
IJB – Internal Audit Service	-	-	40
VJB – Internal Audit Service	-	-	20
Leisure Trust – Internal Audit Service	-	-	30
Contingency	-	-	75
C/f from 2019-2020 Audit Plan	-	-	30
Total			795
Total Staff Days			1240

6 Quality and Performance

- 6.1 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
- 6.2 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on quality, efficiency and effectiveness. For 2020-2021 these have been set as follows:

Measure	Description	Target
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%
4. Audit Budget	Percentage of audits completed within budgeted days.	80%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%
8. NFI recommended matches	Percentage of National Fraud Initiative recommended matches investigated within timescales.	100%
9. NFI other matches	Percentage of National Fraud Initiative other matches investigated within timescales.	90%
10. DWP liaison	Percentage of cases referred to/ actioned for DWP within DWP timescales.	100%
11. Staff compliance with CPD	Number of training hours undertaken to support CPD	100
12. Management engagement	Number of meetings with CMT and senior management as appropriate	1 per quarter

6.3 Actual performance against targets will be included in the Internal Audit Annual Assurance Report for 2020-2021.

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit Committee: 18 March 2020

Subject: Audit Action Plans

1. Purpose

- **1.1** The purpose of this report is to advise the Committee of:
 - Recently issued Internal Audit action plans; and
 - Progress made against action plans previously issued contained within Internal Audit and External Audit reports.

2. Recommendations

2.1 It is recommended that Members consider and note the contents of this report.

3. Background

3.1 When audit reports are issued by External and Internal Audit departmental management agree an action plan in relation to issues highlighted by the audit report. Progress on implementing the actions is monitored and reported to the Audit Committee.

4. Main Issues

Action Plans

- **4.1** The current status of action plans is attached at Appendix 1 and include:
 - Recently Issued Internal Audit Action Plans;
 - Incomplete Internal Audit Action Plans;
 - Other Internal Audit Action Plans; and
 - Incomplete External Audit Action Plans.

5. **People Implications**

5.1 There are no personnel issues with this report.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications arising directly from this report.

7. Risk Analysis

7.1 There is a risk that failure to implement actions within the agreed timescale may result in weaknesses in internal control arrangements remaining unresolved longer than is desirable.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads. In addition, services have been consulted in the update of action plans.

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

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Stephen West Strategic Lead - Resources Date: 20 February 2020

Person to Contact:	Andi Priestman, Shared Service Manager – Audit & Fraud Telephone 01389 737436 E-mail – <u>andi.priestman@west-dunbarton.gov.uk</u>
Appendices:	1 - Status of Audit action plans
Background Papers:	Internal Audit Reports External Audit Reports
Wards Affected:	All Wards

Internal Audit Report 2019-20 - Recently Issued

Generated on: 20 February 2020

Th	1. Recently Issued Internal Audit Action Plans
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P 1.	I. Procurement Follow Up (Report Issued June 2019) Updated actions											
Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By				
IAAP/031	1. Roads - Formalising <u>Reconciliation of Capital Works</u> The existing process for reconciling the records maintained for capital works to the ledger should be formalised and carried out on a regular basis. (Medium Risk)	Format will be developed with colleagues in Resources section to improve processes.		31-Mar- 2020	31-Mar- 2020		Gail Macfarlane	Gail Macfarlane				
IAAP/032	2. Roads & Greenspace - Revenue Works Records A more comprehensive approach to recording of revenue works should be introduced, including reconciliations. (Medium Risk)	Roads - Format to be developed with colleagues in Resources section to ensure full compliance. Greenspace – will replicate capital approach for revenue projects.		31-Mar- 2020	31-Mar- 2020		Ian Bain; Gail Macfarlane	Ian Bain; Gail Macfarlane				
IAAP/033	4. Roads - Evidenced Monitoring of Works Introduce a proforma document for both capital and revenue works in order to formally evidence the completion of works and also the	Proforma will be held within each project file and completed following inspection at completion of works. At present payment not made until works inspected.		31-Mar- 2020	31-Mar- 2020		Gail Macfarlane	Gail Macfarlane				



Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
	decision to release retentions.							
	(Medium Risk)							

2.	2. CM2000 Functionality (Report Issued February 2020)										
Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By			
IAAP/026	Compliance with Clocking in and out in the CM2000 system It is recommended that Management formalise checks/follow up for the clocking in and out on a regular basis. Results should be cascaded to Team Leaders/Supervisors to discuss missed clocking in and out with relevant staff to help achieve the target with the compliance level. (Medium Risk)	We have committed that back office staff will undertake live monitoring. We have written a "Reconciliation Standards" document for the admin team. It explains how they are to handle each Reconciliation scenario, We will work with HR to undertake formal action under the performance management policy for those staff who failed to log in and out of visits.		30-Apr- 2020	30-Apr- 2020		Richard Heard	Lynne McKnight			
IAAP/027	Compliance with Clocking in and out in the CM2000 system b) It is recommended that Management roll out this new App as soon as the pilot is completed in order to assist with increasing the compliance level. (Medium Risk)	New app will be rolled out in next three months as tags for all clients will need to be re-programmed and training provided for front line Home Carers.		30-Apr- 2020	30-Apr- 2020		Richard Heard	Lynne McKnight			
IAAP/028	Overtime Payment It is recommended that: • all timesheets are checked and agreed to CM2000 system before being authorised for payment; • where there are instances of non-	We are working with CM2000 to develop a payroll report which will pay staff directly from the system, This report will be implemented by September 2020 In the meantime Admin will do cross checks against clocking in		30-Nov- 2020	30-Nov- 2020		Richard Heard	Lynne McKnight			

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
	compliant clock in overtime, appropriate additional authorisation should be obtained. (Medium Risk)	and out. A communication will be issued to all home care staff re compliance and claims for overtime.						
IAAP/029	Implementation of additional CM2000 Functionality a) It is recommended that Management pilot and fully implement the Mileage functionality across the Homecare team within the planned time frame. (Medium Risk)	Mileage Wizard will be rolled out in next six months. This will depend on high compliance.		30-Jun- 2020	30-Jun- 2020		Richard Heard	Lynne McKnight
IAAP/030	Implementation of additional CM2000 Functionality b) It is recommended that Management develop a plan in collaboration with WDC ICT and Payroll to implement the Financial module. (Medium Risk)	We are working will CM2000 to develop a payroll report which will pay staff directly from the system. This report will be implemented for testing by September 2020		30-Nov- 2020	30-Nov- 2020		Richard Heard	Lynne McKnight

Bembers Expenses

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
IAAP/019	Lensure consistency of approach for	Produce a clear set of Rules and Guidance for Council approval.		01-Apr- 2020	01-Apr- 2020		George Hawthorn	Peter Hessett

Internal Audit Report 2019-20 - Outstanding Actions

Generated on: 20 February 2020

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2. Incomplete Internal Audit Action Plans

128. Payroll - Overtime (Report Issued May 2018)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
T&PSR/IA AP/608	 <u>Overtime - Building</u> <u>Services/Repairs & Maintenance</u> In relation to Building Services / Repairs & Maintenance, in order to continue to manage the level of overtime, it is recommended that consideration be given to: Adopting a more flexible approach to working; and Employing more personnel, paid at plain time, to cover the anticipated demand for services rather than paying some existing staff at enhanced rates. (Medium Risk) 	Negotiations with TU's to introduce more flexibility into working patterns within service provision commenced in 2017 and it is hoped a positive outcome will be achieved in 2018/2019. This may introduce seasonal working, extended hours Mondays to Thursdays and Saturday mornings would be considered part of the standard week with all paid as standard time. If agreed it could mean a reduction in overtime costs for emergency repairs and overtime to complete projects and void house repairs. It would also allow better utilisation of resources for external project works with extended hours in Spring / Summer / Autumn and			27-Mar- 2020	The external review of Building Services has impacted on this action. This will mean the implementation of flexible working across the service will now be tied into the action plan developed following the review. 6 of the 7 milestones are complete and the action will be completed on Pentana by target date. Flexible working arrangements are being piloted in the service, but a cross service agreement with TU's and the workforce will be included within the improvement action plan. This will be monitored via actions within Pentana to ensure improvement across a wide range of operational areas including reducing overtime costs. Overtime costs for 2019/2020 are on track	Martin Feeney	Jim McAloon

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
		reduced hours in the Winter months (seasonal working). In addition, we will analyse if there are any benefits in employing additional staff to reduce expenditure on overtime as part of our regular workforce planning meetings where Building Services review resource requirements.				to be reduced by £0.2m in comparison with 2018/2019.		

145. Building Standards (Report Issued March 2019)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
T&PSR/IA AP/694	one place and thought should be given to moving older parts of the	The remaining paper based files between 2010 - 2016 will be electronically back scanned and imported into the electronic document management system.		30-Sep- 2019	2020	24/06/19 - Project delayed due to resources required on other work priorities/commitments	Irene McKechnie	Pamela Clifford

8	149. Investigations: Education (Reports Issued April 2019)											
Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By				
T&PSR/I/ AP/716	2. School Fund Record Keeping It is recommended that the Education service carry out a full review of School Fund record	We will source best practice from the West Partnership and work with our Learning Community Business Managers to agree a common		31-Mar- 2020	31-Mar- 2020	Draft policy under review.	Andrew Brown	Laura Mason				

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
	keeping at schools and provide guidance/training where poor record keeping is identified. (Low Risk)	format. All Head Teachers will be trained in use of the procedures.						
AP/717	School Fund annual returns from all	Scrutiny processes will be reviewed. This will form part of School Improvement work and be discussed with Business Partner Finance to ascertain support required.		31-Mar- 2020	31-Mar- 2020	Roll out to Clydebank schools has commenced.	Andrew Brown	Laura Mason

B 151. Performance Indicator Review – Library Visits (Report Issued May 2019)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
T&PSR/IA AP/719	1. Information obtained from the electronic counters is not user friendly and is time consuming to analyseManagement should consider how the data provided by the electronic counters can be improved either by upgrading or replacing the current system to ensure useful management information is available. (Low risk)	We will look at alternative solutions and make an assessment on suitability in the 2019/20 financial year.		31-Mar- 2020	31-Mar- 2020	A Business Case is currently in progress looking at options for replacing the footfall counters across the library service network. A revised anticipated completion date for this is March 2020.	David Main	Stephen Daly

I54. Charging Policy - Non Residential Services (Report Issued May 2019)										
Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By		
T&PSR/IA AP/732	1. Financial Assessments Not Located/Provided Service areas should ensure that it is built into their processes that Financial Assessment reviews are undertaken on an annual basis as this does not appear to happening as standard. In addition, record keeping needs to be improved. (High Risk)	The Head of Service will issue an instruction to Integrated operational Managers on the requirement to undertake a Financial Assessment as part of the initial assessment of care and also that this should be reviewed annually. Evidence should also be retained to verify that this has been done. The HSCP SMT has agreed that an Extended Management Team session will be held around the operational responsibilities of social care staff.		30-Jun- 2019	01-Apr- 2020	The requirement to carry out financial assessments has been communicated to Integrated Operation Managers through the Extended Management Team Forum, Heads of Service Management Team meetings and Self Directed Support Governance Board. The request to commission a care package for any client group will only be considered by the Area Resource Groups when accompanied by a Financial Assessment with evidence of Income Maximisation being offered to the individual. This process is clearly set out in the Draft Charging Policy currently being finalised with a focus on Equalities Impact Assessment. It is requested that the completion date is extended to 1 April 2020 to allow for the Draft Charging Policy to be consulted upon and the Self Directed Support actions to be completed. Internal Audit will review the Financial Assessment process in 2020/21 as part of their planned programme of audits.	Fraser Downie; Jo Gibson; Jonathan Hinds	Beth Culshaw		
T&PSR/IA AP/734	3. Evidence of Benefits When carrying out Financial Assessments, verification of the clients Benefits/Income/Capital should be carried out, this verification should be retained as evidence to the assessment. Alternatively, consideration should be given to accessing/sharing information from the IWorld	The revised Charging Policy will stress that evidence must be provided and retained to allow for a robust financial assessment to be undertaken. If service user refuses then the full charge will be applied. This will be detailed within the financial assessment. IWorld access to be given to members of staff currently carrying		30-Aug- 2019	01-Apr- 2020	Linked to AP732 above: It is requested that the completion date is extended to 1 April 2020 to allow for the Draft Charging Policy to be consulted upon and the Self Directed Support actions to be completed. Internal Audit will review the Financial Assessment process in 2020/21 as part of their planned programme of audits. The Draft Charging Policy has placed more	Jonathan Hinds	Beth Culshaw		

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Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
	Benefits system as this is verified/evidenced information which would also ensure that the client is only being asked once for the information.	out Financial Assessments for Residential Placements. Extending this will be considered where appropriate.				emphasis on the responsibility of the Service User/Representative that without evidence of income/benefits the full charge will be applied.		
	(Medium Risk)							
T&PSR/IA AP/735	4. Charging Policy As the Community Based Care Charging Policy - Non Residential Services has not been reviewed for at least eight years and as some parts of the policy requires to be more generic and other parts require to be more specific, it is recommended that the policy be fully reviewed and revised. This will therefore provide more clarity, eliminate ambiguity and make it fit for purpose. It is also recommended that all services be included in the review to ensure input from all areas. In addition, once reviewed, the date of the revision should be recorded on the policy to ensure that there is proper version control. (Medium Risk)	A Charging Policy Review Group has been established on 7th Jan with meetings scheduled for every 2 weeks until end of June. The group includes all Heads of Service, the CFO, some Integrated Ops Managers and social care accountant. The draft Terms of Reference were considered at the 2nd meeting and agreement was reached between HoS about seconding a social worker to support the process. The review will consider the impacts of new Carers Act and Free Personal Care for Under 65 as well as Self Directed Support duties. It will also address the current anomalies/inequities between service users and opportunities to maximise charging in the context of the council's Commercialisation Policy – but within COSLA Guidance. Personal care is defined in legislation. A simple "service user guide" to non-residential charges can be added to the website/leaflet for distribution.		31-Aug- 2019	01-Apr- 2020	As AP732 above: It is requested that the completion date is extended to 1 April 2020 to allow for the Draft Charging Policy to be consulted upon and the Self Directed Support actions to be completed. Internal Audit will review the Financial Assessment process in 2020/21 as part of their planned programme of audits. The Draft Charging Policy has taken account of policy, COSLA Guidance and legislation changes and is currently with the SMT for comment, revisions and agreement. This will be followed by a process of consultation with the wider community. The work of the SDS Programme Board will also be reflected.	Jonathan Hinds	Beth Culshaw

B 157: Social Work Tendering & Commissioning (Report Issued 7 June 2019)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
T&PSR/IA AP/760	 2. Resources Allocation Meetings (a) It may be helpful for the CPU attend some of the resource allocation meetings to establish ways they could work more collaboratively and if tools such as frameworks could be used. (b) Minutes should be taken at all such meetings in order to show the rationale of procurement decisions. In addition these notes should be included in service users' files. (Medium Risk) 	 (a) It would be beneficial for the CPU to have insight into the Resource Allocation Meetings process, but only with regard to the type of provider and service type required. (b) Rather than a full minute there will be a Decisions Summary produced after every meeting which will be distributed to both CPU and HSCP Finance Team. 		30-Sep- 2019	31-Mar- 2020	551	Joyce Campbell; Fraser Downie; Hazel Kelly; Robert MacFarlane; Kirsteen MacLennan; Lynne McKnight; Annie Ritchie; Bernadette Smith	Jo Gibson; Jonathan Hinds; Julie Lusk; Annabel Travers
T&PSR/IA AP/762	<u>4. Monitoring Providers</u> All monitoring should follow the procedures and be consistent across the partnership. (Medium Risk)	Our review of commissioning and quality within the HSCP will ensure that a consistent monitoring approach will be developed across services. This will include a review of the functions within the Quality Assurance Team, in tandem with a review of the HSCP SMT structure.		31-Dec- 2019	30-Jun- 2020	A new organisational structure and additional resource has been identified and will be put in place following agreement of the HSCP Commissioning Plan at the August HSCP Board meeting.	Jo Gibson	Beth Culshaw

159. VAT (Report Issued September 2019)

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Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
IAAP/000	Lt is also recommended that spot	Sample checks are performed on a monthly basis and where possible earlier months will be reviewed as resources allow.		31-Mar- 2020	2020	Sample checks continue to be performed every month and are part of the VAT checklist before the VAT return is submitted.		Gillian McNeilly

Co	ode	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
		carried out on some of the other months in the year 2018-19 that has not already been checked, in order to reduce this risk.							
		(Medium Risk)							

Р 163. Debt Recovery (Report Issued November 2019)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
IAAP/018	The Council should update its Rent Collection Policy to ensure it is up to date with current legislation and work practices.	The Rent Collection policy is to go to the West Dunbartonshire Tenants & Residents Organisation for consultation. Following the consultation the renewed Rent Collection Policy will be presented to the Housing & Communities Committee for approval.		31-Mar- 2020	31-Mar- 2020	I CONSULTATION ON PART COLLECTION DOLLOV I DIS	Ryan Chalmers	Arun Menon

3. Other Internal Audit Action Plans

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8	Code of Good Governance - Improvement Actions for 2019-20							
Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
GOV-19 004	6. Sensitivity Analysis Embed sensitivity analysis in service level budget and service planning			31-Mar- 2020	2020	This will be part of the service delivery plans from 2020/21 (due drafted before 31 march 2020)	Gillian McNeilly	Stephen West

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
RES/19- 20/032	2. Procurement Compliant Spend Increase the percentage of spend that CPU view as being compliant with Financial Regulations			31-Mar- 2020	31-Mar- 2020	This action is progressing well.	Annabel Travers; Alison Wood	Angela Wilson

1 4. Incomplete External Audit Action Plans

27. Audited Annual Accounts 2018/2019 – Annual Audit Report to Members and Controller of Audit

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
EAAP/001	 <u>1. Revaluation of non-current</u> <u>assets</u> Due to the change in valuer for 2018/19 there was a delay in the provision of the valuations as at 31 March 2019 required as part of the rolling revaluation programme. There is a risk that similar issues will be encountered in 2019/20 and these impact on the preparation or sign-off of the annual accounts. The council should work with the external valuers to ensure these issues are not repeated in 2019/20. 	Officers will ensure that the valuers work to a defined timetable for the timeous provision of valuation information		31-Mar- 2020	31-Mar- 2020	Meeting took place 27th November with timeline and content agreed for end of year process.	Craig Jardine	Jim McAloon
EAAP/002	2. Group accounting errors Multiple errors were identified in the group account statements in the unaudited accounts.	An improved year-end process will be implemented to avoid future errors.		31-Mar- 2020	31-Mar- 2020	training has been completed & revised template developed final review will be during the drafting of the financial statements in June 2020.	Gillian McNeilly	Stephen West

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Note	Assigned To	Managed By
	There is a risk that errors in the group accounts consolidation process result in a material misstatement in the annual accounts.							
	Procedures should be put in place to ensure that the unaudited group accounts statements are free from misstatement and reflect the component group bodies accounts.							
EAAP/006	 <u>6. Financial Sustainability</u> The council has a low level of reserves as a proportion of net revenue compared with other Scottish local authorities and the approved 2019/20 budget includes the one-off use of reserves balances. There is a risk that the council will have insufficient reserves to respond to unforeseen events or reductions in future funding. The council should ensure that sufficient reserve balances are maintained for +this purpose.	Council will continue to consider the appropriate level of retained reserves when setting budgets		04-Mar- 2020	04-Mar- 2020	No issues - reserves will be considered by Members when setting budget for 2020/21. On track.	Stephen West	Joyce White

	Action Status					
×	Cancelled					
Overdue; Neglected						
\triangle	(A) Unassigned; Check Progress					
Not Started; In Progress; Assigned						

0 Completed PI Status Long Term Trends Short Term Trends Ŷ $\hat{\mathbf{1}}$ Alert Improving Improving \triangle Warning No Change No Change • ₽ 0 Getting Worse Getting Worse ОК ? Unknown

	Risk Status						
	Alert						
	High Risk						
\triangle	Warning						
0	ок						
?	Unknown						

Data Only

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit Committee: 18 March 2020

Subject: Audit Scotland Annual Audit Plan 2019/20

1. Purpose

1.1 The purpose of this report is to present Audit Scotland's Annual Audit Plan for the audit of financial year 2019/20 to Committee for information.

2. Recommendations

2.1 Members are asked to note Audit Scotland's audit plan for their audit of West Dunbartonshire Council for financial year 2019/20.

3. Background

3.1 Audit Scotland have produced their Annual Audit Plan which provides an overview of the audit approach to be adopted and describes the outputs the Council can expect to receive. The plan is appended to this report for noting.

4. Main Issues

- **4.1** The key audit risks, which require specific audit testing, are detailed in Exhibit 1 of the appended plan.
- **4.2** Audit outputs are detailed within Exhibit 2 and the financial statement timetable is shown at Exhibit 5.
- **4.3** Details of the audit of trusts registered as Scottish charities are provided at paragraphs 10 and 11, including risks detailed at Exhibit 3.
- **4.4** The fee for the local audit is £269,590 (2018/19: £264,810), including the audit of the charitable trust funds. The audit fee of £2,100 for the audit of trust funds is unchanged from 2018/19 the Council will cover these costs.
- **4.5** As stated at paragraph 29, to support their audit opinion on the financial statements, Audit Scotland will place reliance on planned internal audit reviews in relation to:
 - Cash and Banking
 - Housing Rents Calculation and Collection

Other areas of internal audit work will also be considered as stated at paragraph 30, including:

- Procurement Follow Up
- Members Expenses
- **4.6** Audit Scotland's approach to Best Value/Value for Money is detailed in paragraphs 35 to 40.

5. Personnel Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

- 6.1 The total fee quoted at paragraph 12 of £269,590 compares to £264,810 for 2018/19.
- 6.2 There are no procurement implications.

7. Risk Analysis

7.1 Audit Scotland's assessment of the risks facing the Council is detailed in their plan. An additional internal risk assessment was not required.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

Stephen West Strategic Lead - Resources Date: 18 March 2020

Person to contact	Stephen West, Head of Finance and Resources,
	Telephone (01389) 737191
	Email – <u>Stephen.west@west-dunbarton.gov.uk</u>

Appendix 1:	Audit Scotland Annual Audit Plan 2019/20
Background Papers:	None
Wards Affected:	All wards

West Dunbartonshire Council

Annual Audit Plan 2019/20

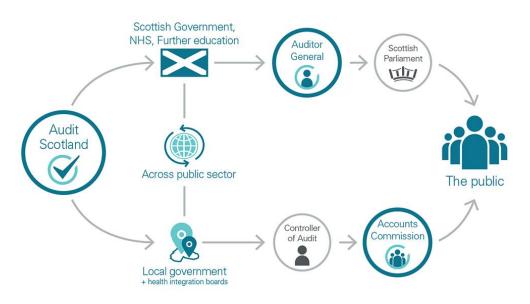


Prepared for by West Dunbartonshire CouncilWest Dunbartonshire Council February 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Risks and planned work	4
Audit scope and timing	11

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the <u>Code of Audit Practice</u>, and <u>guidance on planning the audit</u>. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit, including the audit of Best Value.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

Adding value

3. We aim to add value to West Dunbartonshire Council (the council) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help West Dunbartonshire Council promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the significant audit risks for the council. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in <u>exhibit 1</u>.

Exhibit 1 Significant risks for the 2019/20 audit of West Dunbartonshire Council

Ţ	Audit Risk	Source of assurance	Planned audit work
Fin	ancial statements risks		
1	Risk of material misstatement caused by management override of controls	Owing to the nature of this risk, assurances from management are	 Review of the Annual Governance Statement and the assurances obtained by the Section 95 officer in
	ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.	not applicable in this instance.	support of the statement.
			 Detailed testing of journal entries.
			 Review of accounting estimates.
			• Focussed testing of accruals and prepayments.
			• Evaluation of significant transactions that are outside the normal course of business.

	Audit Risk	Source of assurance	Planned audit work
2	Risk of material misstatement caused by fraud in income recognition. ISA 240 requires that audit work is planned to consider the risk of fraud over income, which is presumed to be a risk in any audit with significant income streams.	 Majority of income received via electronic payment. Robust controls over income generation and receipting processes, including segregation of duties. Independent monitoring and review of suspense codes – including bank reconciliations. Normal budgetary control processes – reported monthly to Corporate Management Team (CMT) and departmental budget holders. 	 Analytical procedures on significant income streams. Detailed testing of revenue transactions focussing on the areas of greatest risk. Review of budget monitoring reports focussing on significant budget variances.
3	Risk of material misstatement caused by fraud in expenditure The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure. This applies to the council due to the variety and extent of expenditure incurred.	 Robust controls over expenditure and payment processes, including segregation of duties. Independent monitoring and review of suspense codes – including bank reconciliations. Normal budgetary control processes – reported monthly to Corporate Management Team (CMT) and departmental budget holders. Authorisation processes regarding transactions within the ledger – e.g. journals & creditor requests. Fraud prevention arrangements including Involvement in the National Fraud Initiative. 	 Analytical procedures on significant expenditure streams. Detailed testing of expenditure transactions, including cut-off testing, focussing on the areas of greatest risk. Audit testing of grants, including the sample testing of expenditure and housing benefit transactions. Review of budget monitoring reports focussing on significant budget variances. Audit work on the National Fraud Initiative matches.
4	Estimation and judgements There is a significant degree of estimation and judgement in the measurement and valuation of some material account areas, including:	 Asset valuations completed by Royal Institute of Chartered Surveyors (RICS) qualified surveyors. Pension Fund valuation completed by a qualified actuary with 	 Review of the work of the valuer, including focused substantive testing of the classification and valuation of assets. Confirm asset values in valuation certificates are

Audit Risk

- Non-current asset values which rely on expert valuations and management assumptions.
- The value of the council's pension liability which is an estimate based on information provided by management and actuarial assumptions.
- The council's provisions for doubtful debts which are based on management's assessment of the recoverability of debts.
- The value of other provisions which are based on management's assessment of the value and probability of potential future outflows.

This subjectivity represents an increased risk of misstatement in the financial statements.

Source of assurance

the applicability of actuarial assumptions used reviewed by Council officers.

- Provision for doubtful debts based on ageddebt approach, incorporating prior year experience.
- Other provisions calculations supported by clear evidence and / or robust assumptions.

Planned audit work

correctly reflected within the 2019/20 accounts.

- Review of the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used.
- Review of council's procedures for ensuring actuarial valuations provided are appropriate and include assumptions relating to relevant legal rulings.
- Confirm pension valuations in actuarial report are correctly reflected within the 2019/20 accounts.
- Review the provision for doubtful debts calculations to assess whether they are reasonable and complete based on the risk that the debt will not be recovered.
- Review the basis for other provisions recognised, including detailed testing to source documentation where required.

5 Revaluation of non-current assets

There was a significant delay in the provision of some asset valuations at 31 March 2019 due to a change in the valuer during 2018/19. During the course of the audit we also received multiple revised reports detailing valuations adjustments to the noncurrent asset balances in the accounts. This resulted in additional audit work to confirm the accuracy of the non-current assets balances in the audited accounts.

There is a risk that similar issues could be encountered in 2019/20 and that these could impact on the preparation or sign-off of the annual accounts.

6 Group accounting errors

During the 2018/19 audit, 15 disclosure errors, one omission and multiple financial consolidation errors in the group accounts were identified. This resulted in reviewing three sets of revised group account statements and working papers. There is a risk that similar issues may occur in 2019/20 and result in a material

- Valuers have been engaged early in 2020 to revalue the noncurrent assets due for revaluation this year.
 Expect report on this well ahead of schedule.
- Manager of Finance in contact with relevant lead officer on this on a regular basis to ensure the process is under control and on time.
- Review year-end process for transfer of information between the council and valuers.
 Review of the work of the
- Review of the work of the valuer, including focused substantive testing of the classification and valuation of assets.
- Confirm asset values in valuation certificates are correctly reflected within the 2019/20 accounts.
- Group accounting process has been reviewed and updated.
- Relevant staff have attended a CIPFA training course on Group Accounting in early 2020.
- Review quality assurance procedures put in place by officers to prepare and review 2019/20 group statements.
- Review of group disclosure notes.
- Review of group consolidation adjustments,

\triangle	Audit Risk	Source of assurance	Planned audit work
	misstatement in the group annual accounts.		including the exclusion of intra-group transactions.
Wic	der dimension risks		
7	2020/21 budget setting The timing of budget setting for the UK and Scottish public sector has led to increased uncertainty for councils in setting their 2020/21 budgets and council tax. There is a risk that the Council's budget does not reflect the final settlement, and further in-year savings need to be made.	 The draft Scottish Government budget will be published on 6 February 2020. The Council meeting to set the council tax level and budget for 2020/21 is scheduled for 4 March 2020. Officers will provide members with further saving options if the council's final settlement is lower than that advised in the draft SG budget. 	 Review of the council's 2020/21 budget setting arrangements.
8	Financial sustainability As reported to the January 2020 Council meeting, a funding gap of £4.418 million for 2020/21, and a cumulative 3-year funding gap of £16.989 million to 2022/23, has been identified. Part of the council's budget pressures come from funding its high levels of borrowing. The Council approved the one-off use reserves in 2019/20 to fund the budget gap. There is a risk that the council's unearmarked reserves will fall below its target level to meet future contingencies. The financial position may not be sustainable in the long term.	 Budgetary control reporting to CMT, service committees and Council) – this includes monitoring of agreed cost reductions. Long-Term Financial Strategy will be reviewed to highlight updated funding gaps as 2020/21 progresses. The Budget setting report to Council provides a clear linkage between revenue and capital budgets. It considers affordability by including short, medium and long-term projections and highlights the peak expected cost of borrowing based on the current 10-year plan. Officers will provide 	 Continue to monitor the financial position throughout the year and provide an update in the 2019/20 Annual Audit Report. Consider the long-term affordability of budget decisions, including any planned use of reserves. Ongoing assessment of the council's long-term financial strategy, including the assumptions used.
		members with options for cost reductions to allow them to make informed decisions going forward.	
9	Procurement and tendering In 2018/19, we published a report: <i>Audit Review of the Investigation of</i> <i>Tendering and Contracting Practices</i>	 Internal Audit have undertaken a follow-up audit in 2019/20 to check that the stated changes have been Page 87 	Follow up of the recommendations outlined in our Audit Review of the Investigation of Tendering

	Audit Risk	Source of assurance	Planned audit work
	<i>in Roads and Greenspace Services</i> which was presented to a special meeting of the Council on 14 May 2019. The report identified significant areas for improvement. An improvement plan was agreed by the Council.	made. Any issues will be reported to Audit Committee.	 and Contracting Practices in Roads and Greenspace Services report. Review of Internal Audit follow up work.
	There is a risk that the weaknesses reported have not been appropriately addressed.		
10	Capital project management	 Major capital investments are 	 On-going monitoring of capital budget plans and
	In 2019/20, gross capital expenditure (including HRA) is projected to be underspent against the original budget by £11.897 million (16%). There are also several large-scale projects which have incurred additional cost (e.g. District Heating Network) or continue to be re-phased into future years (e.g. Exxon Site). There is a risk that the council's ability to deliver against its strategic plan is affected due to delays and additional costs for investment and improvements to the asset base.	 monitored and reviewed regularly at the Strategic Asset Management Group and subsequently by the Performance and Monitoring Group. Progress on all capital projects are reported regularly to Council and relevant Council Committees The use of the enhanced project management approach developed by the Capital Investment Team should produce better quality project plans and lower values of slippage/delay 	 Follow up of the 2017/18 Best Value Assurance Report recommendations and report an update in the 2019/20 Annual Audit Report.

Source: Audit Scotland

Grant claims and returns

5. The council is required to make various grant claims and returns to UK or Scottish Government departments. Such claims and returns require to be audited prior to submission. We will perform testing and provide audit certificates in accordance with guidance issued by Audit Scotland. We have planned for the following claims and returns for 2019/20:

- Housing benefit subsidy claim
- Non-domestic rates income return
- Education maintenance allowances return
- Whole of government accounts return

6. Where unexpected claims or returns are received, or supporting working papers are not adequate, a supplementary fee may be requested.

Reporting arrangements

7. This audit plan, the outputs set out at <u>exhibit 2</u>, and any other outputs on matters of public interest will be published on Audit Scotland's website: <u>www.audit-scotland.gov.uk</u>.

8. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officer(s) to confirm factual accuracy, prior to the issue and publication of final reports.

9. We will provide an independent auditor's report to West Dunbartonshire Council and Accounts Commission setting out our opinions on the annual accounts. We will provide the Strategic Lead - Resources and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2019/20 Audit outputs

Audit Output	Committee Date
Interim Management Report	17 June 2020
Independent Auditor's Report	To be confirmed*
Annual Audit Report	To be confirmed*

* The date of issue for the independent auditor's report and annual audit report are still to be agreed but these will both be issued during September to enable the certification of the 2019/20 annual accounts by the 30 September 2020 deadline.

The audit of trusts registered as Scottish charities

10. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The 2006 regulations require charities to prepare annual accounts and require an accompanying auditor's report. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees.

11. Members of West Dunbartonshire Council are sole trustees for six trusts, registered as Scottish charities, with combined assets of £0.283 million. Based on our discussions with staff and initial planning work undertaken we have identified the audit risks detailed in exhibit 3.

Exhibit 3 Significant risks for the 2019/20 audit of trusts registered as Scottish charities

<u> </u>	Audit Risk	Source of assurance	Planned audit work
1	Governance and investment documentation	 Legal officers continue to seek a solution to 	 Continue to liaise with officers to establish progress with updating
	The Deed of Trust for the Dunbartonshire Educational Trust	updating the Deeds of these	and replacing Deeds of Trust.
	Scheme 1962 and UIE Award require to be updated.		 Review updated Deeds of Trust.
	The governing documentation for the McAuley Prize for Mathematics is not		 Provide an update on progress in 2019/20 Annual Audit Report.

Audit Risk

Source of assurance

Planned audit work

available and a new trust deed required.

2 Dormant Trusts

Some of the trusts have been dormant for a number of years, with annual activity on all trusts minimal. There is a risk that the trusts are not meeting the requirement of public benefit.

- Continue to liaise with Legal officers to establish progress with updating and replacing Deeds of Trust.
- Continue to liaise with officers and monitor the activity on trust funds.
- Provide an update on activity in 2019/20 Annual Audit Report.

Audit fee

12. The agreed fee for the 2019/20 audit of West Dunbartonshire Council is $\pounds 269,590$ ($\pounds 262,710$ in 2018/19). The audit fee is $\pounds 1,690$ (1%) above the expected fee advised by Audit Scotland and reflects the additional audit work required to cover issues identified with previous financial statements, such as those covered by risks 5 and 6 above. It also covers the additional audit work required to follow-up on the recommendations made in our <u>Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services (April 2019) report.</u>

13. The agreed fee for the audit of the trusts registered as Scottish charities is $\pounds 2,100$ (audit fee also set at $\pounds 2,100$ in 2018/19).

14. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit Committee and Strategic Lead - Resources

15. Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. In West Dunbartonshire Council the Strategic Lead – Resources is the proper officer (section 95 officer), with responsibility for the administration of financial affairs. The council has delegated responsibility for the oversight of internal and external audit to its Audit Committee.

16. The audit of the annual accounts does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Appointed auditor

17. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including supplementary guidance), and are guided by the auditing professions ethical guidance.

18. Auditors in the public sector give independent opinions on the financial statements and other information within the annual accounts.

Audit scope and timing

Annual accounts

19. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of West Dunbartonshire Council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how West Dunbartonshire Council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements and determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

20. We will give an opinion on whether:

- the annual accounts give a true and fair view of the state of affairs of the council and the income and expenditure of the year
- the annual accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
- the annual accounts have been prepared in accordance with relevant legislation.

Other information in the annual accounts

21. We also review and report on the other information published within the annual accounts including the management commentary, annual governance statement and remuneration report. We give an opinion on whether these have been prepared in accordance with the appropriate regulations and guidance. We also read and consider the other information in the annual accounts and report any material inconsistencies.

Materiality

Materiality levels for the 2019/20 audit of West Dunbartonshire Council

22. We apply the concept of materiality in planning and performing the audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements present a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements.

23. We calculate materiality at different levels as described below. The calculated materiality values for West Dunbartonshire Councilare set out in <u>exhibit 4</u>.



Exhibit 4 Materiality levels for the 2019/20 audit of West Dunbartonshire Council

Materiality	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure based on the audited accounts for the year ended 31 March 2019.	£4.792 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality.	£2.396 million
Reporting threshold– We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£0.050 million

Source: Audit Scotland

Materiality levels for the 2019/20 audit of trusts registered as Scottish charities

24. Planning materiality for the combined trust accounts has been set at £678 based on 2% of gross expenditure in the audited accounts for the year ended 31 March 2019. We will also consider the impact on individual trusts when assessing the materiality of any errors identified as even where an error is not material to the combined trust accounts as a whole it may still be material to an individual trust.

Timetable

25. The timetable for the production and audit of the annual accounts, including the key stages set out in <u>exhibit 5</u>, has still to be agreed but this will be scheduled to enable the certification of the 2019/20 annual accounts by the 30 September 2020 deadline.

Exhibit 5 Annual accounts timetable

	Date
Consideration of unaudited annual accounts by the Audit Committee	24 June 2020
Latest submission date of unaudited annual accounts with complete working papers package	30 June 2020
Latest date for final clearance meeting with Strategic Lead – Resources	To be agreed*
Issue of Letter of Representation and proposed independent auditor's report	To be agreed*
Agreement of audited unsigned annual accounts	To be agreed*
Independent auditor's report signed	To be agreed*
Issue of Annual Audit Report to those charged with governance	To be agreed*
Latest date for signing of WGA assurance statement and return	28 September 2020

* The timing of these stages has still to be agreed but these will be scheduled to enable the certification of the 2019/20 annual accounts by the 30 September 2020 deadline.

Internal audit

26. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an annual assessment of the internal audit function at audited bodies.

27. The internal audit function at West Dunbartonshire Council is provided by its inhouse internal audit team. There has been a change in the internal audit management arrangements during 2019/20. The Head of Internal Audit retired at the end of 2019 and was replaced by the Internal Audit Manager from Inverclyde Council who is now performing this role for both councils as part of shared management arrangement.

28. Our assessment of the internal audit function concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

Using the work of internal audit

29. To support our audit opinion on the financial statements we plan to place formal reliance on the following planned internal audit reviews:

- Cash and bank (including cash receipting)
- Housing rents calculation and collection

30. In respect of our wider dimension audit responsibilities we also plan to consider other areas of internal audit work, including:

- Procurement follow-up
- Members expenses and allowances

Audit dimensions

31. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in <u>Exhibit 6</u>. Our conclusions on the four dimensions will contribute to an overall assessment and assurance on best value.



32. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- whether financial capacity and skills are adequate
- whether appropriate and effective arrangements for internal control and the prevention and detection of fraud and corruption have been established
- consideration of the effectiveness of the council's controls and policies in preventing procurement fraud.

Financial sustainability

33. We consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the council's financial sustainability. We will carry out work and conclude on the following areas:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- monitoring the arrangements put in place by the council to minimise any disruption occasioned by the UK's withdrawal from the European Union.

Governance and transparency

34. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will assess:

- whether governance arrangements are appropriate and operating effectively
- the quality and timeliness of financial and performance reporting
- whether there is effective scrutiny, challenge and transparency of decisionmaking, and finance and performance reports.

Value for money

35. Value for money refers to using resources efficiently and effectively and continually improving services. We will review, conclude and report on whether the council can demonstrate value for money in the use of resources and improved outcomes for residents.

36. In addition, we will liaise with officers to contribute to national performance audits during the coming year.

Best Value

37. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. A Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in a five-year period.

38. During 2017/18 a Best Value review of the council was completed. The <u>West</u> <u>Dunbartonshire Council BVAR</u> was published in June 2018.

39. Our best value work this year will focus on the council's arrangements for demonstrating continuous improvement through analysis of their performance in priority areas, and reviewing progress made against the recommendations within Page 94

the Best Value Assurance Report. The results of this work will be reported in our 2019/20 Annual Audit Report.

40. The seven councils on which a BVAR will be published during the fourth year of the new approach are listed in <u>exhibit 7</u>. Reports will be considered by the Accounts Commission during the period April to November 2020.

Exhibit 7 2019/20 Best Value Assurance Reports

Ret Value Assumere Report Council	Aberdeenshire Council	Dundee Council	
	Argyle and Bute Council	Falkirk Council	
	City of Edinburgh Council	Moray Council	
	North Ayrshire Council		

Source: Audit Scotland

Independence and objectivity

41. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

42. The appointed auditor for West Dunbartonshire Council is Fiona Mitchell-Knight, Audit Director. The appointed auditor for the charitable trusts is Richard Smith, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of West Dunbartonshire Council or the charitable trusts.

Quality control

43. International Standard on Quality Control (UK and Ireland) 1 requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

44. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

45. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the appointed auditor or to Audit Scotland's Audit Quality and Appointments group.

West Dunbartonshire Council

Annual Audit Plan 2019/20

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WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit Committee: 18 March 2020

Subject: Public Interest Disclosures and other Internal Audit Investigations 1 July to 31 December 2019.

1. Purpose

1.1 The purpose of this report is to advise Committee of the outcome of investigations into allegations and disclosures in line with public interest disclosure and business irregularities policies received by Internal Audit between 1 July to 31 December 2019.

2. Recommendations

2.1 It is recommended that Members note the content of this report.

3. Background

- **3.1** A disclosure in the public interest is where a concern is raised by a Council employee about a danger or illegality that has a public interest aspect to it. A confidential reporting facility is managed by Internal Audit as part of the WDC Public Interest Disclosure Policy. Internal Audit maintains a central record of all concerns raised under the Public Interest Disclosure Policy. All such disclosures are investigated by Internal Audit, including liaising with Services and HR as appropriate
- **3.2** Members of the public can also contact Internal Audit to raise issues of concern and such matters are investigated as appropriate, although they are not regarded as public interest disclosures in terms of legislation.

4. Main Issues

Public Interest Disclosure Cases

4.1 There were 2 cases recorded as outstanding in the previous report, submitted to committee on 25 September 2019, which have been progressed as detailed below:

	Date		
Ref	Received	Detail	Status
PID	27.10.18	Allegation of	Report finalised and
8/19		inappropriate working	reported to Audit Committee
		practices.	in September 2019.
PID	5.3.19	Allegation that employee	Closed - unfounded.
11/19		is making improper use of	
		Council materials and	
		assets.	

4.2 There were 5 disclosures received during the period 1 July to 31 December 2019 as follows:

	Date		
Ref	Received	Detail	Status
20/20	26/8/19	Allegation that staff were using drugs whilst working.	Closed – unfounded.
21/20	31/8/19	Misuse of Council vehicle.	Closed – unfounded.
22/20	3/10/19	Misuse of Council vehicle.	Closed – unfounded.
23/20	12/10/19	Allegation that materials are being misappropriated by a member of staff and sold on.	Ongoing investigation. Findings being drafted for discussion with management.
26/20	29/11/19	Allegation that member of staff is taking regular smoking breaks whilst on duty.	Referred to and actioned by management. Situation is being monitored on an ongoing basis.

4.3 Activity relating to public interest disclosure for recent reporting periods is as follows:

Period	No. of Cases
1 st January 2016 to 30 th June 2016	4
1 st July 2016 to 31 st December 2016	6
1 st January 2017 to 30 th June 2017	1
1 st July 2017 to 31 st December 2017	7
1 st January 2018 to 30 th June 2018	2
1 st July 2018 to 31 st December 2018	3
1 st January 2019 to 30 th June 2019	5
1 st July 2019 to 31 st December 2019	5

Other investigations

4.4 There were 2 cases recorded as outstanding in the previous report, submitted to committee on 25 September 2019, which have been progressed as detailed below:

Ref	Date Received	Detail	Status
04/20	2.5.19	Allegations of misuse of Council vehicle and inappropriate behavior towards a member of the public.	Referred to service and actioned accordingly.
16/20	3.6.19	Missing money – education establishment.	Investigated by management. There was clear evidence to support that WDC policies and processes were not followed with regard to the handling of money and keys. Corrective action has now been taken to improve controls.

4.5 A total of 4 cases were received by Internal Audit during the period 1July to 31 December 2019 as follows:

	Date		
Ref	Received	Detail	Status
17/20	3/7/19	Allegation that materials are being misappropriated by a member of staff and sold on.	Closed – unfounded.
18/20	7/8/19	Allegation that member of staff was working whilst on sick leave.	Closed – unfounded.
24/20	25/10/19	Allegation of theft of inventory.	Closed – unfounded.
27/20	2/12/19	Allegation of financial irregularities in client account administration.	Ongoing investigation.

4.6 Activity relating to other investigation cases for recent reporting periods is as follows:

Period	No. of Cases
1 st January 2017 to 30 th June 2017	3
1 st July 2017 to 31 st December 2017	5
1 st January 2018 to 30 th June 2018	5
1 st July 2018 to 31 st December 2018	4
1 st January 2019 to 30 th June 2019	14
Ist July 2019 to 31 st December 2019	4

5. **People Implications**

5.1 There are no personnel implications with this report.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications with this report.

7. Risk Analysis

7.1 There are risks to the Council in financial, legal, operational and reputational terms of not providing a service to enable a disclosure in the public interest and to ensure that all public interest disclosure and other concerns raised with Internal Audit are properly investigated.

8. Equalities Impact Assessment (EIA)

8.1 There is no requirement to undertake an equality impact screening.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 The Public Interest Disclosure Policy and Business Irregularity Procedures contribute to the Council's strategic priorities by ensuring that early warnings of malpractice may mitigate the extent of financial losses to the Council, contribute to better asset management by utilising employees to manage risks to the organisation's reputation and support fit for purpose services through the continuation and promotion of robust employment practice.

Stephen West Strategic Lead - Resources Date: 18 March 2020

Person to Contact:	Andi Priestman, Shared Service Manager – Audit & Fraud Telephone: 01389-737436 Email: <u>andi.priestman@west-dunbarton.gov.uk</u>
Appendix:	None
Background Papers:	Public Interest Disclosure Policy agreed by the Corporate Services Committee on 13 August 2014; Business Irregularity Procedures
Wards Affected:	All

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit Committee: 18 March 2020

Subject: Accounts Commission Report: Local government in Scotland Financial overview 2018/19

1. Purpose

1.1 This report provides Members with information regarding a report recently published by the Accounts Commission as prepared by Audit Scotland.

2. Recommendation

- **2.1** It is recommended that Members consider:
 - The attached report, along with the scrutiny tool for councillors contained at Appendix 2: and
 - Whether a future Elected Members' development session should take place in relation to this report.

3. Background

3.1 This report from the Accounts Commission is one of a series of such reports over the last few years and tells the strategic financial story for local government in Scotland in 2018/19. The report reflects a similar situation to last year as councils face an increasingly complex range of challenges and continuing pressure on finances. Challenges include increasing demand across many of the wide range of services councils deliver to local communities. Demand has to be met against tightening budgets in many service areas along with financial uncertainty stemming from external factors such as EU withdrawal.

4. Main Issues

- **4.1** This report provides a high-level independent analysis of the financial performance of councils during 2018/19 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils. It is one of two overview reports that the Accounts Commission publishes each year. The second report comments on the wider challenges and performance of councils. It will be published at the end of the financial year in March 2020.
- **4.2** The report is intended to inform the public and its representatives. It is particularly aimed at elected members and senior council officers. While the focus of the report is on councils, it also provides information about Integration Joint Boards (IJBs).

- **4.3** The key messages of the report are:
 - Councils depend on Scottish Government funding for a significant part of their income. Scottish Government revenue funding to councils reduced in 2018/19 in real terms by 0.7 per cent.
 - The 2018/19 funding gap of three per cent was less than the previous year (four per cent). Councils planned to manage this primarily through savings, though a shortfall in savings achieved meant that a higher proportion of the funding gap was met from reserves than planned.
 - All councils have medium-term financial planning covering 3 years or more but more progress is needed in long-term financial planning.
 - The majority of IJBs have underlying financial sustainability issues, with a number incurring deficits or dependent on additional ('deficit') funding from their partners; and
 - Councils have made preparations for the impact of EU but there are many potential implications that cannot be anticipated in financial planning.
- **4.4** Throughout, the report identifies examples of questions that councillors may wish to consider, to help with understanding their council's financial position and to scrutinise financial performance. As noted at paragraph 4 on page 8 of the report, the Accounts Commission encourages councillors to use an appropriate level of challenge in scrutiny and ensure they receive sufficient information to answer their questions fully. The questions are also available in Supplement 1: Scrutiny tool for councillors (see Appendix 2 to this report, and on the Audit Scotland website).

5. Personnel Implications

5.1 There are no personnel implications.

6. Financial and Procurement Implications

6.1 There are no direct financial or procurement implications arising from this report.

7. Risk Analysis

7.1 This report from the Accounts Commission provides Elected Members and Officers useful information of a financial nature.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Elected Members and Officers to pursue the five strategic priorities of the Council's Strategic Plan. This report informs the financial governance of the Council.

Stephen West Strategic Lead - Resources Date: 19 February 2020

Person to Contact:	Stephen West, Strategic Lead - Resources Telephone (01389) 737191 E-mail: <u>stephen.west@west-dunbarton.gov.uk</u>
Appendices:	Appendix 1: Accounts Commission Report: Local government in Scotland Financial overview 2018/19 Appendix 2: Scrutiny tool for councillors
Background Papers:	None
Wards Affected:	N/A

Appendix 1

Local government in Scotland **Financial overview** 2018/19



ACCOUNTS COMMISSION S

Prepared by Audit Scotland December 2019

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The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission 🔊

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Links

Web link

i) Information box

Exhibit data When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a

new window.

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Audit team

The core audit team consisted of: Kathrine Sibbald, Lisa Duthie, Chris Lewis and Lucy Ross, with support from other colleagues and under the direction of Brian Howarth.

Key facts





Chair's introduction

This report, the Accounts Commission's overview of the 2018/19 financial year, provides an independent, public assessment of how effectively Scottish local government is managing public money and responding to the financial challenges it faces. I believe our overview reports are an important tool to highlight to councillors, officers and the public the issues we are most concerned about.

Of particular note for us this year, Integration Joint Boards (IJBs) continue to face very significant challenges and they need to do much more to address their financial sustainability. The pace of progress with integration has been too slow and we have yet to see evidence of a significant shift in spending and services from hospitals to community and social care. I continue to be concerned about the significant turnover in senior staff in IJBs. This instability inevitably impacts on leadership capacity and the pace of progress. The Commission has a strong interest in the performance and development of IJBs and we are planning arrangements to review their progress in delivering Best Value for their communities.

Our report also sets out that councils face the increasing challenge of meeting changing and growing demands on their services, but their income is straining to keep pace. Although Scottish Government funding to councils has been relatively stable this year, since 2013/14 it has fallen in real terms. Funding is forecast to fall further in the medium term against a backdrop of increasing volatility in public finances. The Commission also notes that two-thirds of councils have reduced their general fund reserves over the last three years rather than maintaining or building their reserves. The signs of a trend in reducing reserves may be emerging. I have previously commented that ongoing use of reserves to manage funding gaps is not sustainable.

After several years of tightening budgets, we recognise councils have already made savings through restructuring and efficiencies, but transformation in terms of service redesign is required to deal with the further reductions forecast. The Commission will continue to have a close interest in how councils and IJBs are redesigning services to meet the needs of their communities.

I also encourage councils and IJBs to continue to do all they can to improve and develop their approaches to medium- and long-term financial planning. This is not easy, but it is a fundamental tool to support councillors and officers to make well-considered decisions and effectively manage the continuing challenges ahead. The Scottish Government has committed to providing three-year indicative budgets in the future, which the Commission welcomes, as this will support improved medium-term financial planning in councils and IJBs.



Finally, we note that again there has been some improvement with the quality of reporting on financial matters in councils. I encourage councils and IJBs to continue to improve the transparency and clarity of management commentaries and wider financial information provided to councillors and the public.

I hope you find this overview useful and would welcome any feedback you may have.

Graham Sharp

Chair of the Accounts Commission

Summary



Key messages

Councils:

- 1 In 2018/19, Scottish council revenue income totalled £17.7 billion, an increase from 2017/18 (£17.3 billion).
- 2 Scottish Government revenue funding remains the most significant source of income and this increased by 1.1 per cent in cash terms in 2018/19, a 0.7 per cent decrease in real terms. Since 2013/14, Scottish Government funding to councils has reduced by 7.6 per cent in real terms.
- 3 In 2018/19, the funding gap was three per cent of total budget. Councils planned to manage this primarily through savings, though a shortfall in savings achieved meant that more of the funding gap was met from reserves than planned.
- 4 Councils are increasingly drawing on their revenue reserves. The net draw on revenue reserves in 2018/19 was £45 million. Twenty-three councils have reduced their general fund reserves over the last three years.
- **5** Capital expenditure increased by £62 million (2.3 per cent) to £2.75 billion, with more spent on housing and less on education.
- 6 All councils have medium-term financial planning covering three years or more. Long-term financial planning has not improved since last year and more progress is needed.
- 7 Councils have made preparations for EU withdrawal but there are many potential implications that cannot be anticipated in financial planning.

Integration Joint Boards (IJBs):

- 8 A majority of IJBs struggled to achieve break-even in 2018/19, either recording a deficit or relying on additional funding from partners.
- **9** Around a third of the IJBs failed to agree a budget with their partners for the start of the 2019/20 financial year.
- **10** Medium-term financial planning is improving but no IJB had a financial plan that extended for more than five years. A focus on developing longer-term financial planning is required by IJBs.
- **11** Over a third of IJB senior staff have changed during 2018/19.

About this report

1. This report provides a high-level independent analysis of the financial performance of councils during 2018/19 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils. It is one of two overview reports that the Accounts Commission publishes each year. The second report comments on the wider challenges and performance of councils. It will be published in April 2020.

2. Our primary sources of information for the financial overview are councils' 2018/19 audited accounts, including management commentaries and the 2018/19 external annual audit reports for each council. We have supplemented this with data submitted by councils through local audit teams and to the Scottish Government through the Capital Provisional Outturn and Budget Estimates (CPOBE).

3. We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2018/19 prices, adjusted for inflation so that they are comparable. Similarly, where 2019/20 comparisons are made we have adjusted for inflation to 2019/20 prices. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

4. Throughout the report, we identify examples of questions that councillors may wish to consider, to help with understanding their council's financial position and to scrutinise financial performance. The Accounts Commission encourages councillors to use an appropriate level of challenge in scrutiny and ensure they receive sufficient information to answer their questions fully. The example questions are also available on our website in *Supplement 1: Scrutiny tool for councillors* (*).

5. Accompanying this report, and to facilitate insight and comparisons across the sector, we have provided additional financial information on our **website S**. We have also produced a separate document <u>Supplement 2:</u> Local Government Pension Scheme 2018/19 (1). We hope the data and LGPS supplement will be useful for senior council finance officers, their staff and other interested stakeholders.

Part 1 Councils' income in 2018/19

Key messages

- In 2018/19, Scottish council revenue income totalled £17.7 billion, an increase from 2017/18 (£17.3 billion).
- Scottish Government revenue funding remains the most significant source of income and this increased by 1.1 per cent in cash terms in 2018/19 (0.7 per cent decrease in real terms).
- Since 2013/14, Scottish Government revenue funding to councils has reduced by 7.6 per cent.
- A growing proportion of Scottish Government revenue funding to councils is committed to national policy initiatives.

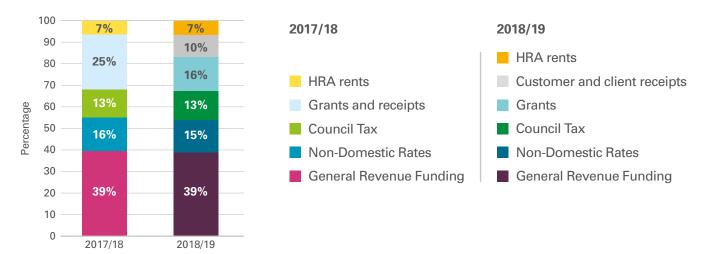
Councils' annual income increased slightly in 2018/19

6. Scottish councils get their annual funding and income from a range of sources (Exhibit 1). In 2018/19, these totalled £17.7 billion, which is an increase from 2017/18 (£17.3 billion). The main source of funding is the Scottish Government. In 2018/19, the Scottish Government provided £9.8 billion (compared to £9.7 billion in 2017/18).

In 2018/19, Scottish council revenue income totalled £17.7 billion

Exhibit 1

Sources of council revenue income, 2018/19 Funding and income increased from last year to £17.7 billion.



Note: In the 2017/18 data, customer and client receipts are included in grants and receipts. Source: Audited financial statements 2018/19 and 2017/18



Scottish Government funding

Scottish Government revenue funding fell by 0.7 per cent in real terms in 2018/19

7. In 2018/19, the **total revenue funding** (*i*) from the Scottish Government increased by 1.1 per cent in cash terms and decreased by 0.7 per cent in real terms (Exhibit 2). The total revenue funding of £9.8 billion consists of the general revenue grant funding of £6.9 billion (70 per cent); Non-Domestic Rates (NDR) £2.6 billion (27 per cent); and specific grants making up the remaining £0.3 billion (3 per cent).

Exhibit 2

Changes in Scottish Government revenue funding in 2018/19

Scottish Government revenue funding reduced by 0.7 per cent in real terms in 2018/19.

	2017/18 £m	2018/19 £m	Cash %	Real %
Revenue Grant	7,019	7,159	2.0	0.2
NDR	2,666	2,636	-1.1 🔻	-2.9 🔻
Total revenue funding	9,685	9,795	1.1 🔺	-0.7 🔻
Health and Social Care funding via NHS	355	355		
	10,040	10,150	1.1 🔺	-0.7 🔻

Note: On 28 March 2018, the Scottish Government paid £34.5 million of additional funding to councils. This is included in the 2017/18 column above.

Source: Finance Circulars 4/2018 and 2/2019, and Scottish Government budget documents

Since 2013/14, Scottish Government revenue funding to councils has reduced more than to other areas

8. Funding from the Scottish Government to local government between 2013/14 and 2018/19 decreased by 7.6 per cent over these six years, in real terms (Exhibit 3, page 11). Scottish Government revenue funding across other areas decreased by 0.4 per cent over the same period, demonstrating that local government funding has undergone a more significant reduction than the rest of the Scottish Government budget over this period.

9. However, the gap between local government revenue funding and the rest of the Scottish Government revenue budget narrowed in the last year (between 2017/18 and 2018/19) to 7.2 per cent.

How Scottish Government funding is distributed is to become more transparent

10. Grant-aided Expenditure (GAE) is the main distributing methodology for determining Scottish Government revenue funding provided to councils. The remaining Scottish Government revenue funding is determined by a range of other separate non-GAE methodologies agreed by the Scottish Government and COSLA.¹ Over time, the proportion of the non-GAE element of funding has grown and in 2019/20 represents a third of the total funding.



This consists of general resource grants, specific revenue grants (together known as revenue grants) and Non-Domestic Rates income (NDR).

It does not include health and social care funding paid to local government via the NHS.

hh

4 2 0 Percentage -2 7.2 per cent gap -4 -6 -8 -10 2013/14 2014/15 2018/19 2015/16 2016/17 2017/18 Local government revenue real-terms change from 2013/14 Other Scottish Government revenue real-terms change from 2013/14

Exhibit 3

A comparison of real-terms changes in local government and other Scottish Government revenue funding

Over the last six years local government revenue funding from the Scottish Government fell by 7.6 per cent, while other Scottish Government revenue funding fell by 0.4 per cent.

Source: Scottish Government budget documents and financial circulars

11. In our <u>financial overview report in 2017/18</u> (*), we reported on the lack of transparency of the calculations for the non-GAE distributions to individual councils. The Scottish Government has now provided this information to the Local Government and Communities Committee of the Parliament, SPICe² and COSLA. It is also planning to include the methodologies used for the specific revenue grants and other non-GAE funding within their annual Grant Aided Expenditure *Green Book* (*) publication from 2020/21.

A growing proportion of funding is committed to national policy initiatives

12. The Commission commented in its report *Challenges and performance* **2019** (*) that an increasing proportion of council budgets is committed to national policy initiatives. This reduces the flexibility councils have for deciding how they plan and prioritise the use of funding to respond to local priorities. There are different approaches to describing the scope of this flexibility by stakeholders; different figures and language complicate this.

13. Within the £9.8 billion Scottish Government revenue funding, a relatively small, but growing, element is identified by the Scottish Government as specific revenue grants, set out in the annual settlement to councils. This money is ring-fenced to fund identified policies, such as the Pupil Equity Fund, Criminal Justice and Early Years Expansion. These grants totalled £0.3 billion in 2018/19 (£0.5 billion in 2019/20). The Scottish Government's view is that other funding is not ring-fenced and it is therefore at the discretion of councils how they deliver commitments and services with these funds.

An increasing proportion of council budgets is committed to national policy initiatives. This reduces the flexibility councils have for deciding how they plan and prioritise the use of funding to respond to local priorities

14. In addition to specific revenue grants, funding for other national policy initiatives is set out in the annual settlement but not formally ring-fenced. These are mainly initiatives linked to education and social care. Collectively, ring-fenced and funding linked to other national policy initiatives, increased from £0.6 billion to £1 billion, between 2018/19 and 2019/20. This is around 10 per cent of Scottish Government funding to councils. The Commission has previously highlighted that education and social care represent over two-thirds of councils' spending and, 'although it is possible to make savings in these areas, national priorities, statutory obligations and demand for services make this challenging'.³

COSLA identifies reducing flexibility based on estimated expenditure

15. COSLA has also described its position on the flexibility of councils' budgets. It has taken a different and wider approach to this. It focuses on estimated expenditure. It identifies expenditure areas that have been ring-fenced or are protected through obligations created by current and past Scottish Government policy initiatives, demand pressures, or fixed obligations such as loan charges. For 2019/20, the most significant areas that COSLA identified included:

- primary and secondary teacher staff costs (£2.5 billion)
- all adult social work costs devolved to IJBs (£2.7 billion)
- Ioan charges (including PPP costs) (£0.7 billion)
- and other areas such as Council Tax Reduction Scheme (£0.4 billion) and Early Learning (£0.4 billion).

16. In its response to the Local Government and Communities Committee on the 2019/20 budget, COSLA's view is that Scottish Government policies and fixed commitments represented 58 per cent of local government revenue expenditure budgets in 2018/19; 60 per cent in 2019/20.

Other income

Council tax increases of three per cent increased total income slightly

17. As identified in our report *Challenges and performance 2019* (1) all

councils increased council tax rates by the maximum allowable three per cent in 2018/19. With increases in the number of properties, total council tax increased by £97 million (4.2 per cent increase) in 2018/19. As only 10 to 19 per cent of funding and income is raised through council tax, this only produces an increase of around 0.5 per cent.

Councils rely on a significant element of grant and NHS income

18. This year, for the first time, we have used financial statements and information collected from auditors, to provide an insight into the extent of grant income received by councils. In a small number of councils this was hampered by a lack of clarity in the accounts about grant income credited to services. Our analysis shows that £3.0 billion (16 per cent) of income was revenue grant income received by Scottish councils (and credited as income to services) in 2018/19.

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How dependent is your council on the various sources of income compared to other councils, including: Scottish Government funding, grants, council tax and receipts from customers/clients?



Challenges and performance 2019 March 2019 💽

19. The major components of this grant income include:

- Housing benefit grants from the Department of Work and Pensions totalling £1.4 billion.
- NHS income, £0.7 billion, including resource transfer and integration fund transfers.
- Scottish Government ring-fenced and other non-government grants of £0.9 billion (including criminal justice, pupil equity and attainment funding and early learning grants).

The proportion of income from each main source varies significantly across councils

20. There are major differences between councils in the nature and scale of income (Exhibit 4, page 14). The most obvious of these is house rents, where six councils are not registered social housing providers, and so do not generate income from housing rents. However, there are other major differences between councils when looking at other sources of income:

- Some councils are less reliant on general revenue funding from the Scottish Government and NDR than others. This ranges from City of Edinburgh Council (43 per cent) to Eilean Siar (68 per cent).
- The other two islands authorities, Orkney and Shetland, have significant harbour activities which generate locally significant income streams of £15 million and £30 million, respectively.
- Some councils have relatively low income from fees and charges for services. There may be local policy reasons for this.
- Some councils generate relatively higher levels of income from council tax. East Dunbartonshire and Perth and Kinross councils rely on council tax to provide 19 per cent of their total income and funding (excluding HRA). In comparison, all three island authorities (Shetland, Orkney and Eilean Siar) realise less than 10 per cent of their total income from council tax.
- Some councils receive a greater proportion of income from grants and NHS funding. The most significant of these is Glasgow City Council which has 29 per cent (£680 million) of its total income from this source. This includes £329 million of housing benefit subsidy, £148 million from the NHS and £58 million of ring-fenced grants from the Scottish Government.

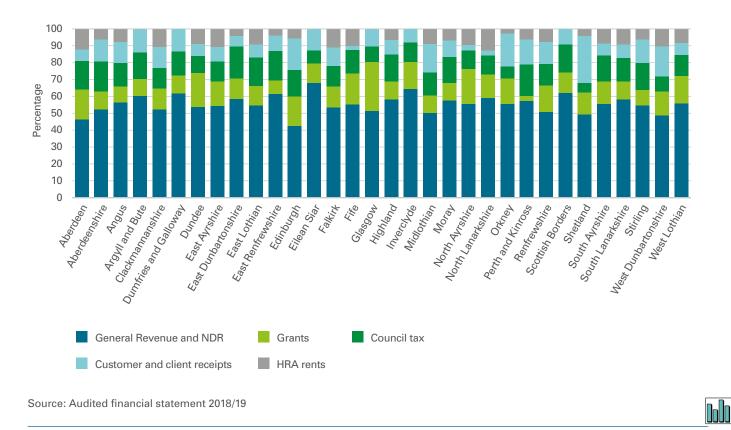


Exhibit 4

The proportion of income from each source for each council Some sources of income are more important to each council.

Part 2

Councils' financial position in 2018/19



Key messages

- The 2018/19 funding gap of three per cent was less than the previous year (four per cent). Councils planned to manage this primarily through savings, though a shortfall in savings achieved meant that a higher proportion of the funding gap was met from reserves than planned.
- Across Scotland councils increased their use of revenue reserves. The net draw on revenue reserves in 2018/19 was £45 million. Over the past five years the position has changed, with councils increasingly drawing on their revenue reserves.
- Twenty-three councils have reduced their general fund reserves over the last three years. No council has a position where this rate of depletion would eliminate the total general fund within three years.
- Capital expenditure increased by £62 million or 2.3 per cent in 2018/19 to £2.75 billion, with more spent on housing and economic development and less on education.
- The value of pension liabilities in councils increased by £0.5 billion to reflect the impact of the McCloud case.
- Councils should continue to improve the transparency of the management commentary.

Council budgets and outturn 2018/19

The 2018/19 three per cent funding gap was less than the previous year

21. Councils' 2018/19 budgets identified total final net expenditure of £12.2 billion. These were not fully met by budgeted income. The funding gap was £0.4 billion (three per cent). In 2017/18, the shortfall was £0.5 billion (four per cent).

22. Councils planned to manage funding gaps through savings. On average, councils delivered 87 per cent of planned savings. However, there was significant variation in how individual councils performed against their savings targets:



How big is the funding gap for your council relative to the total budget?

- Moray Council, which planned to deliver savings of £6.3 million, achieved savings of £7.2 million or 114 per cent of its target. Inverclyde, North Ayrshire and West Lothian councils also performed well against their savings targets.
- Shetland Islands Council, which planned to deliver savings of £1.9 million, achieved savings of £0.4 million or just 21 per cent of its target.

A higher proportion of the funding gap was met from reserves than planned

23. Some councils planned to use reserves to present balanced budgets. An analysis of data from a sample of 18 councils shows that planned use of reserves for 2018/19 was £52 million. The combined total funding gap for these councils was £272 million, of which planned use of reserves represented 19 per cent. The actual use of reserves by the sample of 18 councils was higher than planned at £71 million.

Usable reserves

24. All councils hold reserves but there is variation in the nature and value of these reserves. Reserves play an important role in good financial management of councils. They may be used to invest in a major project, transform services or respond to unexpected events. Reserves are a one-off resource so councils need to plan carefully for their use. Exhibit 5 (page 17) shows the nature and value of usable reserves in 2018/19. Over 77 per cent of the total balance is made up of revenue reserves which include the general fund, housing revenue account, insurance, repairs and renewals funds and other specific funds, eg harbour. The remainder relates to capital reserves which are used to support the costs associated with capital investment projects.

In 2018/19, 16 councils ended the year with a lower level of usable reserves

25. Across all councils there was a net decrease in usable reserves of £6 million to £2.5 billion. Sixteen councils ended the year with a lower level of usable reserves in 2018/19, which is relatively consistent with 2017/18 (18 councils).

26. Examples of councils with notable reductions in usable reserves in 2018/19 include:

- West Dunbartonshire reduced usable reserves by £6 million (or 28 per cent), which mostly related to the housing revenue account balance being used to fund capital expenditure.
- South Ayrshire used £7 million (or 17 per cent) of its reserves. This relates to a draw on its committed general fund in line with its budget plans.
- Moray drew down £4 million (or 16 per cent) from reserves, using its uncommitted general fund to support the 2018/19 financial position. This was part of the approved budget plan.

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What are your council's plans for meeting the current and future funding gaps – savings plans, efficiencies, reduction in services, or transformation, increased charges, use of reserves?

Are there significant elements of unidentified savings in the agreed budget or are all planned savings actions clearly identified?

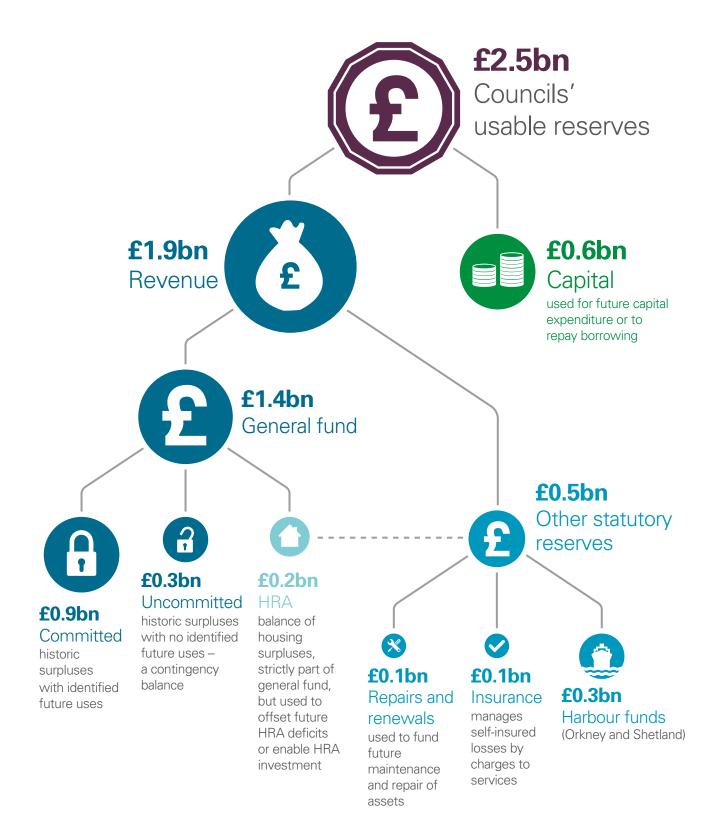
How well are you kept informed about progress against savings plans?

Does your council have a transformation plan? Does it clearly set out the aims and objectives and how and when these will be achieved?

How effectively are you engaged and informed about the council's transformation programme and kept informed about progress?

Exhibit 5

The relative size and nature of councils' usable reserves In 2018/19, usable reserves held by councils totalled £2.5 billion.



Source: Audited financial statements 2018/19



Revenue reserves

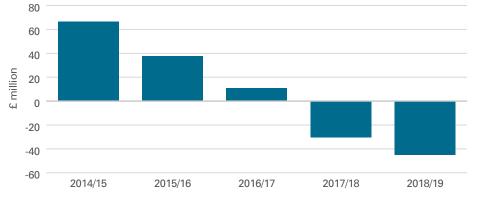
Across Scotland councils increased their use of revenue reserves

27. In recent years, councils have been increasingly turning to reserves to address funding gaps or apply to identified earmarked expenditure. The net draw on revenue reserves in 2018/19 was £45 million. Over the past five years the position has changed from councils adding to revenue reserves to an increasing draw on their revenue reserves (Exhibit 6).

Exhibit 6

The movement in usable revenue reserves

Councils have been increasing their use of (rather than adding to) revenue reserves over the last two years.



Across Scotland councils increased their use of revenue reserves. The net draw on revenue reserves in 2018/19 was £45 million.

Source: Audited financial statements 2014/15-2018/19

General fund reserves

Councils have committed varying proportions of their general fund reserves

28. The total revenue reserve position includes a general fund reserve and councils can commit to using general fund balances for specific purposes in future years or maintain some as uncommitted. In last year's report, we highlighted the importance of councillors understanding the purpose of committed (or earmarked) reserves. We found that nearly all councils set out the purpose of their earmarked reserves, but the intended timing of this expenditure is not always clear. Knowing when the expenditure is likely to be incurred is an important part of understanding the need for these reserves.

29. The uncommitted element is used to provide against unforeseen circumstances and mitigate the financial impact of these. Councils have different strategies for managing the level at which they maintain an uncommitted balance (Exhibit 7, page 19). Most have a reserves policy that sets out a minimum level of uncommitted general fund to be maintained. This typically varies from one per cent to four per cent of expenditure across councils. Some councils, including North Lanarkshire and West Lothian, take a risk-based approach to identify an appropriate level for the uncommitted general fund each year. For both these councils this approach has led to a relatively low level of uncommitted general fund.

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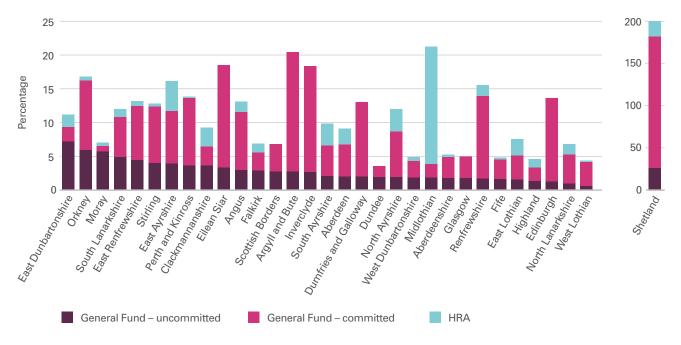
What is your council's reserves policy?

Do committed/ earmarked/specific reserves have clear purpose and projected cashflows or are they part of the general contingency or uncommitted general fund? **30.** The Best Value Assurance Reports for **North Lanarkshire** (1) and **West Lothian** (1) both comment on the low level of uncommitted general fund but recognise that it has been set at a desired level and successfully maintained over several years. However, councils with a low level of uncommitted general fund are more exposed to the risk of an unexpected change in circumstances.

Exhibit 7

General fund as a proportion of net annual revenue split between committed, uncommitted and HRA

All councils hold an uncommitted general fund to protect against unforeseen financial pressures.



Note: Orkney and Shetland also have significant harbour funds which are not included above. Source: Audited financial statements 2018/19

Twenty-three councils have reduced their general fund reserves over the last three years

31. In recent years, there is significant variation in whether councils have added to, or drawn on, their general fund reserve (including the housing revenue balance).
Exhibit 8 (page 20) shows the average annual movement on the general fund over the last three years (as a percentage of the total remaining balance at 31 March 2019). Shetland has experienced a relative increase in its general fund of 24 per cent while Moray has experienced a similar relative reduction.

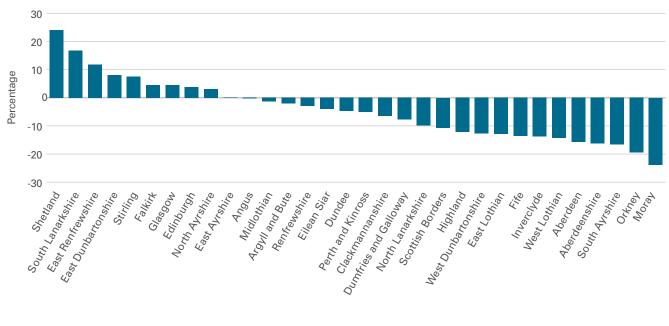
32. Although no council has a position where this rate of depletion would eliminate the total general fund within three years, one council (Moray) would deplete its general fund within five years. The total general fund reserve is £14 million and Moray Council has identified that a further £3.7 million draw on reserves will be required to balance the 2019/20 budget (compared to £4.6 million in 2018/19 and an average of £3.6 million over each of the past three years). The council's budget papers clearly recognise that this approach to financial management is not sustainable and that funding gaps over the medium term will need to be funded from savings, which have not yet been identified.



Is the council using up its reserves and is it likely to deplete these over the medium or long term (within 5 or within 10 years)?

Exhibit 8

Average annual movement in general fund over the last three years Some councils are reducing general fund reserves by significant amounts.



Source: Audited financial statements 2015/16-2018/19

Capital

Total capital spending was ± 2.75 billion with more spent on housing and economic development and less on education

33. Capital expenditure increased by £62 million or 2.3 per cent in 2018/19 to £2.75 billion. A larger proportion was spent on housing and economic development than in the previous year (Exhibit 9, page 21). These two areas now account for 44 per cent of total capital expenditure (39 per cent in 2017/18). The proportion of capital expenditure on education has fallen from 27 per cent in 2017/18 to 20 per cent in 2018/19.

34. Some of the major new investments include:

- East Ayrshire Council Barony Campus. This is the biggest capital investment project ever undertaken by East Ayrshire Council with an estimated total cost of £68 million. On the outskirts of Cumnock, the campus consolidates five schools into one campus.
- City of Edinburgh Council Additional investment in educational properties, roads and social housing through the housing development fund with over 700 new homes under construction and a further 3,000 homes in design and development stages. The council is also providing funding for homes for mid-market rent from private developers through the National Housing Trust and through the Edinburgh Living LLP.

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What are your council's mediumterm and long-term plans for capital spending?

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How well are you kept informed about progress against capital plans?

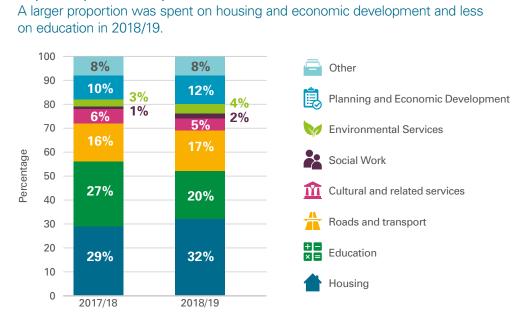
How well do you understand the reasons for any underspend against the annual capital budget? Midlothian Council – Newbattle Community Campus. A £38 million hub project opened in May 2018 as the council's first 'centre of excellence in digital technology' providing enhanced education and leisure facilities for Newtongrange, Mayfield, Gorebridge and the surrounding communities.

Investment has led to an increase in the number of council houses

Capital expenditure by service area 2018/19 and 2017/18

35. Across Scotland, social housing is provided by a mix of housing associations and councils. Twenty-six councils in Scotland provide social housing. Fife and North Lanarkshire have the most housing stock (in excess of 30,000 properties each).

Exhibit 9



Source: Scottish government CPOBE - capital provisional outturn (and budget expenditure)



36. We are now seeing the effect of housing investment and the end of the rightto-buy scheme leading to an increase in social housing stock. The total number of houses at 31 March 2019 has increased by 1,950 to 315,649. Edinburgh increased its housing stock by four per cent (719 properties) and West Lothian increased its housing stock by three per cent (434 properties). Falkirk, Highland, North Lanarkshire, Renfrewshire and South Lanarkshire have also increased their housing stock, each by more than 100 homes. East Ayrshire has experienced the biggest decrease, reducing its house numbers by 264.

Government grants and money from councils' revenue budget continue to be the main sources of funding for capital expenditure

37. The sources of capital expenditure funding in 2018/19 are mostly consistent with 2017/18 and include:

- £1.1 billion of government grants (£60 million or six per cent higher than 2017/18).
- £0.9 billion taken from council revenue (capital financed from current revenue and loans fund charges).
- £0.6 billion increase in the underlying need for councils to borrow.

Auditors reported underspends in annual capital budgets at a number of councils

38. A number of the local auditors in their annual audit reports identified that councils had significant underspends against their annual capital budgets:

- Aberdeen City's 37 per cent underspend is in part due to the reprofiling of four proposed new primary schools, delays with the Union Terrace Gardens Project and in settling land claims for the Aberdeen bypass.
- West Dunbartonshire underspent by 41 per cent. We reported in the <u>Best Value Assurance Report</u> () (June 2018) that there has been a trend of significant levels of capital slippage at the council over a number of years and recommended that the council review its project management processes and consider performing self-assessments to identify areas for improvement.
- Orkney Islands' 50 per cent underspend is due to weaknesses in forward planning arrangements and the auditor reported a history of capital slippage. Capital projects which experienced slippage in 2018/19 include £3 million for the Scapa Flow Visitor Centre and Museum and £4 million for a new tug.

39. There can be local reasons for underspends against annual capital budgets that reflect the phasing of projects over a number of years. The key issue is that councillors understand whether annual underspends of budget are symptomatic of delays in overall capital project delivery and encourage officers to address these or refine the overall capital aspirations.

Debt

There is variation in the relative underlying borrowing position of councils

40. The underlying borrowing position of councils varies across Scotland from 58 per cent of net annual revenue in Renfrewshire and Orkney to 237 per cent in Aberdeen City (Exhibit 10, page 23). Overall gross debt levels have grown by £0.7 billion (or four per cent) in the last year. Councils with higher borrowing levels usually incur higher annual costs of servicing the debt and may have less headroom for further affordable borrowing.

41. The underlying borrowing position consists of the net debt of the councils at 31 March 2019 (total debt less investments and cash) adjusted for total usable reserves. This is because a council with significant reserves that are not cash-backed would need to borrow more in the future to realise these reserves.

?

What is your council's current debt position relative to its annual revenue?

250 200 Percentage 150 100 50 Nest Dunbartonshire East Dunbartonshire Scottish Borders Éast Lothian South Langertishire Perty and Kincess Argunand Bute Clachnannanshire 0 West Lothian East Aurshire Eilean Siar Abordenshire sand Gallowar South Arishing North Langertishing Midlothian North Anshire East Rentewahire Highland Dundee huerchae . Edinburgh Morar . Fife Glasgon + Falkink Shettand Rentrewshir Ortho Underlying borrowing: net annual revenue % Gross debt: net annual revenue % Source: Audited financial statements 2018/19

Exhibit 10

Underlying borrowing and gross debt as a proportion of net annual revenue

The underlying borrowing position of councils varies from 58 per cent to 237 per cent of net annual revenue.

Total net debt across councils has increased by ${\tt \pm 0.3}$ billion, mainly due to three councils

42. The different sources of debt held by councils comprises:

- The Public Works Loans Board (PWLB), a UK Government agency that issues loans to local authorities and other specified bodies (56 per cent).
- Other market loans (27 per cent).
- Other long-term liabilities from assets acquired through public private partnerships including Private Finance Initiative (PFI), Public Private Partnership (PPP) and Non-Profit Distributing (NPD) models (17 per cent).

43. Total net debt has increased by £0.3 billion (2.3 per cent), from £15.1 billion in 2017/18 to £15.4 billion in 2018/19. Three councils account for most of the movement in net debt this year:

- Aberdeen City Council an increase of £203 million (21 per cent) due to an increase in PPP liabilities and short term borrowing from other local authorities to fund capital investment.
- East Ayrshire Council increase of £67 million (20 per cent) due to an increase in finance lease liabilities for an NDP schools project that the council occupied in the year.
- Dundee City Council increase of £66 million (10 per cent) due to an increase in borrowing to fund the council's capital programme, including £12.4 million for council housing.

The overall cost of servicing debt is unchanged but councils incur different levels of spend on their annual revenue

44. Total interest costs remain consistent year-on-year at £0.8 billion. In 2018/19, these payments varied from 10 per cent of net annual revenue in Aberdeen to two per cent in Orkney with 19 councils spending more than six per cent of their net annual revenue on debt interest. Higher interest costs can reflect the extent, type and age of debt held.

Most debt is fixed interest, but PFI/PPP/NPD schemes are variable interest

45. Most council borrowing comes from the PWLB and this is usually issued at a fixed interest rate. Our analysis from auditors found that fixed interest payments made up around 65 per cent of total interest payments in 2018/19. In October 2019, the UK Treasury announced that interest rates on new PWLB loans would rise from 1.81 per cent to 2.81 per cent. This will make new PWLB borrowing or refinancing of debt for councils more expensive.

46. The remainder relates to interest payments on PFI/PPP/NPD agreements (30 per cent), where unitary charges are typically linked to RPI and variable interest loans (five per cent). Aberdeen City Council issued index-linked bonds in November 2016, raising £415 million to support its capital investment programme. This is also linked to RPI and the income generated by the new Aberdeen Exhibition and Conference Centre is expected to contribute to the cost of servicing the bond each year.

Provisions and equal pay

Glasgow City Council agreed to settle equal pay claims at a cost of £0.5 billion

47. In last year's report, we highlighted that the impact of equal pay claims on Glasgow City Council's financial planning could be significant. In May 2019, the council agreed to settle outstanding equal pay claims at a total cost of £0.5 billion. The council has developed a funding strategy that will spread the cost of settlement over several years and this has been built into the council's baseline budget from 2019/20 onwards. The funding strategy includes one of the council's arm's-length external organisations (ALEOs) refinancing an existing loan with Barclays Bank and remitting this to the council as a member contribution. The second element involves a sale and leaseback arrangement of property with the same ALEO. The local auditor assessed the overarching governance arrangements of the equal pay project, along with the controls in place around the calculation and payment of settlements and considered them to be appropriate.

48. The settlement does not fully extinguish the council's equal pay liability. The council is currently working towards implementation of a new pay and grading system by April 2021, and a liability may remain until the new system is in place.

Pensions and severance

Employer pension liabilities increased as a result of the McCloud case

49. Councils' share of the Local Government Pension Scheme (LGPS) net liability at 31 March 2019 increased by 41 per cent to £9.3 billion, compared to £6.6 billion at 31 March 2018.

?

How much of the council's budget is used to pay interest and debt repayments?



Are you given clear and sufficient information to understand risks and support decisions about future borrowing? **50.** In 2015, the government introduced reforms to public sector pensions. In December 2018, the Court of Appeal ruled, in the McCloud case, that the transitional protection offered to some members of the judicial and fire fighters' schemes as part of the reforms amounted to unlawful discrimination – <u>www.judiciary.uk/</u> . As all care schemes introduced in 2015 contained transitional protection, all schemes are likely to be unlawful. This includes the local government pension funds. On 27 June 2019, the Supreme Court denied the UK Government leave to appeal and the UK Government conceded that the protections in place were discriminatory on grounds of age. In accordance with accounting standards, this was regarded as an adjusting event after the balance sheet and councils were advised to adjust their unaudited financial statements.

51. In June, the Government Actuary's Department (GAD) provided actuarial firms with a methodology for estimating the likely impact of the rulings on pension liabilities. Local government pension fund actuaries were requested to apply the GAD assumptions which generally resulted in an increase in the net pension liabilities.

52. The impact of McCloud on council finances will become clearer at the next triennial revaluation of pension funds at 31 March 2020, when contribution rates are redetermined. There may be a funding pressure, with councils having to make additional future employer contibutions to cover the increased liabilities.

Other issues affected revised pension liabilities

53. While the impact of McCloud was the main element in the revised figures, there were other factors involved including Guaranteed Minimum Pension (GMP) equalisation (due to contracting out of the state earnings related pension scheme (SERPS) in April 1978). This provided for reduced employer and employee National Insurance contributions in return for members receiving a GMP from an occupational pension scheme. GMPs are discriminatory in various ways. For example, they are payable at 60 for female members and 65 for male members and they have built up at different rates, reflecting the earlier payment age for women. An interim method of calculating the cost of persons retiring between April 2016 and April 2021 has been agreed by HM Treasury.

54. In a few other cases, there were specific issues which were updated in the revised actuarial valuations. For example, in Aberdeenshire, the actuary had not reflected the impact of the backdated pay award, and in Aberdeen City, Stirling and Dumfries and Galloway, the initial calculations were based on the estimated investment position for the year end and this was revised to actual data in the audited statements.

55. The total impact of the above issues on councils' pension liabilities was ± 0.5 billion (or 5.5 per cent).

Local auditors reported some issues with severance cases

56. Some auditors reported that business-case calculations of the cost and benefits of severance were not taking into account all costs that they would expect to see. Auditors also found that some councils were using longer than expected payback periods: this is the length of time it would take the council to recoup the cost of the severance through expected savings in salary costs. The Scottish Government recommends this be no longer than two years, but auditors found examples of this being up to five years.

57. These severance cases often came as the result of restructuring at senior levels, with the intention of making future cost savings. Councils need to ensure that a robust business case is prepared for severance or early retirement that considers the long-term financial commitment of these decisions.

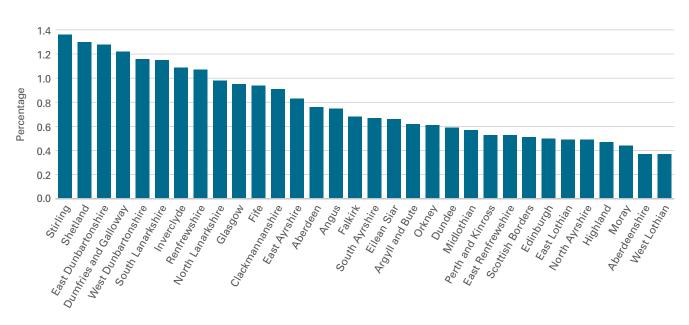
All councils have ongoing commitments in respect of unfunded pension liabilities, but the extent of these costs vary

58. Unfunded liabilities are pension amounts that are not met by the pension schemes, but by the individual employer. These can occur when an employer approves an early retirement, without actuarial reduction and with enhanced pension. All councils have ongoing commitments arising from past decisions on early retirements. Exhibit 11 shows that for some councils this ongoing cost represents more than one per cent of their annual net operating expenditure.

?

Does the council prepare business cases for severance proposals and are these reported to councillors?

Exhibit 11



Annual cost of unfunded benefits as a percentage of net operating expenditure Annual payments for historic early retirements vary significantly.

Source: Audited financial statements 2018/19 and IAS19 valuation reports by actuaries

Financial management and transparency

Management commentaries (i) do not always explain the link between budget outturn and the financial performance in the accounts or achievement of planned savings targets

59. In last year's report, we highlighted three key aspects to an assessment of whether financial reporting is transparent in the management commentaries:

- Is the outturn against budget position for the year clearly shown with the reasons for significant variances obvious?
- Is the outturn reported in the narrative reconciled to the movement in the general fund contained in the financial statements and major differences explained?
- Is progress against agreed savings reported?

60. Our review of 2018/19 management commentaries found that:

- Both Comhairle Nan Eilean Siar and The Highland Council included these key aspects of transparency in their management commentaries.
- Nearly all councils reported their year-end outturn, but five councils did not provide explanations for significant variances from budget.
- Nine councils reported the outturn in the management commentary but this was not reconciled to the financial performance in the accounts. This narrative is critical to the understanding of a council's performance against budget and how this translates into the movement on the general fund reported in the accounts.
- Only ten councils reported progress against agreed savings.

Management commentaries

A management commentary is a report by the council, set out with its annual accounts. It should provide information on the council's strategic priorities and key risks, as well as a balanced analysis of the financial and wider performance of the council in the year.

?

Does the management commentary of the council (and of the IJB accounts) show the outturn against budget reconciled to movement in the general fund and progress against agreed savings plans?

Councils' financial outlook



Key messages

- Scottish Government revenue funding to local government in 2019/20 increased by 2.9 per cent in cash terms (0.9 per cent in real terms).
- In 2019/20, the Scottish Government increased the cap on council tax increases. Twelve councils decided to increase council tax by the full amount (4.8 per cent).
- Many councils are also seeking other ways to increase income, including increasing fees and some have introduced new charges in 2019/20. Some councils also continue to pursue new local taxes.
- Councils' 2019/20 financial plans identified a total funding gap of £0.5 billion (three per cent of income). This continues the increasing pressure on councils to find further cost savings, redesign services, reduce services, increase income or use reserves. These decisions are likely to become increasingly difficult for councillors. Councils planned to manage their funding gaps mainly through identified cost savings.
- All councils have medium-term financial planning covering three years or more. Long-term financial planning has not progressed since last year.
- The Scottish Government has made a commitment to set out multiyear budgets, which will assist councils with financial planning.
- Councils have made preparations for EU withdrawal but there are many potential implications that cannot be anticipated in financial planning.

2019/20 funding settlement

Scottish Government revenue funding to local government in 2019/20 increased by 0.9 per cent in real terms

61. The Local Government revenue settlement from the Scottish Government in 2019/20 increased by 2.9 per cent (cash terms) from 2018/19 to £10.1 billion. This was a real-terms increase of 0.9 per cent. Over 80 per cent of the increase is due to growth in specific revenue grant funding.

Medium- and long-term financial planning

The Scottish Government has made a commitment to set out multi-year budgets, which will assist councils with financial planning

62. The funding settlement to councils continues to be provided on an annual basis. This makes it challenging for councils to plan and budget effectively for the medium term. The Scottish Government planned to publish indicative multi-year revenue budgets in December 2019 covering a three-year period,⁴ and to then publish a three-year indicative capital budget in the summer of 2020. However, it is unlikely to produce these this year. The Commission views this commitment to multi-year budgets as a positive step and will monitor and report on progress and the impact on council planning in future overview reports.

63. The Scottish budget is becoming increasingly complex. It is subject to greater uncertainty and volatility than when the majority of its funding was relatively fixed through the block grant from the UK Government. The way the Scottish economy performs relative to the rest of the UK now has a greater influence on public finances than ever before. Given Scottish Government funding remains the most significant source of income for councils, this volatility in the Scottish budget holds uncertainty and risks for funding to councils. This adds to the complexity and challenges for councils in planning for the medium and long term.

64. On 30 May 2019, the Scottish Government published its second medium-term financial strategy.⁵ Income tax forecasts in the strategy suggest that the Scottish Government may need to budget for a significant revenue shortfall in each of the next three years, because forecasts have fallen since budgets were set. This shortfall could total £1 billion over the three years covered by the strategy.

65. The strategy continues to lack detail of proposed spending priorities or plans or how these might address the budgetary challenge. It does set out principles which will be used in a future spending review, although the timing of this remains uncertain. In September 2019, the Auditor General reported⁶ that the strategy 'does not reflect all the basic components of a medium-term financial plan. It does not include indicative spending plans or priorities, or links to outcomes. There is no detail on how the Scottish Government would address a possible £1 billion shortfall due to forecast errors'.

All councils have medium-term financial planning, but the content could be improved

66. In 2019/20, all councils had financial plans that covered at least three years.

67. Medium-term financial plans should be at the core of strategic planning and decision-making. In order to ensure these decisions are made with the most current and accurate information, medium-term financial plans should be reviewed and refreshed annually and maintained as a rolling three- to five-year plan.

68. Local auditors reported that the content of medium-term financial plans varied:

- 28 (or 90 per cent) included estimates for Scottish Government funding
- 25 (or 81 per cent) included a total projection for net expenditure
- 18 (or 58 per cent) included projections of net expenditure at service level



Audit Scotland published a briefing in October 2019, *Scotland's new financial powers: Operation of the Fiscal Framework* 2018/19 (1).

This sets out an overview of how the Scottish budget operated during 2018/19, how the Fiscal Framework operated, provides an update of the main risks that affect the Scottish budget and what these mean for the management of the Scottish public finances.



The 2018/19 audit of the Scottish Government Consolidated Accounts September 2019 ()

- 17 (or 55 per cent) included projections for service income
- 21 (or 68 per cent) included projections for the costs of borrowing.

69. There is scope for the content of financial planning to improve to include the elements in **paragraph 68 (page 29)** and assist members and other stakeholders in determining which services are likely to experience the biggest budget pressures, how service income is expected to contribute to the overall position and the extent to which relatively **fixed costs** (*i*) such as borrowing and unfunded pension liabilities affect the budget position.

A third of councils have financial plans that cover more than five years

70. Long-term financial planning has not progressed since last year. Financial planning, covering more than five years, was identified in just ten councils. Last year we reported 16 councils, but further work indicates some of these have not been updated and now refer to less than five years or are limited to capital expenditure plans.

71. Long-term financial planning is particularly important in the context of increasing financial challenges and wider demands on services, in order to manage financial challenges and to make well-informed decisions, which are aligned to council priorities.

Financial pressures in 2019/20 budgets

72. Councils' 2019/20 budget papers set out some common themes in the pressures that councils identified:

- Changes to staff-related costs generated significant pressure on budgets. For example, the local government pay offer made by COSLA and accepted by the Scottish Joint Council (SJC), which led to a pay increase of 9.5 per cent over the three-year period from 2018 to 2021.
- Demand pressures, particularly the expected population growth in some council areas, the increasing proportion of the population that is over 65 and over 75 years and other demographic changes.

Councils' identify a total funding gap of three per cent in 2019/20 budgets

73. Councils' 2019/20 financial plans identified a total funding gap of £0.5 billion (three per cent). This is consistent with the three per cent gap in 2018/19. This continues the increasing pressure on councils to find cost savings, reduce services, increase income and/or use reserves and these decisions are likely to become increasingly difficult for councillors.

74. The basis and timing of the reported gap can vary from council to council. For example, two councils stated their funding gap after including a council tax increase, but the majority included council tax as one of their measures to close an identified gap. Councils could be more consistent in their presentation of the funding gap.

75. Funding gaps identified in 2019/20 budgets ranged from one to seven per cent across councils. Councils most frequently reported a gap of between two and four per cent. Aberdeen City and Clackmannanshire councils identified the largest funding gaps, relative to the councils' total funding and income (excluding HRA), of between six and seven per cent.



Fixed costs remain unchanged in the short term over a wide range of activity. Their presence magnifies the effect of overall budget reductions or demand increases on the remaining budget.



Does your council have medium- and long-term financial plans and do they include a range of potential funding and financial scenarios?

Does the mediumterm plan provide sufficient information on estimated Scottish Government funding, projected net expenditure (in total and for each service), projections for service income, projections for cost of borrowing?

Councils managed their funding gaps mainly through identifying planned savings

76. Exhibit 12 sets out the proposed measures to address the funding gap across councils. Savings plans were the most common action, contributing £352 million (66 per cent) to the identified funding gap. This will include plans for cost reduction and service redesign. Of these **savings** *(i)*, 96 per cent were 'recurrent', with only 4 per cent 'non-recurrent'.

77. Council tax increases provided a further £89 million (17 per cent) of income to bridge the gap. Increase to fees and charges for services made a minor contribution too (three per cent). The planned use of reserves made up the shortfall in the funding gap of £73 million (13 per cent) with 17 councils planning to use reserves to bridge the funding gap.

i Savings

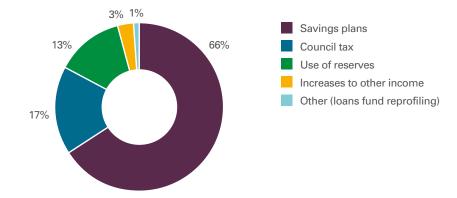
Recurring savings are savings, that once achieved, recur yearon-year from that date.

Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years.

Exhibit 12

Planned savings were the most common way of addressing funding gaps

66 per cent of the funding gap in 2019/20 is to be met through planned savings measures.



Source: Local auditor returns and council budget papers 2019/20



78. The position is unique to each individual council, for example East Renfrewshire Council identified a funding gap of £15.3 million, or five per cent of its funding and income (excluding HRA). The agreed budget identified that the gap was to be met through:

- Planned savings £9.33 million (61 per cent)
- Use of reserves £4.31 million (28 per cent)
- Three per cent council tax increase £1.63 million (11 per cent).

Fees, charges and local taxation

Many councils have been increasing fees and some have introduced new charges

79. Charges for services vary across councils. For example, some councils do not charge for music instruction but the majority have an annual charge. This varies significantly from £117 in Inverclyde Council to £524 in Clackmannanshire Council.²

80. Many councils are increasing charges for services. An analysis of 18 types of charges indicates that two of the largest increases from 2018/19 to 2019/20 were applied to:

- Community alarms, 22 councils provided information on this charge and the average increase was 19 per cent.
- Bulky waste uplift, where 27 councils reported an average increase of eight per cent.

81. Some councils continue to introduce new fees and charges. These include:

- garden waste uplift
- the expansion of parking charges
- new charges associated with funerals (for example, use of multi-media)
- licensing (for example, new licences for public entertainment)
- planning services (for example, pre-application meeting charges).

Greater council tax increases were deployed in 2019/20 than in previous years

82. In 2019/20, the Scottish Government increased the cap on council tax increases to 4.8 per cent in cash terms (3.0 per cent in real terms). Twelve councils decided to increase council tax by the full amount (4.8 per cent). Thirteen councils increased it by three per cent and the other seven by between 3.9 and 4.5 per cent.

Councils continue to pursue new local taxes

83. As we reported in our report *Local government in Scotland: Challenges and Performance 2019* (1), local authorities are exploring new ways in which to raise tax locally.

84. The City of Edinburgh Council has endorsed a proposal for an Edinburgh transient visitor levy or 'tourist tax'. This would be based on a charge of £2 per room per night applying all year round for all accommodation types within the council boundary, except for campsites, for a maximum of seven consecutive nights. This scheme is expected to raise up to £14.6 million a year. Implementation of this will require legislation to be passed by the Scottish Parliament. The government has included a Transient Visitor Levy Bill in their 2019/20 programme for Scotland (*Protecting Scotland's Future: the Government's Programme for Scotland 2019–2020*). The Bill aims to provide local authorities with discretionary powers to apply the charge with the income being used to fund local authority expenditure on tourism.

85. In October 2019, the Transport Act was passed. The Scottish Government supported amendments to the Bill at stage two of the legislative process, which provide local authorities with the discretionary power to apply a workplace parking levy.

EU withdrawal

86. EU withdrawal has the potential to exacerbate the existing financial pressures faced by councils. The risk of increased cost of goods and services from the EU is one of the more immediate concerns. Longer term, councils are concerned about the wider economic implications for public finances and the impact on their local areas. For example, increases in interest rates, reduction in business investment or an increase in unemployment and poverty are all risks to councils' communities and therefore to councils' financial planning.

87. The Scottish Government has allocated £1.6 million (£50k per council) to support ongoing work in councils to coordinate preparations for leaving the EU. It has also approved £7 million for a Rapid Poverty Mitigation Fund, to enable councils to respond to anticipated increased demand in the event of a no-deal exit. This includes scaling-up existing measures such as the Scottish Welfare Fund and Discretionary Housing Payments and supporting people in food or fuel poverty.

In December 2019, we plan to publish a briefing on how the public sector in Scotland has responded to EU withdrawal. This will be available on the Audit Scotland website S.

Part 4

Integration Joint Boards overview 2018/19

Key messages

- The pace of health and social care integration has been too slow and there is limited evidence to suggest any significant shift in spending from health to social care.
- Overall, IJB budgets increased by three per cent in 2018/19.
- The identified budget gap reduced from £248 million (2.9 per cent of total income) in 2018/19 to £208 million (2.5 per cent of total income for 2019/20).
- A majority of IJBs struggled to achieve break-even and 19 would have recorded a deficit without additional funding from partners at the year end.
- Around a third of the IJBs failed to agree a budget with their partners for the start of the 2019/20 financial year. For several IJBs, although the budget was set on time, it still had an element of unidentified savings which meant it was unbalanced at the start of the year.
- A focus on long-term financial planning is required by IJBs to assist effective decision making that will support long-term financial sustainability.
- Over a third of IJB senior staff have changed during 2018/19.

Funding and expenditure

Overall, IJB budgets increased by three per cent in 2018/19

88. Overall total IJB funding increased by three per cent in 2018/19 and this was reflected in a three per cent increase in total expenditure of £0.3 billion to £8.6 billion. The total contributions from councils increased from £2.4 to £2.5 billion and NHS contributions from £5.9 to £6.1 billion.

The pace of progress with integration has been too slow

89. The average proportion of NHS and council funding to IJBs (71 per cent/ 29 per cent) and expenditure incurred (64 per cent/ 36 per cent) remains consistent with the previous two years. This does not indicate any significant shift in health and social care spend between partners and this finding is consistent with the Scottish Government's **spending and performance update S**.



90. As a result of concerns about the pace of health and social care integration, the Cabinet Secretary for Health and Sport commissioned a review of progress. This was conducted in late 2018. The Ministerial Strategic Group for Health and Community Care (MSG) published its findings in February 2019 and set out proposals for ensuring the success of integration. Following publication of its review, the MSG issued a self-evaluation template. This aimed to evaluate the current position on the findings of the review. This exercise will be repeated to demonstrate any progress made.

91. The Auditor General commented in *NHS in Scotland 2019* (2), October 2019, in relation to health and social care reform that the pace of change has been too slow. She recommended that the Scottish Government in partnership with NHS boards and integration authorities should 'develop a new national health and social care strategy to run from 2020 that supports large-scale, system-wide reform, with clear priorities that identify the improvement activities most likely to achieve the reform needed'.

More IJBs now hold reserves, but this varies significantly

92. A further £34 million was added to IJB reserves in 2018/19, which now total £158 million or 1.8 per cent of total expenditure (1.5 per cent in 2017/18). Some of this increase in reserves is as a result of IJBs holding unspent earmarked funding from the NHS, including those associated with Primary Care Improvement Fund and the Mental Health Strategy. More IJBs now hold some level of reserve (26 in 2018/19 compared to 22 in 2017/18) (Exhibit 13, page 36). The IJBs without any reserve include Fife, Scottish Borders and South Ayrshire. One IJB, North Ayrshire, continues to hold a negative reserve of -£4.9 million. In 2018/19, the IJB started to repay this debt to the council and the remainder will be repaid in future years. This expectation of future 'repayment' of historic overspends is also identified as an issue in Argyll and Bute.

93. Of those IJBs with reserves, the position varies from Argyll and Bute with 0.1 per cent of total annual expenditure held as reserve (£0.3 million) to Eilean Siar with 9.8 per cent (£5.8 million).

2018/19 financial position

The majority of IJBs struggled to achieve break-even

94. In 2018/19, 20 IJBs reported a surplus, two reported break-even and eight reported a deficit. The overall position was an underspend of £34 million. A number of IJBs failed to deliver all of their planned savings in the year and many have struggled to achieve financial balance, requiring additional funding from partners. Without this additional funding, 19 would have recorded a total deficit of £58 million.

Recruitment challenges present a risk to service sustainability

95. Some IJBs have indicated that staffing issues have contributed to either overspends or underspends against budgets.

96. In the case of Eilean Siar, recruitment difficulties contribute to underspends against the IJB budget. The apparent healthy financial position masks issues of service sustainability, which are stated in the IJB's management commentary: 'Recruiting staff is already proving difficult for both nursing and social care staff and is expected to worsen as the available workforce on the islands decreases.'



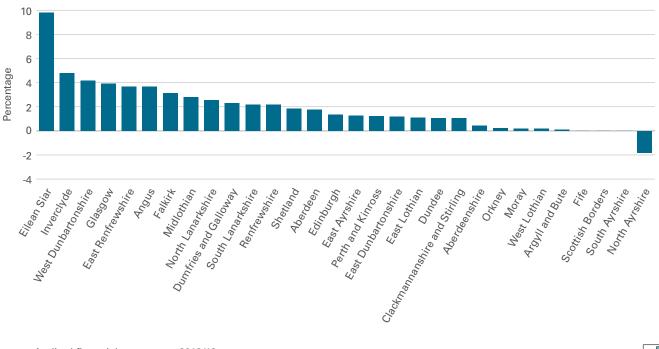
NHS in Scotland 2019 October 2019 💽

What is your IJB's reserve policy?

Are the commitments made reviewed annually to ensure they reflect the best use of the IJB's reserves?

Exhibit 13

Integration Joint Board reserves as a percentage of total spend, 2018/19 More IJBs (26) now hold a reserve, but this varies significantly.



Source: Audited financial statements 2018/19

97. Other IJBs have highlighted the risks that recruitment difficulties could present for the sustainability of services in the future. In Dumfries and Galloway, consultant vacancy rates have averaged around 20 per cent over the last two years and there has been a seven per cent increase in the use of agency staff. Edinburgh has reported that 45 per cent of their workforce are aged over 50, which could cause capacity and supply issues in the future.

98. Audit Scotland's report, *NHS workforce planning – part 2* (), highlights pressures on the primary care workforce linked to recruitment and retention. The Scottish Government acknowledges the pressures on the workforce but has not estimated the impact they will have on primary care services. Integration Joint Boards are responsible for planning, designing and commissioning services and need to think differently about how these services can be delivered with the resources available.

Financial planning

Budgets were not always agreed by 1 April and budgets included unidentified savings plans

99. Having clear, complete and detailed agreed budgets is a fundamental business and governance tool. Fourteen IJBs failed to agree a budget with their partners for the start of the 2018/19 financial year. This position improved for 2019/20, with 11 encountering a delay that meant the budget was not formally agreed by 1 April 2019.



NHS workforce planning – part 2 August 2019 ()



Is a budget agreed by the IJB before the start of the financial year? If not, why not? **100.** Just under half of IJBs had budgets that included some unidentified savings. This meant the budgets were not balanced at the start of the year.

101. Our review of annual audit reports found that several IJBs, including Fife and Shetland, failed to deliver planned savings in year. This will have contributed to the financial pressures incurred.

102. The results from the national self-assessment tool developed in response to the Auditor General and Accounts Commission's report, <u>Health and social care integration: update on progress</u> (*), and the <u>Review of Progress with Integration of Health and Social Care</u> report by the Ministerial Strategic Group for Health and Community Care indicate that IJBs recognise the timely agreement of budgets is an area for improvement. Eighteen IJBs assessed this area as either 'not established' or only 'partly established'.

Financial outlook

Medium-term financial planning is improving

103. Last year we reported that only a third of IJBs had a medium-term financial plan in place and that there was no evidence of longer-term financial planning. Since then, the position on medium-term financial planning has improved with auditors reporting that over two-thirds of IJBs have a medium-term financial plan. Over half of these covered a three-year period, with the remainder covering a longer period of between four and five years. Two thirds of the IJBs with medium-term financial plans reviewed them on an annual basis.

104. The plans typically included projections of net expenditure, income and projected funding gaps. Where estimates were included on pay growth, non-pay costs, demand and changes in government funding the estimated rates were found to vary significantly.

105. No IJBs had a financial plan that extended for more than five years. A focus on longer-term financial planning is required by IJBs as changes under integration are only likely to be achieved in the longer term.

The projected funding gap is £208 million for 2019/20

106. Auditors identified a total estimated funding gap of £208 million for 2019/20, representing 2.5 per cent of total income. This is an improvement in comparison to 2018/19 (£248 million or 2.9% of total income). The 2019/20 funding gap as a proportion of total income varied between zero and 7.6 per cent.

107. Exhibit 14 (page 38) shows how IJBs propose to bridge the 2019/20 funding gap. Of the £208 million, 59 per cent was anticipated to be met by identified savings and 30 per cent by unidentified savings plans. Seven IJBs planned to cover part of the estimated funding gap from reserves.



Does the mediumterm plan provide sufficient information on host partner funding, projected net expenditure, projections for income, projections for cost of borrowing?

Does the IJB have a transformation plan?

Does it clearly set out the aims and objectives and how and when these will be achieved?

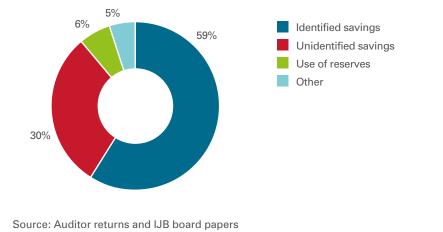


How big is the funding gap for your IJB relative to the total budget?

Exhibit 14

Plans to address 2019/20 funding gap

Savings had not been identified for 30 per cent of the 2019/20 funding gap.



Wider governance issues

Over a third of IJB senior staff have changed during 2018/19

108. Based on data returns from auditors we found that over a third of IJBs have experienced turnover in their chief officer or chief finance officer in the year. In some cases, both these postholders have changed. Our report <u>Health and</u> <u>social care integration</u> () highlighted the risk of leadership changes and capacity to the transformation of services and successful integration.

109. The annual audit report for Argyll and Bute notes that the turnover in key staff led to weaknesses in financial reporting and a reduced focus on the delivery of approved savings. The chief officer changed, and two chief finance officers left the IJB in an eight-month period. Interim cover on a part-time basis was provided by the council's section 95 officer from December 2018 to June 2019, when a permanent appointment was made to the new role of head of finance and transformation.



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Health and social care integration: update on progress November 2018 ()

Endnotes



- 1 Convention of Scottish Local Authorities.
- 2 Scottish Parliament Information Centre.
- 3 Local government in Scotland: Challenges and performance 2019 (1), Accounts Commission, March 2019.
- 4 SPICe briefing on the Scottish Government's Medium-term Financial Strategy, May 2019.
- 5 Scotland's Fiscal Outlook, Scottish Government, May 2019.
- 6 The 2018/19 audit of the Scottish Government Consolidated Accounts (1), Auditor General, September 2019.
- 7 Instrumental Music Services: Results from the IMS Survey May–July 2018, Improvement Service, 2018.

Local government in Scotland Financial overview 2018/19

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN T: 0131 625 1500 E: info@audit-scotland.gov.uk www.audit-scotland.gov.uk

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SUPPLEMENT 1

Appendix 2

Prepared by Audit Scotland | December 2019

Local government financial overview 2018/19

Scrutiny tool for councillors

ACCOUNTS COMMISSION S

This scrutiny tool captures some potential questions for councillors and relates to our report *Local government in Scotland: Financial overview 2018/19* (.). It is designed to provide councillors with examples of questions they may wish to consider, to help identify how informed they are of their council's financial position in order to support them to scrutinise financial performance.

Questions for councillors to consider	What do I know?	Do I need to ask further questions?
Income		
 How dependent is your council on the various sources of income compared to other councils – Scottish Government funding, grants, council tax and receipts from customers/clients? 		
Council and IJB budgets		
2. Is a budget agreed before the start of the financial year? If not, why not?		
3. How big is the funding gap for your council/ IJB relative to the total budget?		
		Con

Questions for councillors to consider	What do I know?	Do I need to ask further questions?
4. What are your council's plans for meeting the current and future funding gaps – savings plans, efficiencies, reduction in services or transformation, increased charges, use of reserves?		
5. Are there significant elements of unidentified savings in the agreed budget or are all planned savings actions clearly identified?		
6. How well are you kept informed about progress against savings plans?		
7. Does your council/IJB have a transformation plan? Does it clearly set out the aims and objectives and how and when these will be achieved?		
8. How effectively are you engaged and informed about the transformation programme and kept informed about progress?		
Reserves		
9. What is the council's/IJB's reserve policy?		
10. Do committed/earmarked/specific reserves have clear purposes and projected cashflows or are they part of the general contingency or uncommitted general fund?		
11. Are these commitments reviewed annually to ensure they reflect the best use of the council's/IJB's reserves?		
12. Is the council/IJB using up its reserves and is it likely to deplete these over the medium or long term (within 5 or within 10 years)?		
		Cor

What do I know?	Do I need to ask further questions?
	What do I know?

Questions for councillors to consider	What do I know?	Do I need to ask further questions?
Financial planning		
20. Does your council have medium- and long-term financial plans, and do they include a range of potential funding and financial scenarios?		
21. Does the medium-term plan provide sufficient information on estimated Scottish Government funding (or host partner funding), projected net expenditure (in total and for each service), projections for service income, projections for cost of borrowing?		

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