

Supplementary Agenda



Audit Committee

Date: Wednesday, 20 March 2019

Time: 14:00

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

Items to Follow

I refer to the agenda for the above Meeting of the Audit Committee which was issued on 7 March 2019 and now enclose a copy of the undernoted items which were not available for issue at that time.

Yours faithfully

JOYCE WHITE

Chief Executive

Undernote:-

Items to Follow

7 CAPITAL POST PROJECT REVIEWS

99 - 112

Submit report by the Strategic Lead - Resources providing an update on the latest capital post project reviews undertaken.

9 AUDIT ACTION PLANS

113 - 140

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.

10 AUDIT SCOTLAND ANNUAL AUDIT PLAN 2018/19

141 - 162

Submit report by the Strategic Lead - Resources presenting Audit Scotland's Audit Plan for the audit of financial year 2018/19 to Committee for information.

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
Ms E McKerry

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: 14 March 2019

West Dunbartonshire Council
Report by Strategic Lead - Resources
Audit Committee – 20 March 2019

Subject: Capital Post Project Reviews

1. Purpose

- 1.1** The purpose of this report is to provide Members with an update on the latest capital post project reviews undertaken.

2. Recommendations

- 2.2** Members are requested to:

- Note the capital projects that were selected for post project review;
- Note the outcome of the reviews; and
- Note the next list of projects recommended for review.

3. Background

- 3.1** Audit Scotland published a report entitled “Major Capital Investment in Councils – Follow Up” in January 2016, the details of which were reported to the Audit and Performance Review Committee on 8 June 2016.
- 3.2** The Audit Scotland report contained a recommendation that Councils should “collect and retain information on all projects including explanations for cost, time and scope changes and lessons learned. Report this information publicly to improve transparency and scrutiny of project delivery and share lessons learned across services and other councils”.
- 3.3** In response to the above recommendation a pilot programme of post project reviews was undertaken, the outcome of which was reported to the Audit and Performance Review Committee on 14 December 2016.
- 3.4** As part of our project management approach, post project reviews are undertaken for all one-off projects of £1m and over and any other projects deemed suitable for post project evaluation by the Strategic Asset Management Group.
- 3.5** Due to the nature and timing of the projects that are being reviewed and reported herein there has been a gap since the last report on this subject in December 2016, as meaningful reviews are only possible once the projects have been completed and embedded (typically for at least 1 year after completion) to allow all outcomes to be meaningfully considered within the review.

4. Main Issues

4.1 A total of 8 projects were selected for inclusion in the latest review programme, details of which are included in the following table:

Project	Original Planned End Date	Actual End Date	Initial Budget	Actual Spend	Variance against Initial Timeline	Variance against Budget
			£	£	Months	£
ICT Modernisation	March 2015	October 2017	4.165	4.165	30	Nil
Dumbarton Care Home	February 2016	April 2017	10.000	13.374	14	3.374
New Clydebank Leisure Centre	March 2016	March 2017	18.000	23.810	12	5.810
Replacement of Equipment at Clydebank Crematorium	February 2016	April 2016	1.500	1.686	2	0.186
Energy Efficiency Street	March 2016	July 2017	5.695	5.694	16	(0.001)
Kilpatrick School New Build	March 2015	November 2016	8.150	10.571	20	2.421
Aitkenbar / St Peter's PS Co-location	October 2014	August 2016	9.311	10.646	22	1.335
Lennox PS and St Ronan's PS	October 2016	March 2017	1.581	1.581	6	0

4.2 The reviews were based on completion of a post project evaluation form with the completed forms reviewed by the Strategic Asset Management Group.

4.3 Each project lead was invited to attend the Strategic Asset Management Group to discuss the content of the evaluation form with the aim being to gain a fuller understanding of the project (with identification of generic and/or project specific issues that may have arisen) and details of lessons learned that may benefit future projects.

4.4 The post project review on Energy Efficient Street Lighting Apparatus was delayed to include the results of the last Citizens panel survey that had included questions on it.

4.5 The main points highlighted within each project specific post project review are noted below:

4.5.1 ICT Modernisation

Two business cases (ICT Core Infrastructure & Thin Client) were combined into a single project at the point of securing funding. The budget allocation was £4.165m.

It was noted that there was a significant delay of 2-3 months at the start of the project once a preferred contractor had been identified and the contract signed off (took 6 months rather than the expected 3-4 months). This was mainly due to the complexity of the project.

Using East Dunbartonshire Council as a backup data centre introduced a change during the lifetime of the project (this was approved after the original business cases were approved by Council). The Review Group recognised that the project team had anticipated this and built in flexibility to the project plan which was the implementation of good practice, in terms of cost reduction, improved resilience and sharing services with East Dunbartonshire.

The biggest challenge was the delay caused by subcontractor BT Openreach's delivery of Wide Area Network (WAN) which significantly and detrimentally impacted timescales for delivery of the 4 other workstreams within the project.

It was noted that compensation costs were included in the contracts and these were correctly and successfully pursued (as a benefit in kind to the value of £0.250m) which provided a 12% discount of future savings for services that we would have needed to provide at a later date.

WIFI installations, cabling works and construction, design and management works (CDM) caused a small delay. The ICT team worked on the assumption that they would commission the supplier to deliver the cabling works but it transpired that ICT do not have the required construction skills. The process was changed during the project and for all subsequent cabling works. The management of such works to Council buildings will be specified by ICT but managed by consultancy services.

Several of the components delivered were subcontracted, one of which was the Thin Client deliverable. The relationship with that supplier became challenging and required several escalation meetings and clarifications. It transpired that there was a difference between what the main contractor had agreed to deliver and what they had agreed their sub-contractor would deliver.

During the project PSN security requirements changed and an optional design element needed to be added to the project at a cost of circa £0.050m paid from the allocated ICT Modernisation budget.

Instead of spending £0.289m to roll out thin client through the contractor, an alternative approach was developed which involved employing 6 temporary staff at a cost of £0.089m. This was always an optional element of the project spend therefore a notional saving of £0.200m was achieved.

The project savings were achieved on time, despite the overall project being delayed.

Lessons Learned

- Project managers must allocate time for concluding contracts;
- Additional flexibility must be when dealing with external contractors to deliver on time, especially suppliers of utilities (Water, BT Openreach); and
- We should have made the decision to communicate only through contractors and for them to deal with the Sub contractors, though approaches will depend on specific issues and details on a contract by contract basis.

4.5.2 Dumbarton Care Home

The aim was to replace the Council's Older People's Care Home and Day Services estate in order to meet Care Inspectorate defined standards of care environments, to provide service users, their relatives and staff with a modern living and working environment which enables the efficient and effective delivery of services facilitated by a more cost effective estate.

The original budget for the Dumbarton Care Home was set at £10m, with a revised budget of £13.374m due to various challenges including design changes throughout the development stage, scope creep, increased inflation and time lost due to change of Principal Contractor. The project reached financial close in September 2015. Reaching the project milestone of financial close in the hub West Scotland delivery model and DBDA contract form holds significance in relation to achieving increased certainty with the expected delivery date. The majority of programme slippage was experienced in the development stage pre financial close. At financial close, the construction contract is concluded bringing with it greater structure to the programme with contractual measures at play, delay is experienced. In the development stage, the same contractual measures are not in place and there are fewer levers that can be pulled to bring about programme betterment.

Lack of clarity at the beginning of the project and the absence of a fully developed client brief compounded costs.

During the project there was a change of Principal Contractor from Balfour Beatty to Morgan Sindall who engaged to deliver the project in December 2014. Morgan Sindall carried out due diligence on previous project costings and re-ran their own market testing to establish revised costs in a compressed timeframe. As there was no contingency allowance included within the budget it was advised that whatever came by way of a cost increase had to be offset with a saving. Throughout the project life, the Capital Investment Team (CIT) were engaged with detailed and robust cost analysis to ensure that once firm costs were established at Financial Close, the delivery remained within the revised budget of £13,374m.

Hub West Scotland were supposed to manage the contractor on behalf of the Council as Delivery Partner receiving a Project Development fee for this service, However in reality this was not fully successful therefore a Clerk of Works was appointed on site to monitor quality and progress and prepare weekly reports to the Capital Investment Team.

The end of defect liability period was due by the end of April 2018. Whilst this date has passed, there remain outstanding defects to be resolved and the making good defects certificate will only be issued on completion of these matters. Once certified, this will release the remaining 1.5% balance of retention. Hub West Scotland and Morgan Sindall continue to work with council officers to conclude the few remaining defect items with a view to being in a position to financially conclude the project and agree the Final Account by 31 March 2019.

It was noted that the project board and the CIT should have had the ability to raise concerns and as a consequence the decision was taken to de-couple this process and deliver the Clydebanks Care Home using a different model. Concerns were raised and discussed by the Project Board and at times this was escalated by the Project Sponsor directly with hub West Scotland at Principals meetings. These meetings at times included HSCP Chief Officer and hub West Scotland CEO.

Having completed Dumbarton Care Home, officers have more clarity on the transition process for the Clydebanks Care Home. Officers successfully managed to move a large number of vulnerable people and staff; however in terms of transitioning there were double running costs in terms of staff in moving complex cases.

Staff training went well and was regarded as being innovative, allowed staff an opportunity to attend familiarisation and training, new working models and new service models. It was advised that the new care home is attractive to residents and is forward thinking in terms of providing Wi-Fi for residents.

Annual savings of £0.733m were anticipated within the original business case with full year savings expected from the start of 17/18, however as the business model and design was developed and care inspectorate requirements were agreed following design and layout agreement then the savings were reduced to annual savings anticipated as £0.567m by 2018/19.

The shortfall and delay in the anticipated savings are due to the following reasons:

- The calculated saving was based on a staffing model which did not account for shift patterns.
- There was also a significant re-evaluation of the grading structure of general care staff from Grade 5 to Grade 3.
- Although the 2016/17 budget for staffing and running costs was reduced to reflect the new home opening, the delay in the handover of the care

home resulted in the savings only beginning to be realised in 2017/18 due to double running costs incurred in the lead up to transition to the new home and for a period of some months after transfer of residents as the new model bedded in.

Lessons learned

- It was acknowledged that Health and Social Care Partnership (HSCP) not only opened new facilities, but transitioned from 3 existing care homes into one. However in hindsight, the original costs were based on economies of scale by building 2 care homes together.
- The CIT became involved with the project at the end 2014 by which time Hub West Scotland were already engaged and the Business Case had been prepared in 2012 which established the original budget, programme and target revenue savings. Until CIT became involved, the then CHCP were managing the project themselves without specific technical expertise and support. The CIT should have been involved from the outset.
- The early hub West Scotland costs were generated from applying a benchmarked rate per m2 against a Gross Internal Floor Area. As became more obvious as time went through the development phase, the original capital budget was therefore not realistic and did not meet client aspirations for the facility they were striving to achieve. In addition the client brief was not clear and concise to begin with. It was an iterative process to refine requirements through design development and in turn a value engineering process to ensure proposals were affordable. Costs increased from the development phase prior to reaching financial close. There had been gaps in the design that once identified and incorporated more often than not led to cost increases. This led to the number of beds being reduced from 90 to 84. Robust cost estimates that consider optimism bias in terms of complexity of project, timelines of delivery and standard abnormal considerations should be established.
- The capital project team has put together detail of a number of lessons learned from Dumbarton Care Home which has already informed the tender that has gone out for the Clydebank Care Home. Summary reports have been produced that have been presented to the Project Board which captures data from the development, construction and operational phases in addition to an “issues log” with technical and contractual matters recorded.
- At the time when the decision was taken to build 2 care homes the amount of information on potential sites were not available. Benchmarking exercises for costing was insufficient for actual build as this process makes assumptions on site conditions in terms of construction. In relation to Clydebank the capital budget has been increased as part of the annual Capital Plan refresh and includes budgets for fixtures and fittings and contingency to mitigate risks.

- It was noted time spent on design and development was longer than anticipated. The mechanical and electrical elements created the greatest challenge. It is important to incorporate risk of price fluctuation due to the specialist contractor design elements which are not fully known until post contract award. It was also noted that the complex need of the end user and the need of the service need to be taken into account, and if practical completion date is slipping, we should not transition early just to meet dates.

4.5.3 Clydebank Leisure Centre

The purpose of this project was to replace the existing Playdrome leisure centre with a new leisure centre in Clydebank. The Council planned to keep the Playdrome operational until the new centre was opened.

Construction work started on site in June 2015 and the centre opened to the public at the end of March 2017.

The original budget of £18m was approved on 6 February 2013 and was increased for several reasons; change of site and the re-alignment of design, with increased scope to include the first floor fit out. In advance of requesting additional capital funding, a significant value engineering exercise was undertaken.

A revised budget was agreed at £23.81m and it was noted that on the basis of the programme and costs established at Financial Close, the project has been delivered within revised budget and revised programme.

The leisure centre, as well as providing a modern leisure facility, is expected to have a positive impact on attracting new business to the area, and particular the development on the Queens Quay site. It has already had a positive impact on West College Scotland. The adjacent plot which is currently being marketed has received interest lately and we understand positive reference was made to the proximity to the Leisure Centre. The Leisure Centre was designed to accommodate additional capacity with a view to the increased local population anticipated from the Queens Quay development – The capacity was “future proofed” to allow for growth and increased footfall. Leisure Centre users now have a reason to visit Queens Quay whereas before it may have been considered a more remote destination that you would have only visited if going to Aurora House, the Titan Crane, Titan Enterprises or West College Scotland. West College Scotland are utilising the facilities on a frequent basis and discussing the potential to re-locate some of their sporting based curriculum and by doing so, this will free up accommodation within the college for other course delivery.

In the first year of operation (2017/18) the Clydebank Leisure Centre has shown improved performance in all areas compared to the last year of operation at the Playdrome (2016/17) with a summary of performance shown below.

	Playdrome	Clydebank Leisure	Change
Income	£416,603	£794,290	£377,687
Usage	£195,882	£329,638	£133,756
Membership	£188	£1,452	£1,264
Fitness Classes	£15,911	£31,737	£15,826

While usage figures for the new leisure centre are higher than those of the Playdrome they are lower than estimated within the 2012 business case as detailed below.

	2012 Business	Clydebank Leisure Centre	Shortfall
Usage	472,143	329,638	142,505

The 10 year capital plan assumed annual savings of £0.250m and the following table provides a comparison with the Playdrome for 2016/17 showing that net revenue savings are lower than forecast in this first year of operation.

	Playdrome	Clydebank Leisure	Change
Gross	£1,392,945	£1,655,592	£262,647
Income	£416,603	£794,290	(£377,687)
Net Expenditure	£976,342	£861,302	(£115,040)

Lessons Learned

For significant capital investment projects a post-implementation meeting should take place to review expected outcomes to actual outcomes and this should happen around 1 year after the end of the capital build phase to allow sufficient time to generate meaningful information.

4.5.4 Replacement of Equipment at Clydebank Crematorium

In 2014 DEFRA issued a statement requiring local authorities to comply with environmental obligations around mercury abatement. Funding of £1.500m was put in place to deliver the replacement of the 3 existing cremators with 2 new units (one to have the capacity to take extra wide coffins) and install mercury abatement equipment.

In 2014 Hub West were procured to project manage the project and they appointed Ramsay's to carry out a feasibility study. It became apparent that this was a complex project requiring specialist project management and that HUB's insistence on using a standard contract as opposed to the required bespoke contract would put the project delivery in jeopardy. There then followed a twelve month delay whilst trying to agree the form of contract. When a suitable contract could not be agreed the Council severed HUB as main consultant and novated all responsibilities over to Ramsay Project Management a specialist consultant in this field

The main objective was to deliver this project whilst being able to have a working crematorium. This was achieved by not having cremations carried out on Friday's of each week. Maintaining the service whilst managing project works was a significant challenge but one which was met.

Asbestos was discovered when the new lighting system was being installed in the Chapel. This resulted in a 2 week shut down; this would not have been expected to be picked up in survey that was carried out.

Overall the project achieved what it set out to do and in addition the disabled access was improved to ensure compliance. However it was not delivered on time partly due to protracted contract negotiations. Once resolved there was a slight delay of 2 months due to discovery of asbestos and changes to ensure DDA compliance.

The project was delivered over budget, due to the discovery of asbestos, DDA modifications, inflation costs from the original budget allocation (based on a feasibility study in 2012) and additional professional fees incurred by moving from Hub to Ramsay Project Management. However savings were delivered in excess of those initially anticipated. Potential revenue savings for energy efficiency figure was set at 30% (£0.008m per annum) with the installation of the Mercury Abatement equipment and continued participation in CAMEO burden sharing scheme realized revenue saving of £0.058m per annum.

West Dunbartonshire Council has been identified by the Institute of Cemeteries and Crematorium Management as an example of best practice. We have facilitated visits from other local authorities from Scotland and Northern Ireland to see how the project was achieved whilst keeping a working crematorium open

Lessons Learned

- From the outset when commissioning the feasibility study in 2012, it became apparent that this was a complex project requiring specialist project management and planning. Appropriate project management and planning processes should be considered at the outset in future projects.
- Although funding was awarded in 2014, there is a need to agree when a project is likely to start, to build sufficient contingencies and inflation into the spend profile. Appropriate project management and consideration of optimism bias require to be built into cost and phasing modelling.
- DDA compliance issue should have been anticipated. Feasibility study should have picked this up and would do this now through consultancy services.

4.5.5 Kilpatrick School New Build

The purpose of this project was to replace the existing additional supported

needs school in the Auchentoshan estate which was in a poor condition both internally and externally and also create a new early years centre.

The initial budget requirement of £8.150m was identified in March 2012 when the securitisation business case was prepared, at this time it was anticipated that project design would commence in June 2012 with an expected occupation date of August 2014. Following the rejection of securitisation in 2012 the project was then approved to proceed through the 10 year capital plan on 6th February 2013 and commissioned to be delivered by Hub West Scotland. The main overspend (£1.887m) in the project is due to this change in strategy.

A further overspend was identified after the ground investigation results were received and highlighted additional costs of £0.450m. In addition an area of Japanese knotweed was discovered that required removal.

The second phase of the project was the demolition of old school building and the creation of the sporting grounds. While there remains outstanding information relating to this it is anticipated that a further overspend of £0.084m will be mainly due to the requirement to remove asbestos.

The Kilpatrick school has been completed and opened in November 2016 and is highly regarded in terms of quality.

The business case identified that the project should generate revenue savings of £0.183m per annum, however to date revenue savings have fallen short of those identified in the business case due to optimism bias with a breakdown of actual savings achieved shown below.

	Before	After	Saving
Property Costs	£176,249	£80,710	£95,539
Repairs and Maintenance	£39,538	£1,404	£38,134
Cleaning	£47,442	£65,912	£(18,470)
Catering	£104,103	£117,940	£(13,837)
Facilities Management	£41,393	£31,358	£10,035
	£408,725	£297,324	£111,401

It was also noted that there was a long period of time in getting to financial close on this project with implications on the project programme.

Lessons learned

Where the end user of the building is ordering in ICT that is not covered by standard procurement, whole life costs must be considered. This was raised as a generic lesson learned in the ICT post project review workshop as advances in technology can result in changes to the whole life costs of some items from feasibility stage to operational stage (such as music facilities in new build high schools, building maintenance systems, door entry systems etc.). While each build project included these elements they were not considered as a corporate solution, we therefore have several locally

installed solutions rather than centralised corporate solutions.

There was a general issue around optimism bias on this project with unrealistic timelines originally set (resulting in increased costs as a result of construction industry inflation) and anticipated savings being overstated.

4.5.6 Aitkenbar and St Peter's Co-location

The purpose of the project was to replace 4 sub-standard buildings, (two of which - the two Primary Schools- had significant over capacity), with a new modern, fit for purpose campus while generating revenue savings of £0.190m per annum.

The project was originally anticipated to cost £9.311m in February 2013 and was subsequently increased to £10.4m in February 2014 and £10.646m in February 2015. An overspend of £0.055m was incurred due to Scottish Futures Trust new reference design that all local authorities needed to consider and also due to a specific element of the Bellsmyre Campus whereby the original consultation and design envisaged one entrance and one common area. The new design required two entrances and two common areas. This was a late addition to the design due matters raised by the users of the buildings.

A further overspend of £0.318m was incurred due to the ground investigation identifying contamination in February 2015.

There was a delay in agreeing terms and conditions with Hub West. The project was supposed to be an off the shelf project which was one of the advantages in using the Hub model. However, this assumption was incorrect as this project was more complex than initially envisaged.

It was also noted that internally, we need to bring in ICT at the design stage of new buildings. It was suggested that a solution could be that we hold a ½ day session per month, with a nominated officer group, to discuss issues. This goes beyond this particular project.

While the project delivered its objective it was not delivered within initial budget or on time; however the school was opened on time within the revised programme taking into account the aforementioned issues.

The project was delivered at £0.200m lower than the revised budget; however the revised budget was significantly higher than the original budget.

Revenue saving has fallen short of the target of £0.190m identified in the business case with a breakdown of actual savings achieved shown below:

	Before	After	Saving
Water	£13,702	£10,649	£3,053
Utilities	£65,782	£33,106	£32,676
Repairs and Maintenance	£55,805	£3,390	£52,416
Grounds Maintenance	£9,777	£8,707	£1,070
Refuse Collection	£7,187	£5,802	£1,386
Catering	£166,905	£134,314	£32,590
Cleaning	£49,610	£33,741	£15,869
Facilities Management	£77,012	£58,737	£18,275
	£445,780	£288,446	£157,334

Lessons Learned

- There was a lack of consideration of optimism bias in generating the original spend plans for this project.
- For future projects, we need to carefully identify and quantify the advantages of each framework as well as the associated risks.
- Support Service (ICT, FM, etc.) should be involved early in the design stage of any project.
- In planning such projects technical ICT aspects should be standardized.
- The Finance Business Partner should be involved throughout to ensure all financial implications are considered within the costing analysis.

4.5.7 Lennox PS and St Ronan's PS

This project completed in March 2017 with the purpose being to better utilise the school estate within the Bonhill Area of West Dunbartonshire Council. This included the merging of Highdykes and Ladyton Primary Schools. Highdykes and Ladyton (now known as Lennox Primary School) were then relocated into St Ronan's Primary School Building with St Ronan's Primary School being relocated to the former Ladyton Primary School buildings.

The project had a Capital Budget of £1.581m and the project was delivered on budget.

It was noted that the project came in on budget and that the main objectives were met. There was a delay in Phase 2 of the Lennox School project due to an issue with Window installation by the Sub-Contractors. Although no financial impact there was a potential reputational impact as the install required to be carried out during term time.

It was advised that out of the three buildings, two were elevated from Condition C to Condition B and the remaining school demolished and the land put on the market for disposal.

Revenue savings per the report to Education Committee in January 2015 were stated to be £0.404m and current information advises £0.158m have been realised from this project as detailed in the table below:

	Before	After	Saving
St Ronan's Primary			
Property costs	£112,003	£75,351	£36,652
Central repairs	£16,508	£7,344	£9,164
Building cleaning	£36,918	£30,283	£6,635
Catering	£54,771	£49,921	£4,850
Janitorial	£64,997	£29,404	£35,593
	£285,197	£192,303	£92,894
Lennox Primary			
Property costs	£126,684	£85,415	£39,268
Central repairs	£5,101	£3,080	£2,020
Building cleaning	£25,127	£11,277	£13,850
Catering	£78,138	£64,956	£13,185
Janitorial	£106,373	£109,283	£(2,909)
	£339,423	£274,012	£65,412

Lessons Learned

The Finance Business Partner should be involved throughout to ensure all financial implications are considered within the costing analysis.

Future Post Project Reviews

- 4.6** Based on capital projects which are anticipated to be completed by 31 March 2019, the following projects are recommended to be included in the next phase of post project reviews from April 2019:

- OLSP New Build; and
- Energy Efficient Street Lighting Apparatus (delayed as noted above)

5. Option Appraisal

- 5.1** No option appraisal was required for this report.

6. People Implications

- 6.1** There are no personnel issues.

7. Financial and Procurement Implications

- 7.1** Other than the financial position noted above, there are no financial implications or procurement from this report

8. Risk Analysis

8.1 The main risks associated with not carrying out post-project evaluations regularly or consistently are:

- This limits the Council's ability to identify areas of good practice, share any lessons learned and monitor benefits realised from the investment activity; and
- Future capital plans may understate the investment required.

9. Equalities Impact Assessment (EIA)

9.1 No equalities impact assessment was required in relation to this report.

10. Environmental Sustainability

10.1 No assessment of environmental sustainability was required in relation to this report.

11. Consultation

11.1 The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns.

12. Strategic Assessment

12.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan. This report forms part of the financial governance of the Council

Stephen West, Strategic Lead - Resources

Date: 14 March 2019

Person to Contact: Jennifer Ogilvie, Finance Business Partner
Strategic Finance (Treasury & Capital) and
Regeneration Revenue
Council Offices, Church Street. Telephone (01389)
737453.
Email: jennifer.ogilvie@west-dunbarton.gov.uk

Background Papers: Completed post project review evaluation forms for
noted projects

Wards Affected: No ward directly affected.

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit Committee: 20 March 2019

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 Appendices to this report will be run in the days leading up to the committee meeting so as to provide as up to date a position as possible in the progress of actions. Appendix 1 contains Internal Audit action plans recently agreed and issued. Appendix 2 details the outstanding actions on previously issued Internal Audit reports. Appendix 3 details any outstanding actions for External Audit reports, including the Local Scrutiny Plan for 2018/19.

4.2 To put the action plans into context and highlight the risks being mitigated, a summary for recently issued reports included at Appendix 1 is provided at paragraphs 4.3 and 4.4 which includes a summary of the key findings of each audit.

4.3 Project 144: Balance Sheet Reconciliations (Suspense Accounts) (Report Issued March 2019)

The audit tested the following areas in relation to:

- The Planning and Control of Balance Sheet Reconciliations, and

- Control & Management of Balance Sheet Suspense Accounts.

The key findings of the audit were:

Areas of good practice:

- The Council has in place an effective Reconciliation & Control team that completes the required reconciliations accurately and in a timely manner.
- Detailed Guidance notes are available to team members outlining the procedures to be followed in the completion of all reconciliations.
- The financial year-end process includes the allocation of qualified financial staff to ensure the accuracy of suspense accounts balances included in the Council's Year-End Balance Sheet.

Areas for improvement:

- Some reconciliation items outstanding for over three months;
- Control sheet confirming Verification of Financial Year End Account Balances not initialled for all balances;
- Posting transactions to 'parked' accounting periods not documented; and
- Rotation of staff required to provide absence cover.

For which the actions identified are intended to mitigate against the risk.

4.4 Project 145: Building Standards (Report Issued March 2019)

The key purpose of this audit was to consider:

- Policies and Procedures;
- Scale of fees and charges;
- Accounting for income received;
- Evidence to support building warrants, site inspections and completion certificates;
- Interaction with other council services; and
- Performance indicators and statistical returns.

The key findings of the audit were that:

Areas of good practice:

- Presentation of information including fees on the external website for ease of use by applicants.

Areas for improvement:

- All fees were applied as expected including the application of any discounts. Some applications are exempt from fees due to a disability and there wasn't always evidence to support this exemption. The validation process of the applications was tested to ensure that only valid applications were received. In the majority of the cases sampled the application forms were validated as expected.
- It is expected that there would be a three way reconciliation between the fees received, the fees expected as per the application forms and the

financial ledger. The current reconciliation process is not effective and does not include all the reconciliations that would be expected.

- Some application fees are currently treated as prepayments but others are not, there needs to be a consistent approach to the treatment of fees.
- There were numerous findings in relation to the recording of information. There were some instances where the information including fee details was missing. Details of internal transfers were also not always recorded. Not all documents and correspondence had been retained or date stamped resulting in a full document trail not being retained.
- In a lot of instances incorrect dates are being used to calculate the KPIs that are reported to the Scottish Government. In most instances this is because the date the information was reviewed was being used rather than when it was received. In all instances where there was a delay or a KPI was missed the reason given was due to work loads.

The actions identified are required to mitigate risks in relation to:

- Calculation KPIs;
- Reconciliations / use of fee spreadsheet;
- Year-end cut off;
- Use of Comino;
- Use of group work tray; and
- KPIs and Workloads.

4.5 The key areas of work performed by both Internal Audit and External Audit are carried out according to a risk based approach that determines the nature, extent and timing of the required audit assignments.

4.6 Recommendations have timescales for completion in line with the following categories:

Category	Expected implementation timescale
<u>High Risk:</u> Material observations requiring immediate action. These require to be added to the department's risk register	Generally, implementation of recommendations should start immediately and be fully completed within three months of action plan being agreed
<u>Medium risk:</u> Significant observations requiring reasonably urgent action.	Generally, complete implementation of recommendations within six months of action plan being agreed
<u>Low risk:</u> Minor observations which require action to improve the efficiency, effectiveness	Generally, complete implementation of

and economy of operations or which otherwise require to be brought to the attention of senior management.	recommendations within twelve months of action plan being agreed
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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.

.....
Stephen West
Strategic Lead - Resources
Date: 14 March 2019

Person to Contact: Colin McDougall, Audit and Risk Manager
Telephone 01389 737436
E-mail – colin.mcdougall@west-dunbarton.gov.uk

Appendices: 1 - Internal Audit Reports (Recently Issued)
2 - Internal Audit Reports (Previously Issued)
3 - External Audit Reports

Background Papers: Internal Audit Reports






External Audit Reports

Wards Affected: All Wards


Appendix 1




Internal Audit Reports (Recently Issued)

Generated on: 14 March 2019

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed




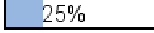
Project 144. Balance Sheet Reconciliations (Suspense Accounts) (Report Issued March 2019)




Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/IAAP/683	<p><u>1. Outstanding Reconciliation Items</u> Balancing items should be cleared as soon as possible after the reconciliation has been completed.</p> <p>Managers should be reminded of the need to they take prompt action regarding the clearance of outstanding reconciliation items when notified by the reconciliation team.</p> <p>(Low Risk)</p>	Staff will be reminded of the need to take prompt action regarding the clearance of outstanding reconciliation items when notified by the reconciliation team.		<div><div>100%</div></div>	31-Mar-2019	31-Mar-2019	Gillian McNeilly	Staff have been reminded of the need to update the information timely.


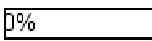

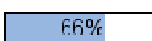

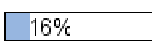

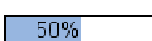

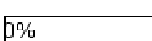
T&PSR/IAAP/684	<p><u>2. Verification of Financial Year End Suspense Account Balance</u> Finance Business Partners and Finance staff responsible for reconciling Suspense Account balances should initial the Suspense Account control sheet to confirm reconciliation of all suspense accounts for the year end.</p> <p>(Low Risk)</p>	<p>All relevant staff will be reminded of the requirement to sign off reconciliations.</p> <p>Clearance of all suspense codes to the Balance Sheet at the year-end will only be completed once all suspense accounts are signed off appropriately</p>		<div><div>50%</div></div>	31-May-2019	31-May-2019	Gillian McNeilly	Staff have been reminded and agresso team advised not to clear suspense unless all are evidenced appropriately.
T&PSR/IAAP/685	<p><u>3. Posting transactions to 'parked' accounting periods</u> A record should be maintained showing the following details as regards the posting of transactions into a financial period which is 'parked' awaiting final closure, i.e.: 1. Period into which transaction is posted; and 2. Details of the financial transaction posted while financial period is 'parked'.</p> <p>(Low Risk)</p>	<p>A record will be maintained of all postings made into AGRESSO outwith the 'open' period detailing 1. Period into which transaction is posted; 2. Details of the financial transaction posted to while financial period is 'parked'; 3. Officer posting; 4. Officer approving; and 5. Date completed.</p>		<div><div>100%</div></div>	31-Mar-2019	31-Mar-2019	Gillian McNeilly	Team has set up this action to be implemented with immediate effect.
T&PSR/IAAP/686	<p><u>4. Absence Cover</u> Management should ensure that all members of the Reconciliation Team are familiar with all reconciliations undertaken. This would ensure that each member of the team has the knowledge to complete any of the planned reconciliations in the absence of team members. This could be achieved by rotating team members across the different</p>	<p>Staff will be rotated different reconciliations following the year end. Rotation will continue on a two year cycle thereafter. Management will prioritise high risk/high value reconciliations during times when staffing levels are limited. Guidance notes are available for all</p>		<div><div>0%</div></div>	31-Aug-2019	31-Aug-2019	Gillian McNeilly	Reconciliations staff will be rotated to different reconciliations within the team following the year-end.

	reconciliations prepared. (Low Risk)	reconciliations. Management will ensure these guidance notes are reviewed on a regular basis.						
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Project 145. Building Standards (Report Issued March 2019)

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/IAAP/687	<u>1. Calculation of KPIs</u> Training should be undertaken by all officers to explain how KPIs are calculated and what dates should be recorded on the system used to calculate the KPIs. (High Risk)	An email has been issued to all of the Building Standards Surveyors to correct any misunderstanding of the use of dates within the back office system. Formal training will be provided to relevant officers on KPI calculations and dates required to be recorded on back office system.			30-Apr-2019	30-Apr-2019	Colin Newman	Action was initiated the same day that management team were made aware of this issue. All Building Standards Surveyors were personally briefed on 10/01/19 clarifying the dates to be used and this will be reiterated during the training session to team members. 2 out of 4 of milestones completed and the remaining 2 milestones relate to delivery of formal training during April 2019.
T&PSR/IAAP/688	<u>2. Reconciliations</u> A robust three way reconciliation needs to be developed, reconciling the expected fees, the fees received and the financial ledger. Thought needs to be given to the source of the information for this reconciliation. This reconciliation should be performed at regular intervals. (High Risk)	The process map of fee recording will be reviewed and reconciliation with the ledger will be progressed. A new process will be implemented with regard to fees received and how it reconciles with the ledger.			31-May-2019	31-May-2019	Richard Butler; Pamela Clifford	Existing process maps received from service and CAS now reviewing these with a view to improving and developing these processes to deliver a more effective solution

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/IAAP/689	<p><u>3. Year-end cut off</u> All fees should be treated in the same way with thought given to the year-end cut off process.</p> <p>(High Risk)</p>	Agree. Will review year-end cut off processes.		<div><div></div></div> 0%	31-Mar-2019	31-Mar-2019	Pamela Clifford	Review of year end cut off processes will be undertaken.
T&PSR/IAAP/690	<p><u>4. Documents Included in Comino</u> All communication should be recorded in Comino. When documents are received in hard copy especially drawings a file note should be recorded on Comino stating the date the document was received, what it detailed and where the hard copy can be found. This would also apply for details of any phone calls had with an applicant.</p> <p>(Medium Risk)</p>	A file note template will be developed in Comino to record dates received for updated drawings/plans and the recording of relevant phone calls. Training will also be provided to surveyors on the use of file note template and the importance of recording communications within Comino/CIVICA and having auditable evidence kept on file.		<div><div></div></div> 25%	30-Apr-2019	30-Apr-2019	Colin Newman	1 out of 4 milestones for this action has been completed. The remaining milestones relate to creation of new document type, staff training and introduction of new document type will be completed by end April 2019
T&PSR/IAAP/691	<p><u>5. Significance of Daily Fee Spreadsheet</u> Once a robust reconciliation process is introduced it should be considered whether the daily fees spreadsheet needs to still be maintained or whether the process could be made more efficient by eliminating this process.</p> <p>(Medium Risk)</p>	When a new robust reconciliation process is implemented the daily fee spreadsheet can be removed. This will depend on the successful implementation of recommendation 2.		<div><div></div></div> 0%	30-Jun-2019	30-Jun-2019	Richard Butler; Pamela Clifford	This will be discussed and reviewed up on completion of new process maps






T&PSR/IAAP/692	<u>6 Identification of Fee Receipts and Dates</u> All fee details should be recorded. (Medium Risk)	This will be reviewed as part of action 2.			31-May-2019	31-May-2019	Richard Butler; Pamela Clifford	This part of the process is linked to action 2 and will be included as part of the process mapping exercise and development
T&PSR/IAAP/693	<u>7. Group Work Tray</u> A process should be developed for picking up work from the group work tray. (Medium Risk)	A process will be introduced for regular checking and re-allocation of work that has been placed within the group work tray.			30-Apr-2019	30-Apr-2019	Colin Newman	2 out of 3 milestones for this action have been completed. The remaining milestone relates to delivery of formal training to staff during April 2019
T&PSR/IAAP/694	<u>8. Use of Comino</u> When an application is open all information should be stored in the one place and thought should be given to moving older parts of the application into Comino. (Low Risk)	The remaining paper based files between 2010 - 2016 will be electronically back scanned and imported into the electronic document management system.			30-Sep-2019	30-Sep-2019	Irene McKechnie; Colin Newman	1 out of 6 milestones for this action has been completed. Work relating to the remaining actions regarding scanning of paper based documents and large scale plans will be commenced over coming months.
T&PSR/IAAP/695	<u>9. Evidence of Disability</u> It is recommended that evidence is required to show that an application is for a disability, for example a letter from a doctor, carer, social worker etc. (Low Risk)	Our internal procedures and website information will be updated to indicate that applications to improve dwellings for a disabled person that do not require a fee will require to be supported by appropriate evidence to gain fee exemption.			30-Apr-2019	30-Apr-2019	Colin Newman	2 out of 4 milestones in relation to this action has been completed, work on milestone 3 has commenced and the remaining milestone will be delivered as part of staff training session.
T&PSR/IAAP/696	<u>10. KPIs and Workloads</u> Where possible consideration should be given to workloads in order to try and establish where efficiencies or improvements can be made. Building Standards need to ensure they review all areas	Noted, workload within building standards is affected by the varied demands placed on the service and the staff resources available. For a small team, the effect on performance is			30-Apr-2019	30-Apr-2019	Pamela Clifford; Colin Newman	Work on the milestones relative to this action will be commenced during March and April 2019.

	<p>of work not just the areas with reportable KPIs.</p> <p>(Low Risk)</p>	<p>noticeable in times when staff resource is reduced through vacancies and absence or increased workload. There have been vacancies within the team for a prolonged period. However since the audit took place, the previous vacancy has been filled and an additional temporary building standards surveyor post has been recruited.</p>						
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Appendix 2

Internal Audit Reports (Previously Issued)



Generated on: 14 March 2019

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed


Project 120. ICT Disaster Recovery/Business Continuity Controls (Report Issued August 2017)

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/520	<p><u>2. DR Plans for the main telephony delivery systems have yet to be implemented/tested</u> Management must set in place plans and timescales to effectively test DR arrangements for the main telephony systems.</p> <p>(Medium Risk)</p>	ICT will develop the implementation plan for this test by the end of October		<div>33%</div>	31-Oct-2017	29-Mar-2019	Brian Miller	<p>Mar 19 - Testing complete and underlying network returned to full operation with issues resolved. Discussions to take place with Capita regarding sign off on DR plans for existing telephony system. On course for completing by 29th March</p>

Project 121. Purchasing Card Audit (Report Issued August 2017)



Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/528	<p><u>2b. Terminating Purchase Cards when employees leave</u> As part of the employee leaving process a procedure should be added to ensure that any purchase cards an employee holds are terminated.</p> <p>(Low risk)</p>	<p>Further development required with Workforce Management System to identify staff with CPC to have automated notifications where staff move location, section or terminate employment to ensure robust management of CPC distribution and manager notifications.</p>			30-May-2018	30-Apr-2019	Stella Kinloch	<p>There is already a process in place where WMS team send termination reports to Finance Service Centre so cards are cancelled timeously. That will be refined when we assign the CPC to the employee. Similarly the HR Online Leavers Form will highlight a card is issued and requires to be returned and destroyed to the completer. The changes notified will be fed via Firmstep online forms to FSC. This development will be carried into next Financial Year due to the delays with the overall mandatory WMS system update.</p>

Project 128. Payroll - Overtime (Report Issued May 2018)


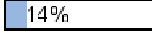
Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/IAAP/608	<p><u>1. Overtime - Building Services/Repairs & Maintenance</u></p> <p>In relation to Building Services / Repairs & Maintenance, in order to continue to manage the level of overtime, it is recommended that consideration be given to:</p> <ul style="list-style-type: none"> - 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. <p>(Medium Risk)</p>	<p>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 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</p>		<div>42%</div>		31-Mar-2019	Martin Feeney	<p>This action has 7 milestones 3 of which are complete.</p> <p>It will be necessary to extend the target date for this action to be completed.</p> <p>This is due to the new IHMS being configured to existing work patterns. Development work by the IHMS project team to allow the system to manage flexible work patterns will be a carried out in future.</p> <p>Negotiations with TU's continue and overtime expenditure is subject to strict control and scrutiny.</p>




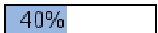


Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
		meetings where Building Services review resource requirements.						

Project 131. ICT Remote Access Controls (Report Issued May 2018)

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/IAAP/613	<p><u>1. Data handling Terms and Conditions required for 3rd party access to WDC information</u></p> <p>Management should develop a standard 3rd party suite of data handling terms and conditions to protect WDC information whilst 3rd party vendors carry out support activities.</p> <p>(Medium Risk)</p>	ICT will assist Legal Services in the development data handling terms and conditions.			30-Sep-2018	30-Apr-2019	Alan Douglas; James Gallacher; Iain Kerr; Patricia Kerr	4th March 2019, Updated timescales issued by SG indicating "Launch of tool, guidance note and written materials on 15/04/19 " Due date for the action has subsequently been extended to 30th April 2019


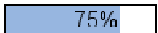
Project 133. Data and Information Security – Governance and Practice (Report Issued May 2018)

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/IAAP/620	<p><u>5. Combined procurement approach for PSN / PCI / Cyber Essentials</u></p> <p>A coordinated procurement approach covering the compliance requirements for PSN, PCI and Cyber Essentials should be progressed.</p> <p>(Low Risk)</p>	Although an exercise to carry out the PSN IT Health Check will progress this year, a regulated procurement exercise will follow for subsequent years to combine tests for each of the compliance regimes, initially over a three year period.			31-Mar-2019	31-May-2019	Iain Kerr	Unable to meet original timescales due to conflicting priorities, due date now moved to 31st May 2019 and milestones changed to reflect new date.




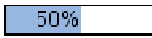
T&PSR/IAAP/621	<p><u>6. Supply Chain Cyber Security Policy</u> Once the final Supply Chain Cyber Security Policy is issued by the Scottish Government, a process needs to be established to implement the laid down requirements.</p> <p>(Medium Risk)</p>	Meetings will take place between Annabel Travers, Iain Kerr and Patricia Kerr to determine how the <i>Supply Chain Cyber Security Policy</i> will be processed and implemented. The process will be captured in a guidance document and published on the intranet with an email sent out to the CPU and ICT staff.			31-Dec-2018	30-Apr-2019	Iain Kerr; Patricia Kerr; Annabel Travers	4th March 2019, Updated timescales issued by SG indicating "Launch of tool, guidance note and written materials on 15/04/19 " Due date for the action has subsequently been extended to 30th April 2019
T&PSR/IAAP/622	<p><u>7. Update required to Acceptable Use Policy</u> The Council's Acceptable Use Policy (AUP) should be reviewed and updated.</p> <p>(Low Risk)</p>	The AUP will be reviewed as an Information Security policy, taking into account changes in working practices and legislation since the last review, input will be required from ICT, Legal and possibly procurement.			31-Mar-2019	30-Apr-2019	Iain Kerr	14th March 2019. The policy has been redrafted with input from relevant service areas, further meetings will take place to refine prior to presentation to the ICT steering board. The timescale has changed to align with the April ICT steering board date.
T&PSR/IAAP/623	<p><u>9. Information Governance Scheme</u> An Information Governance Scheme should be developed, approved and introduced.</p> <p>(Low Risk)</p>	Whilst the relevant information exists on the Records Management page of the Staff Intranet, it is believed that such an Information Governance Scheme will assist employees to understand the inter-relationships between various governance documents and internal and external requirements. The scheme will form a useful first port of call for Employees seeking			31-Mar-2019	31-Mar-2019	Alan Douglas	On track.



		to understand how information should be dealt with across the Council. It will require significant input from colleagues across the Council.						
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Project 134. Use of Care First Functionality for Financial Management (Report Issued May 2018)




Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/IAAP/624	<p><u>1. System Functionality</u> A review should be undertaken to determine if the personal budgeting screen could be utilised by other client teams and if it can't whether from a cost benefit analysis it is worth maintaining the functionality.</p> <p>In addition an analysis should be done by the teams on what information they currently use and need and whether the use of business objects could assist with this.</p> <p>(Medium Risk)</p>	The Self Directed Support (SDS) policy is currently under review, in preparation for potential inspection. Terms of review maybe extended to consider the appropriateness of using CareFirst to assess client packages.			31-Mar-2019	31-Mar-2019	Wendy Jack	SDS Care Manager Guidance is currently being piloted with adult and older people services to ensure it is fit for purpose. Feedback from Care Inspectorate from the local SDS Review process will be available from March 2019 and will further inform approach within West Dunbartonshire.

Project 136. Central Repairs & Maintenance Budget (Report Issued September 2018)

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/IAAP/632	<p><u>1. Review of Service Level Agreement</u> The Service Level Agreement (SLA) has not been reviewed at least since 2015. The SLA is out date. It is recommended that the SLA is reviewed promptly in order to bring it in line with current rules and practice.</p> <p>(Medium Risk)</p>	SLA shall be reviewed and renewed.			31-Dec-2018	15-Mar-2019	Martin Feeney	<p>This action has 3 milestones of which 2 are complete.</p> <p>The re-drafted SLA has been issued for consultation and suggested amendments have been incorporated.</p> <p>The new SLA and appendices will be issued for sign-off and briefings will take place prior to general distribution for the commencement date of end of 1 April 2019.</p>
T&PSR/IAAP/633	<p><u>2. Profess Issue</u> It is recommended that the current Schedule of Rates is used for all non-capital works for estimation and invoicing purposes, for Priority 2 and 3 works the estimates are input into Profess, in order for effective management of the budget.</p> <p>(Medium Risk)</p>	<p>The introduction of the new Integrated Housing Management System will combat the limitations which currently exist with the Profess system. Interim measures will be put in place to minimise any reoccurring issues and a sample audit will be carried out on a regular basis.</p> <p>Further training for instructing officers/supervising officers and administrative staff will be carried out.</p>			31-Mar-2020	31-Mar-2020	Martin Feeney	<p>This action has 4 milestones 2 of which have been completed to date.</p> <p>1 milestone to train officers on use of SOR is outstanding; this is due changes within the client team where a new property coordinator is due to commence within the next few weeks.</p> <p>Action is on track for completion by target date.</p>



T&PSR/IAAP/635	<p><u>4. New System to be put in place</u> It is recommended that all records and transactions in the Profess system are tidied up in order to ensure a smooth transition between the two systems.</p> <p>(Low Risk)</p>	Work programme is ongoing by the Project Team and is regularly monitored.			31-Mar-2020	31-Mar-2020	Martin Feeney	<p>This action has 3 milestones 1 of which has been completed.</p> <p>It has been necessary to extend the milestones to transfer data and go-live dates to accommodate new timelines for system go live.</p>
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Project 139. Tendering & Contracting Roads and Greenspace (Report Issued January 2018)
Generic Actions (Issued October 2018)


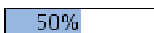


Recommendation	Action Status Progress Bar	Actual Due Date of Action	Agreed Action	Sub-Action Progress Bar	Sub-Action Status Icon	Sub-Action Due Date	Sub-Action Assigned To	Sub-Action Latest Note
<p><u>12. Roads Operations - Best Value</u> An exercise should be performed to determine if Roads Operations are offering the Council "best value", in particular this exercise should establish why quotes are often uncompetitive and determine the rationale behind costing within the service. Consideration should be given as to the types of works which Road Operations can physically undertake and should therefore be expected to quote.</p> <p>(Medium Risk)</p>		30-Sep-2019	<p><u>Roads and Greenspace Specific Action</u> Agree. This will form part of the Shared Service agenda should the Council agree to progress or otherwise be subsequently reviewed</p>			30-Sep-2019	Raymond Walsh	<p>Following the introduction of the Minor Civils Framework Contract (delayed for 10 weeks) we have undertaken a high level review of costs and our continued participation in APSE permits benchmarking with our family group and the wider roads services. It is intended to further review upon completion of twelve months from introduction, therefore providing a more robust assessment, this would be undertaken in</p>


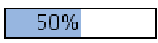
								September 19.
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Project 140. Grants Administration Process Undertaken by CVS (Report Issued: November 2018)





Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/IAAP/661	<u>1. Service Level Agreement</u> It is recommended that the Service Level Agreement is updated in order to make the interpretation of the agreement easier and avoid any confusion. (Low Risk)	The SLA will be reviewed and updated			31-Mar-2019	31-Mar-2019	Gillian McNeilly; Selina Ross	SLA now drafted, to be considered by CVS before finalising






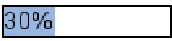
Project 143. Investigation: Fire Detection and Fire Alarm Systems (Report Issued: December 2018)

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/IAAP/668	<u>1. Procurement Process has not been followed</u> Asset Management should continue to liaise with the CPU to develop appropriate tender documents for the ongoing capital works and maintenance contracts required. (High Risk)	Work is ongoing on this basis and Asset Management are continuing to liaise with Corporate Health & Safety and Corporate Procurement regarding the tender specification. Thereafter these tenders will be issued to the market.			31-Mar-2019	31-Mar-2019	Craig Jardine; Michelle Lynn; Annabel Travers	Specification / tender documentation being revised following H&S and Insurance amendments.
T&PSR/IAAP/671	<u>4. Not all issues identified by FES have been rectified</u> Asset Management should review the rectification work completed and assess those issues identified by FES which have not been rectified to determine if further action is required This should be reviewed by someone with	Asset Management will engage the services of an external electrical consultant to carry out a full review of all rectification works to ensure we are in full compliance Those issues which have not been rectified will			31-Mar-2019	31-Mar-2019	Craig Jardine; Michelle Lynn	All rectification works identified by FES that are not part of any future maintenance contract are complete. All issues highlighted as not rectified and to form part of future maintenance contract will be included in the tender specification for future

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	sufficient technical knowledge to ensure that the appropriate action has been taken. Evidence of such reviews should be prepared and retained. (High Risk)	form part of the future maintenance tender						maintenance works.
T&PSR/IAAP/682	<u>15. Complaint to BAFE regarding issues identified by FES relating to fire alarm and systems installed or maintained by Alarmfast</u> Asset Management should consider whether the complaint to BAFE should be reopened following their review of the issues identified by FES. (Medium Risk)	Asset Management will review this with an independent electrical consultant to confirm whether a formal complaint is warranted.			31-Jan-2019	31-Mar-2019	Craig Jardine; Michelle Lynn	Engaged with electrical contractor to review FES Reports. Following completion of tender specification a further review of complaint will take place.






Code of Good Governance - Improvement Action Plan

Project Improvement Actions for 2018-19							
Action Code	Recommendation	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
RES/1819/025	<u>2a. Implementation of Procurement Policies</u> Ensure practical implementation of Procurement Policies and Guidance, through increasing % of spend that Corporate Procurement Unit view as being on contract; and updates of Category Strategies through PRMG				31-Mar-2019	Annabel Travers	Re-drafted Financial Regulations - estimated to go to Committee in April 19.
RES/1819/027	<u>2b. Implementation of Procurement Policies</u> Ensure practical implementation of Procurement Policies and Guidance, through increasing % of spend that Corporate Procurement Unit view as being on contract; and updates of Category Strategies through PRMG				31-Mar-2019	Annabel Travers	<ul style="list-style-type: none"> • Purchase Card Facilitation Provider - Complete; • PECOS Integration - 54% Complete; • Advance Order Funding - 70% Complete; • Agresso Card Payment File - Complete; • Supply Market Based Rebate This is no longer a separate exercise but is part of the supplier onboarding strategy for Basware / cards etc - Complete; • Manual Invoice Digitisation - 24% Complete • Commitment Accounting - 0% Complete. <p>Showers has been selected as a pilot for e-auctions. Estimated completion by the end of March 2019.</p>


Action Code	Recommendation	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
RES/1819/028	<u>10. Social Value</u> Consider whether 'social value' (i.e. community benefits) is appropriately covered by current WDC approach to procurement				31-Mar-2019	Annabel Travers	Amalgamated into the Contract and Supplier Management Policy which was approved by the Corporate Services Committee on September 2018. The process for utilising the Contract and Supplier Management Policy is being developed with an estimated ate for roll out by 31/03/19.
GOV-18-011	<u>11. Continuous improvement</u> Improve approach to continuous improvement , including benchmarking and customer feedback approach, proof of "best value"			30-Jun-2019	30-Jun-2019	Amanda Coulthard	Self Evaluation Framework and linked benchmarking framework are now in year three of the three year cycle. Learning will be applied to future activity. Question set was updated to reflect learning from years one and two with ongoing review built in to the model.
T&PSR/IAAP/623	<u>12. Information Governance Scheme</u> An Information Governance Scheme should be developed, approved and introduced. (Low Risk)			31-Mar-2019	31-Mar-2019	Alan Douglas	On track.


Appendix 3 External Audit Reports


Generated on: 14 March 2019

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

Project 23. 2017/18 Annual Audit Report


Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
T&PSR/EAAP/171	<p><u>2. Remuneration Report disclosure</u> The table in the Remuneration Report showing employees who earned over £50,000 indicates that the increase in the number shown from last year to this year is due to 14 payment runs in 2017/18. This table has been calculated on a cash basis and should have been calculated on an accruals basis.</p> <p>Risk The table does not accurately</p>	Process will be changed to undertake on an accruals basis		<div><div>50%</div></div>	31-May-2019	31-May-2019	Gillian McNeilly	Action is on target to be completed by the deadline - as part of the final accounts process.

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	<p>reflect those employees who earn over the threshold for disclosure in the remuneration report.</p> <p>Recommendation The Council should ensure that satisfactory arrangements are put in place to produce this table on an accruals basis, in line with the rest of the Remuneration Report.</p>							
T&PSR/EAAP/172	<p><u>3. Group boundary assessment and basis of combination</u> The trust funds and common good fund have not been accounted for as subsidiaries. As the Council is the sole trustee for these funds, this indicates that the incorrect accounting treatment is being applied within the group financial statements. This is a disclosure adjustment only and we have accepted this treatment for 2017/18.</p> <p>Risk The incorrect accounting treatment is being applied for components within the group financial statements.</p> <p>Recommendation Management should undertake an annual group boundary assessment to identify any changes within the group for the year.</p>	Process and presentation will be updated.		<div><div>0%</div></div>	31-May-2019	31-May-2019	Gillian McNeilly	This action is on target for being completed by the deadlines date - as part of the year end process.


Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	Officers should also review the basis of combination of entities included within the assessment.							
T&PSR/EAAP/173	<p><u>4. Untaken annual leave accrual</u> (b/f) As in previous years, our review of the untaken annual leave accrual identified an error within the calculations. The net effect resulted in an increase of £0.140 million.</p> <p>Risk The annual leave accrual is not properly calculated.</p> <p>Recommendation The Council should review its procedures for calculating the annual leave accrual.</p>	A further review of procedures for calculation and reviewing will take place to ensure the annual leave accrual is calculated accurately.		<div><div></div>0%</div>	31-Mar-2019	31-Mar-2019	Gillian McNeilly	Action is on target to be completed by the deadline.

Local Scrutiny Plan 2018/19



1. Housing and Homelessness

Code & Title	Status Icon	Progress Bar	Due Date	Ownership Assigned To	Latest Note
H&E/1819/HD&H/011 Deliver the Scottish Social Housing Charter outcomes		<div><div>83%</div></div>	31-Mar-2019	John Kerr	Action on track with 5 of the 6 milestones now completed. Final milestone relates to the implementation of our Charter Improvement Plan and it is expected that this will be completed within target timescale.

2. Absence Levels

Code & Title	Status Icon	Progress Bar	Due Date	Ownership Assigned To	Latest Note
P&T/1819/SHR/02 Continue to implement the Council's Employee Wellbeing Strategy.		<div><div>66%</div></div>	31-Mar-2019	Louise Hastings	This action has 12 milestones, 8 of which are complete (quarterly monitoring of Occupational Health/Counselling contracts; development/implementation of themed actions by Employee Wellbeing Group; and development of improved absence recording functionality on the workforce management system) and none of which are outstanding. All actions will be achieved by the due date and the award of OH and Employee Counselling contracts will take place in Q1 2019/2020.

3. Financial sustainability

Code & Title	Status Icon	Progress Bar	Due Date	Ownership Assigned To	Latest Note
RES/1819/013 Provide timely and accurate budgetary control reporting for Council and associated bodies		<div><div>88%</div></div>	31-Mar-2019	Gillian McNeilly	P11 BCR is due reported to Council on 27 March 2019 which will complete this action.
RES/1819/014 Report agreed savings options and management adjustments through the budgetary control process		<div><div>88%</div></div>	31-Mar-2019	Gillian McNeilly	Period 11 BCR is due to be reported to Council on 27 March 2019 which will complete the action.

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead - Resources****Audit Committee: 20 March 2019**

Subject: Audit Scotland Annual Audit Plan 2018/19**1. Purpose**

- 1.1** The purpose of this report is to present Audit Scotland's Annual Audit Plan for the audit of financial year 2018/19 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 2018/19.

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. Members should note that items 1 to 4, 10, and 12 are risk areas which for Audit Scotland are common subjects across Councils in Scotland and items 5 to 9 and 13 relate to issues raised in Audit Scotland's Annual Report for 2017/18 which was reported to Council in September 2018 and subsequently to Audit Committee. In addition, items 11 and 14 are risk areas which have been identified in 2018/19 specific to WDC.
- 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 8 to 11, including risks detailed at Exhibit 3.
- 4.4** The fee for the local audit is £264,810 (2017/18: £257,760), including the audit of the charitable trust funds. The audit fee of £2,100 for the audit of trust funds is unchanged from 2017/18 - the Council will cover these costs.
- 4.5** As stated at paragraph 30, to support their audit opinion on the financial statements, Audit Scotland will place reliance on one planned internal audit review in relation to the planned audit of the Main Accounting System.

Other areas of internal audit work will also be considered as stated at paragraph 31, including:

- Investigation: Roads and Greenspace – Allegation of Hospitality and Tendering & Contracting Arrangements; and
- Balance Sheet Reconciliations (suspense accounts).

4.6 Audit Scotland's approach to Best Value / Value for Money is detailed in paragraphs 37 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 £264,810 compares to £257,760 for 2017/18.

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: 12 March 2019

Person to contact Stephen West, Head of Finance and Resources,
Council Offices, Garshake Road, Dumbarton,

G82 3PU
Telephone (01389) 737191
Email – Stephen.west@west-dunbarton.gov.uk

Appendix 1: Audit Scotland Annual Audit Plan 2018/19

Background Papers: None

Wards Affected: All wards

West Dunbartonshire Council

Annual Audit Plan 2018/19



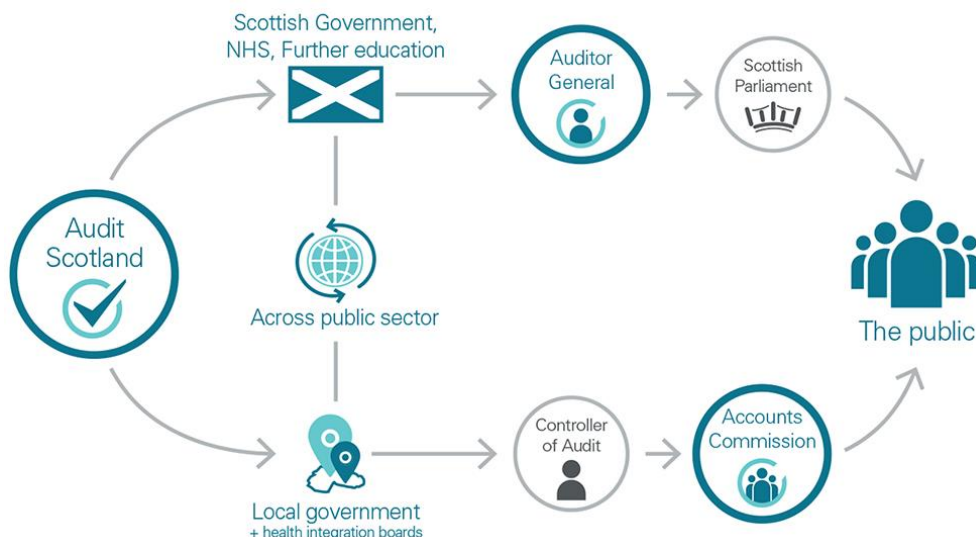
 **AUDIT SCOTLAND**

Prepared for by West Dunbartonshire Council
March 2019

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	12

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements 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 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 the 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 following main risk areas for the council. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements issues and risks		
1 Risk of management override of controls 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.	Owing to the nature of this risk, assurances from management are not applicable in this instance.	<ul style="list-style-type: none">• See point 14 - completion of the external audit review of the council's response to issues identified on the awarding of a series of contracts• Review of the Annual Governance Statement• Review of the assurances obtained by the Section 95 officer for the Governance Statement.• Review the work completed by the procurement section, including analysis of spend against contracts.

**Audit Risk****Source of assurance****Planned audit work**

- Detailed testing of journal entries.
- Review of accounting estimates.
- Focused testing of accruals and prepayments.
- Evaluation of significant transactions that are outside the normal course of business.

2 Risk of fraud over income

The council receives a significant amount of income from several sources in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.

Robust income generation and cash handling processes, including separation of duties.

Independent monitoring 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.

- Analytical procedures on income streams.
- Detailed testing of revenue transactions focusing on the areas of greatest risk.

3 Risk of fraud over expenditure

As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure.

Robust expenditure processing and cash handling processes, including separation of duties.

Independent monitoring 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.


- Analytical procedures on expenditure streams.
- Detailed testing of expenditure transactions focussing on the areas of greatest risk.


4 Estimation and judgements

There is a significant degree of subjectivity in the measurement and valuation of the material account

Applicability of actuarial assumptions reviewed by officers.

- Review council's procedures for ensuring actuarial valuations provided are appropriate.

	Audit Risk	Source of assurance	Planned audit work
	<p>areas within pensions, non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Valuation methodology consistent with accepted valuation principles.</p> <p>Rolling programme of valuations & review of significant changes each year</p>	<ul style="list-style-type: none"> • Completion of 'review of the work of an expert' for the professional valuers. • Focussed substantive testing of key areas.
5	<p>Housing revenue account – housing stock</p> <p>In 2017/18, there was a material adjustment to the financial statements due to 12 new build properties omitted from the fixed asset register.</p> <p>There is a risk that non-current assets may be understated in the council's balance sheet.</p>	<p>The process for valuing housing stock will be amended to ensure all relevant increases and decreases in stock levels are reflected in the valuation</p>	<ul style="list-style-type: none"> • Detailed testing of housing stock and review of the fixed asset register.
6	<p>Untaken annual leave accrual</p> <p>For the past four financial years, there have been audit adjustments to the council's untaken annual leave accrual. There is a risk the accrual may be understated in the council's balance sheet</p>	<p>A further review of procedures for calculation and reviewing will take place to ensure the annual leave accrual is calculated accurately</p>	<ul style="list-style-type: none"> • Review of the 2018/19 untaken annual leave accrual during the financial statements audit. • Review the checking procedures put in place by officers
7	<p>Accounts payable/receivable working papers</p> <p>During the 2016/17 and 2017/18 financial statements audit, the working papers for accounts payable and accounts receivable did not provide a clear breakdown of the balances held at year end.</p> <p>There is a risk of misstatement within the financial statements.</p>	<p>Officers will liaise with external audit to agree the form and content of these working papers prior to the start of the process</p>	<ul style="list-style-type: none"> • Continue to work with officers prior to the compilation of the working papers. • Carry out substantive testing of accounts payable and accounts receivable
8	<p>Period end reconciliation and review</p> <p>The 2017/18 year-end bank reconciliation for creditors (period 13) was not completed or reviewed by officers till mid July, after the draft accounts were approved by the council. In addition, the 2017/18 year end ledger reconciliation for creditors was also not reviewed.</p> <p>There is a risk that errors are not identified in a timely manner</p>	<p>Relevant officers will ensure reconciliations are completed on time</p>	<ul style="list-style-type: none"> • Review checking procedures put in place by officers • Substantive testing and controls testing of reconciliations
9	<p>Arrangements for grant claims</p>	<p>The process for the ongoing management of this grant have been</p>	<ul style="list-style-type: none"> • Review checking procedures implemented

 Audit Risk	Source of assurance	Planned audit work
<p>During 2017/18 we identified a significant number of errors with the council's grant claims.</p> <p>The Education Maintenance Allowance claim was submitted for audit five weeks late and four versions of the claim were submitted to correct errors identified by audit.</p> <p>An error was identified by audit in the 2017/18 Housing Benefit Subsidy claim.</p> <p>There is a risk that the council loses funds as a result of errors in the claims. Also additional staff and audit time is spent in revising the claims.</p>	<p>revised and closer ongoing monitoring is in place, to allow correct reconciliations to be in place to allow the EMA claims to be made on time and correctly,</p> <p>New checking processes have been implemented to minimise risk of error in Housing Benefit process.</p>	<ul style="list-style-type: none"> Audit of the grant claim(s)

Wider dimension issues and risks

<p>10 Financial sustainability</p> <p>At the time of writing this plan, the council had identified a funding gap of approximately £4.2 million in 2019/20. The council has agreed to close this gap using reserves.</p> <p>Additionally, the council's net borrowing, as a proportion of net revenue stream including dwelling rents, continues to be one of the highest in Scotland.</p> <p>There is a risk that the council's financial position may not be sustainable in the long term.</p>	<p>Budgetary control reporting to CMT, service committees and Council) – this includes monitoring of agreed cost reductions.</p> <p>Long-Term Financial Strategy will be reviewed to highlight updated funding gaps as 2019/20 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.</p> <p>Officers will provide Members will options for cost reductions to allow them to make informed decisions going forward.</p>	<ul style="list-style-type: none"> Continue to monitor the financial position and provide and provide an update in the Annual Audit Report.
<p>11 Follow up of Internal Audit actions</p> <p>From our review of the reports and minutes of the audit committee, we have identified that there are internal audit actions which have not been implemented by the due date agreed. For one action; <i>main telephone delivery systems need to be implemented and tested</i>, a delivery date of 31 October 2017 was agreed. This has not been</p>	<p>Management and Members monitor and scrutinise progress on these agreed audit actions to seek to ensure that they are achieved within the agreed timescales through the provision of regular reports to CMT (monthly) and to Audit Committee (at each Committee).</p>	<ul style="list-style-type: none"> Continue to monitor the follow up of both internal and external audit actions by officers.

**Audit Risk****Source of assurance****Planned audit work**

actioned at the time of writing this report.

There is a risk that the council is not implementing improvement actions in line with the agreed timescales.

12 EU withdrawal

There are considerable uncertainties surrounding the implications of EU withdrawal and public bodies should assess the potential impact on their operations and identify specific issues and planned responses.

There is a risk that the Council is not prepared for the impact of EU withdrawal on the delivery of services.

A strategic risk has been established in relation to EU withdrawal. The key risks to the Council and means of mitigation have been identified.

- Assess how the Council has prepared for EU withdrawal, including the specific reports produced by the Council.
- Consider how the Council responds to any emerging issues after March 2019.

13 Capital management

In 2018/19, gross capital expenditure (including HRA) is projected to be underspent against the original budget by £26.965 million (31%). There is a risk that the council's ability to deliver against its strategic plan is affected due to delays in investment and improvements to the asset base.

In addition, general services capital receipts for 2018/19 are forecast to be lower than initially budgeted.

Annual refresh of capital plan being reported to 27 March 2019 Council has applied a more systematic approach to considering optimism bias than in previous years and the phasings identified within the plan should therefore be more realistic. Best Value Assurance Report recommendations are being reviewed and new approaches implemented. Ongoing monitoring of capital spend progress continues through normal budgetary control processes at CMT, Committees and Council.

- On-going monitoring of capital budget, plans and monitoring reports.
- Follow up of the 2017/18 Best Value Assurance Report recommendations and report an updated judgement in the Annual Audit Report.

14 Procurement and tendering

A recent internal audit report which covered tendering and contracting arrangements identified that procurement policies and procedures were regularly circumnavigated by the roads and greenspace department. A further internal audit report in relation to Fire Safety has identified similar failings.

There is a risk that the council is not achieving value for money.

Performance indicators (PI) are reported to Council regularly which includes information on the PI in relation to "on contract" spend. This has shown a significant improvement in this PI over the last 5 years. The process of maximising spend as being "on contract" will continue – with processes in place, training provided and support available from the Corporate Procurement Team.

- Ongoing discussions with Internal Audit and Procurement.
- Review of the follow up work to be completed by Internal Audit in 2019.
- Completion of the external audit review of the council's response to allegations raised on the awarding of a series of contracts.

Reporting arrangements

5. Audit reporting is the visible output of the annual audit. All annual audit plans and the outputs as detailed in Exhibit 2, and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.
6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.
7. We will provide an independent auditor's report to West Dunbartonshire Council and the Accounts Commission setting out our opinions on the 2018/19 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 2018/19 Audit outputs

Audit Output	Committee Date
Annual Audit Plan	20 March 2019
Management Report	12 June 2019
Review of the Internal Audit Report on hospitality, tendering and contracting arrangements	TBC
Annual Audit Report	25 September 2019
Independent Auditor's Report	25 September 2019

Source: Audit Scotland

The audit of trusts registered as Scottish charities

8. Members of West Dunbartonshire Council are sole trustees (that is, only members of the council are trustees) for six trusts, registered as Scottish charities, with total assets of some £315,296.
9. The preparation and audit of the financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.
10. The 2006 regulations require charities to prepare annual accounts, and require an accompanying auditor's report where any legislation requires an audit. 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. Consequently, a full and separate audit and independent auditor's report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.
11. Based on our discussions with staff and initial planning work undertaken we have identified the audit risks detailed in Exhibit 3.

Exhibit 3

Audit Risk	Source of assurance	Planned audit work
<p>1 Governance and investment documentation</p> <p>As previously reported, the following risks remain for the trusts;</p> <ul style="list-style-type: none"> The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 requires to be updated. The governing documentation for the McAuley Prize for Mathematics is not available and a new trust deed required. <p>There is a risk that the Trust does not hold the title to the investment. There is also a risk of delay in issuing awards.</p>	<p>Officers continue to update and replace the Deeds of Trust for Dunbartonshire Educational Trust Scheme 1962 and the McAuley Prize for Mathematics.</p>	<p>Liaise with officers during process of updating and replacing Deeds of Trust.</p> <p>Review Deeds of Trust.</p> <p>Comment in ISA 260.</p>
<p>2 Dormant trusts</p> <p>Some of the trusts have been dormant for a number of years, with an assessment made in previous years that no tangible benefits were being derived from the trusts. The most recent activity was in 2016/17 when the War Memorial Dumbarton and the Halkett Memorial Dumbarton Trust funds were fully dispersed, following approval by trustees.</p> <p>No tangible benefit is being derived from the trust funds.</p>	<p>Finance officers continue to seek a solution to this issue through OSCR and Legal Services with the aim to provide a report to Council during 2019/20.</p>	<p>Continue to liaise with officers and monitor the activity of the trust funds.</p> <p>Comment in ISA 260.</p>

Audit fee

- The proposed audit fee for the 2018/19 audit of West Dunbartonshire Council, including the audit of the charitable trust funds, is £264,810 [2017/18 £257,760]. In determining the audit fee we have taken account of the risk exposure of West Dunbartonshire Council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package by 30 June 2019.
- 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

14. Audited bodies have the primary responsibility 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.
15. The audit of the annual accounts does not relieve management or the Audit Committee as those charged with governance, of their responsibilities.

Appointed auditor

16. Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.
17. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

- 18.** 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
 - 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.
- 19.** We will give an opinion on whether the financial statements:
- give a true and fair view of the state of affairs of West Dunbartonshire Council and its group as at 31 March 2019 and of the income and expenditure of West Dunbartonshire Council and its group for the year then ended;
 - have been properly prepared in accordance with the financial reporting framework.



Other information in the annual accounts

- 20.** We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.
- 21.** We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.

Materiality

- 22.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.
- 23.** We calculate materiality as described below. The calculated materiality values for West Dunbartonshire Council are set out in Exhibit 4.

Exhibit 4

Materiality values

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 for the year ended 31 March 2018 based on the latest audited accounts.	£4.455 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.	£2.228 million
Reporting threshold (i.e., clearly trivial) – 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, rounded up.	£50,000



Source: Audit Scotland

Timetable

24. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 5](#).

Exhibit 5

Timetable

 Key stage	 Date
Consideration of unaudited annual accounts by the audit committee	12 June 2019
Latest submission date of unaudited annual accounts complete working papers package	30 June 2019
Latest date for final clearance meeting with Strategic Lead - Resources	TBC
Issue of Letter of Representation and proposed independent auditor's report	26 September 2019
Agreement of audited unsigned annual accounts	26 September 2019
Issue of Annual Audit Report to those charged with governance	26 September 2019
Independent auditor's report signed	26 September 2019
Latest date for signing of WGA return	27 September 2019

Internal audit

25. Internal audit is provided by West Dunbartonshire Council. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). We will report any significant findings to management on a timely basis.

- 26.** We reported in March 2018, members of the Audit Committee are not provided with full completed internal audit reports, instead they are provided with summaries and the action plans. It would enhance transparency for members and the public if full reports are presented.
- 27.** In December 2018, the Chair of the Audit Committee and the Audit and Risk Manager completed a self-assessment and reporting on audit assignments exercise where they agreed to continue with the current approach. We note the Audit Committee's decision, but would reiterate that it is important that members are assured that they receive the appropriate level of detail on internal audit findings to support informed discussions on the findings as part of their scrutiny responsibilities.
- 28.** Exhibit 1 also contains a risk where we have identified a number of instances where internal audit actions have not been implemented in line with the agreed timescales, delaying improvements to internal control and governance arrangements. We will report on these issues further in our 2018/19 Annual Audit Report.

Using the work of internal audit

- 29.** 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 to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.
- 30.** From our initial review of internal audit plans we plan to place formal reliance on internal audit work in the following area:
- Main Accounting System
- 31.** In respect of our wider dimension audit responsibilities we also plan to consider other areas of internal audit work including:
- Investigation: Roads and Greenspace – Allegation of Hospitality and Tendering & Contracting Arrangements
 - Balance Sheet Reconciliations (suspense accounts)

Audit dimensions

- 32.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [6](#).

Exhibit 6

Audit dimensions



Source: Code of Audit Practice

33. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

34. As auditors, 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 body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- 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
- whether the council can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

35. 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:

- whether the council has arrangements in place to ensure systems of internal control are operating effectively
- whether the council can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the council has assured itself that its financial capacity and skills are appropriate
- whether the council has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

36. 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 review, conclude and report on:

- whether the council can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others such as ALEOs)
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Best Value / Value for Money

37. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the approach coincided with the new five-year audit appointments. Auditors started using the framework for their audit work from October 2016.

38. A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five-year audit appointment, both through the ongoing annual audit work, and through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- The Annual Audit Report for each council that will provide a rounded picture of the council overall.
- An annual assurance and risks report that the Controller of Audit will provide to the Commission that will highlight issues from across all 32 councils' annual audit reports.
- A Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five-year period.

39. The BVAR for the West Dunbartonshire Council was published in June 2018. The focus of our audit work this year is to report on the council's response to the report and progress made with its Best Value improvement plan approved by the council in August 2018. We will also review the council's arrangements covering the best value characteristics of fairness and equality. The results of this work will be reported in the Annual Audit Report.

40. The seven councils for which a BVAR will be published during 2019 are shown below.

Exhibit 7

2018/19 Best Value Assurance Reports



North Lanarkshire Council

Stirling Council

South Lanarkshire Council

Midlothian Council

Highland Council

Scottish Borders Council

Perth and Kinross Council

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 engagement lead (i.e. appointed auditor) for West Dunbartonshire Council is Fiona Mitchell-Knight, Audit Director. Auditing and ethical standards require the appointed auditor, Audit Scotland, 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.

Quality control

43. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) 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) has 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 engagement lead.

West Dunbartonshire Council

Annual Audit Plan 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