

## External Audit Reports






**Report Type:** Actions Report

**Report Author:** Jim Leitch



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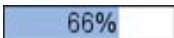


Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

### Project 11. Review of Governance Arrangements and Main Financial Systems 2011/12




Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<p><u>19. NDR Billing &amp; Collection - Documented Procedures</u></p> <p>There is no comprehensive procedure manual to support the NDR process.</p> <p><b>Risk:</b> Staff, and staff training, are not adequately supported by documented procedures increasing the risk of processing error.</p>	<p>Full documentation of NDR process will be produced and advised to appropriate employees.</p>			31-Dec-2012	31-Dec-2013	Karen Shannon	Working practices and procedures are being reviewed and developed within the section.

**Project 14. WDC 2012/13 Review of Governance Arrangements and Main Financial Systems Report. Issued June 2013.**



Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<p><u>11. Information Communication Technology - Disaster Recovery Plan</u> The ICT department has recently produced a high level disaster recovery plan however further work is required to complete the supporting documentation which underpins the overall plan.</p> <p><u>Risk:</u> The Council might not be able to protect and/or recover their ICT infrastructure in the event of a disaster.</p>	ICT will continue to document and test DR plans for each critical system.			31-Mar-2014	31-Mar-2014	Brian Miller	November 2013. Progress on this action has been delayed due to resourcing conflicts. Staff originally assigned to this task have been reassigned to deliver PSN security work. ICT Manager will discuss and review the timescales with External Auditors at meeting scheduled for 2 December 2013.
<p><u>12. Information Communication Technology - ICT Project Management</u> Although the Council have a project management methodology in place they have recognised that it would benefit from a review and update. We concur there are areas where the methodology could be improved and would welcome a review.</p> <p><u>Risk:</u> Projects may not deliver the projected benefits.</p>	A review and update of Project Management processes and procedures will be undertaken. This will include defining project scale (small, medium and large projects) and documentation required to each.			31-Dec-2013	31-Dec-2013	Anne McFadden	Survey under development but not yet finalised. Aim to have this finalised, agreed by ICT management and issued to staff within 2 weeks.
<p><u>13. Information Communication Technology - Use of unsupported and older software</u> The Council is operating</p>	This recommendation will be progressed as part of ICT Modernisation project when a standard			30-Jun-2014	30-Jun-2014	Patricia Marshall	Nov 13. Eracent license management system has now been deployed to PCs in school estate and information collated will be used in the

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<p>many older versions of the common software applications, for example Office 2000 and Windows XP. Support for Office 2000 was withdrawn in 2009 and support for Windows XP is planned to end in 2014.</p> <p><u>Risk:</u> Operating older unsupported versions of software may cause incompatibility issues and result in security weaknesses.</p>	operating system and version of desktop tools will be agreed and implemented for locations/services within scope of the project and future projects to extend to additional locations/services.						ICT Modernisation project.

### Project 13. Annual Report on the 2011/12 Audit

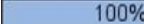








Risk Identified	Action Status Progress Bar	Original Due Date of Action	Actual Due Date of Action	Sub-Action Code	Planned Management Action	Sub-Action Progress Bar	Sub-Action Status Icon	Sub-Action Due Date	Sub-Action Assigned To	Sub-Action Latest Note
<p><b>2. Capital Management:</b> Capital slippage has been an area of concern for a number of years with an average of 25.5% per annum since 2007/08. We further note that the Council do not currently have a long term capital plan in place.</p> <p><b>Risk: Future capital programmes and</b></p>		30-Sep-2013	30-Sep-2013	CS/EAAP/090a	HEED has recently generated a procurement programme for HRA Capital projects to generate framework contracts for a range of capital works to support the implementation of works to attain Scottish Housing Quality Standard.			30-Jun-2013	Richard Cairns	

This means that if slippage is experienced, then substitute projects can be brought forward, with the aim of ensuring all SHQS works are completed on time overall. The effectiveness of this

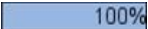

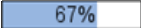
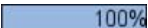

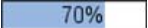

<b>associated service improvements may not be delivered in a timely manner. Furthermore projects may not align with available Council resources.</b>					and considered by management.					
				CS/EAAP/090b	The HRA has in place an agreed and costed capital investment plan covering the next 25 years. This will remain under review on a regular basis and will feed directly into the revenue planning process for the HRA.	<div><div>75%</div></div>		30-Sep-2013	Richard Cairns; Stephen West	Plan and financial model being reviewed and updated to reflect latest financial performance information and latest information from the elements of the 100% housing stock condition surveys that are being carried out. Expected to be completed by mid-December 2013.
				CS/EAAP/090c	A long term capital plan is under development for General Services spend. This aims to identify scoped demand for investment over the next 10 years, together with more finite plans for the next 3 years. The 10 year plan will link directly to the General Fund revenue plans and the Council's long term financial strategy, and as such will remain under	<div><div>100%</div></div>		06-Feb-2013	Richard Cairns; Stephen West	The Council has recently completed the development of a 10 year capital plan which was approved on 6 February 2013. This plan aligns investment to delivery of strategic priorities and further strengthens the strategic




review at regular intervals.




planning and budgeting arrangements through a demonstrable link to revenue support for investment. Integral to the plan

										performance management to optimise the delivery of projection on time and on budget.
				CS/EAAP/090d	CMT will review the 2012/13 capital plan to identify options for maximising in-year spend.			31-Dec-2012	Stephen West	Options for quick spend were considered by CMT in December 2012
				CS/EAAP/090e	The Strategic Asset Management Group will consider options to generate framework arrangements aligned to the General Services capital works going forward.			31-Jan-2013	Richard Cairns; Stephen West	Recommendations made to Strategic Asset Management Group for consideration week commencing 25 November 2013. Thereafter to CMT and Council if appropriate.
<b>4. Debt Levels:</b> A comparative review of the draft financial statements of all 32 local authorities highlighted that the Council has some of the highest levels of debt per head of population, as a proportion of fixed assets and as a proportion of net spend.  <b>Risk: Servicing the debt may not represent value for money and may have a detrimental impact on</b>		31-Mar-2013	30-Nov-2013	CS/EAAP/092a	The Council's Treasury Policy is reviewed on an annual basis to ensure that the Council operates within Prudential limits and that the debt repayments are affordable.			31-Mar-2013	Stephen West	Treasury Strategy and Prudential Indicators for 2013/14 agreed by Council on 27 March 2013.
				CS/EAAP/092b	A financial plan has been developed identifying required rent increases in order to service the debt. This plan will remain under review in order to consider its ongoing affordability.			30-Sep-2013	Stephen West	Plan and financial model being reviewed and updated to reflect latest financial performance information and latest information

from the elements of the 100% housing stock condition surveys that are being carried out. This review includes consideration of the







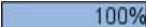

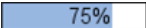

<i>service delivery.</i>										debt levels associated with the capital investment required. Expected to be completed by December 2013.
				CS/EAAP/092c	The General Fund debt includes future payments for PPP schools which a number of other Councils do not have. The cost of servicing these repayments will continue to be planned within the Council's financial strategy. Future options for new capital investment are under consideration in the long term capital plan and means of funding these which minimise effect on the revenue account are under consideration.			06-Feb-2013	Stephen West	In setting the Council budget for 2013/14 the appropriate PPP costs were budgeted.
<b>5. Financial Pressures:</b> The Council have identified £5.8 million of efficiency savings to help meet the financial challenges brought about by reduced local government settlements. A number of savings options are dependent on service and job redesign and potential staff reductions if they are to be achieved.		28-Feb-2014	28-Feb-2014	CS/EAAP/093a	A range of options have been developed by the CMT in order to close the identified gap for 2013/14.			06-Feb-2013	Stephen West	Complete.
				CS/EAAP/093b	Further options will be developed for the remaining gap to 2014/15.			05-Feb-2014	Stephen West	CMT have developed a range of management adjustments and savings options for Member consideration. These will be circulated to Members week commencing 2 December and reported to Council on 18 December 2013, and final decisions made at Special Council on 6 February 2014.

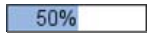




<b>Risk:</b> <b>Achievement of these targets will present significant challenges to the Council in terms of capacity to deliver services and planned improvements.</b>				CS/EAAP/093c	There may be options taken which include reducing staffing numbers, however these will only be taken following consideration of potential effects on service delivery. Options will include opportunities for service and job redesign efficiencies.	0%		05-Feb-2014	Stephen West	All options developed as management adjustments and savings options have identified the impact on employee numbers and on service delivery.
				CS/EAAP/093d	The ongoing development of the financial strategy will include the effects of planned improvements (e.g. effect of capital investment decisions).	100%		30-Sep-2013	Stephen West	New Long Term Financial Strategy provided to and approved by Council on 30 October 2013.
				CS/EAAP/093e	The CMT and Elected Members will continue to review performance and financial pressures and make decisions about how to manage appropriate service delivery within the confines of the financial pressures.	67%		28-Feb-2014	Stephen West	This reflects the budget setting process whereby options for management adjustments and savings will be provided to members for decision on 6 February 2014. In addition on going budgetary control processes continue to be reported to and monitored by CMT and Members regularly. Decisions around budget setting options are clearly about delivering within the confines of the financial pressures/ constraints.




<p><b>10. Scottish Housing Quality Standards:</b> The Council have a duty to ensure 100% of housing stock complies with SHQS by 2015. Retention of the housing stock affords greater control over delivery of SHQS but also creates additional financial pressure on the Council.</p> <p><b><i>Risk: The Council may fail to meet the SHQS 2015 deadline.</i></b></p>	<div>0%</div>	31-Mar-2015	31-Mar-2015	CS/EAAP/098a	In agreeing to retain the Council's housing stock, members were presented with details as to the level of investment to fund the achievement of SHQS and the expected levels of rent increases required to pay for the borrowing required to fund the improvements. Progress towards achieving SHQS will be monitored by HEED and the Chief Executive.	<div>0%</div>		31-Mar-2015	Richard Cairns	
				CS/EAAP/098b	In addition the HRA capital plan is aligned to the achievement of SHQS on time and linked to the expected performance improvement arising from the use of flexible framework contracts it is expected that SHQS will be attained on time. The capital planning process will be informed by the outcome from the 100% stock condition survey which was approved by Council in June 2012.	<div>0%</div>		31-Mar-2015	Richard Cairns	
				CS/EAAP/098c	CMT monitors progress in relation to the capital plan on a regular basis and this is also regularly reported to HEED Committee and Council.	<div>0%</div>		31-Mar-2015	Richard Cairns	

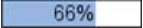






**Project 15. Annual Report on the 2012/13 Audit**

Risk Identified	Action Status Progress Bar	Original Due Date of Action	Actual Due Date of Action	Sub-Action Code	Planned Management Action	Sub-Action Progress Bar	Sub-Action Status Icon	Sub-Action Due Date	Sub-Action Assigned To	Sub-Action Latest Note
<b>1. Total Usable Reserves</b> ; The Council have an unallocated general fund balance of £5.14 million. Whilst this exceeds the policy of maintaining a reserve of 2% of net expenditure the Council's total usable reserves have decreased marginally in 2012/13. <b>Risk: The Council should continue to keep its reserves position under review to ensure their appropriateness to its financial plans and risks.</b>		05-Feb-2014	05-Feb-2014	CS/EAAP/114a	The Draft Long Term Finance Strategy will be reported to Members on 30 October 2013.			30-Oct-2013	Stephen West	Complete - reported submitted to Council meeting on 30th October 2013.
				CS/EAAP/114b	In setting the budget for 2014/15 and indicative budgets for 2015/16 and 2016/17 Members will have the opportunity to budget to increase reserves.			05-Feb-2014	Stephen West	The report to Members in December 2013 and February 2014 will provide a recommended level of reserves and confirm to Members that they can consider setting higher reserve targets.
<b>2. Capital Slippage:</b> Capital slippage continues to be an area of concern with an average of 28.8% per annum since 2007/08. There was 45.3% slippage in 2012/13 amounting to £36.86 million.		30-Nov-2013	30-Nov-2013	CS/EAAP/115a	Capital monitoring information is provided to Council on a regular basis.			30-Nov-2013	Stephen West	All Budgetary Control reports to Council and Service Committees include detailed information on progress of the capital plan.
				CS/EAAP/115b	Options for quick-spend will be considered by CMT.			30-Nov-2013	Stephen West	Options provided to Strategic Asset Management Group and will be passed

<p><b>Risk: Capital programmes and associated service improvements may not be delivered in a timely manner.</b></p>										to CMT in early December to consider for 2013/14.
<p><b>3. Debt Levels:</b> A comparative review of the draft financial statements of all 32 local authorities highlighted that the Council has some of the highest levels of debt and interest payments as a proportion of net revenue spend. It is further noted that the Council's 10 year capital plan is to be financed by £179.30 million of prudential borrowing which will have further implications for future revenue budgets.</p> <p><b>Risk: Servicing the debt may pre-empt the best use of the council's resources.</b></p>		05-Feb-2014	05-Feb-2014	CS/EAAP/116a	The update of the Capital Plan will be presented to Council on 6 February 2014 for consideration of the cost of funding and priorities in relation to any revenue financial implications.			05-Feb-2014	Stephen West	Options for addition to the capital plan have been gathered and preparation of an update report to CMT has commenced.
				CS/EAAP/116b	Spend to save projects will be monitored on implementation to identify actual financial benefits compared to expected benefits and any over or underachievement will be input to the revenue budget setting process.			30-Nov-2013	Stephen West	The spend on Spend to Save projects is being monitored and reported via CMT and Council/Service Committees. The savings will be monitored and reviewed post-project implementation

<b>4. Financial Pressure:</b> The Council currently has an assumed cumulative funding gap of £21.68 million over the period 2013/14 - 2016/17 and continues to face an increase in demand for services due to the current economic climate and changes in demography.  <b>Risk: The Council may not be able to generate efficiencies and savings to bridge the funding gap.</b>				CS/EAAP/117a	The Long Term Financial Strategy going to Council on 30 October 2013 asks CMT to identify efficiencies for forward planning to meet the anticipated gap.	<div><div>100%</div></div>		30-Oct-2013	Stephen West	Updated Long Term Financial Strategy provided to and agreed by Council on 30 October 2013.
	<div><div>62%</div></div>	31-Aug-2016	31-Aug-2016	CS/EAAP/117b	Updates of the Long Term Financial Strategy will be presented to Council on at least an annual basis to update the projections as new information becomes available.	<div><div>25%</div></div>		31-Aug-2016	Stephen West	Long Term Financial Strategy provided to Council on 30 October 2013. Further updates will be provided on an ongoing annual basis.
<b>5. Public Sector Network Accreditation:</b> The Council has not, as yet received accreditation to remain connected to the PSN.  <b>Risk: The Council may not be able to share data or access data held by other public sector bodies.</b>	<div><div>77%</div></div>	30-Nov-2013	30-Nov-2013	CS/EAAP/118a	A submission to the Cabinet Office seeking continued accreditation will be submitted.	<div><div>77%</div></div>		30-Nov-2013	Angela Wilson	The Council's submission is currently with the Cabinet Office Assessors for review.

<p><b>6. Rent Arrears:</b> The Council have the fifth highest gross housing rent arrears as a proportion of HRA dwelling rents in Scotland. This is likely to be further impacted by welfare reform and the rent increases required to fund the capital programme designed to meet the SHQS by 2015.</p> <p><b>Risk: Escalation of rent arrears may lead to a significant loss of income and jeopardise delivery of the HRA capital programme.</b></p>		04-Feb-2015	04-Feb-2015	CS/EAAP/119a	The position of rent collection will be monitored and reported as part of the regular budgetary control process.			30-Nov-2013	Stephen West	Rent collection is reported to HEED Committee and Council as part of Budgetary Control report on HRA revenue account on a regular basis. The rent collection performance is considered in relation to the income and bad debt provision position.
				CS/EAAP/119b	The expected impact of welfare reform will be provided for within new revenue budgets for the HRA			04-Feb-2015	Stephen West	Work on producing the HRA budget for 2014/15 and onwards has commenced and is progressing well. This process includes consideration of likely impact of welfare reform on ability to collect rents. This will continue into future years.