

# West Dunbartonshire Council

2018/19 Annual Audit Report



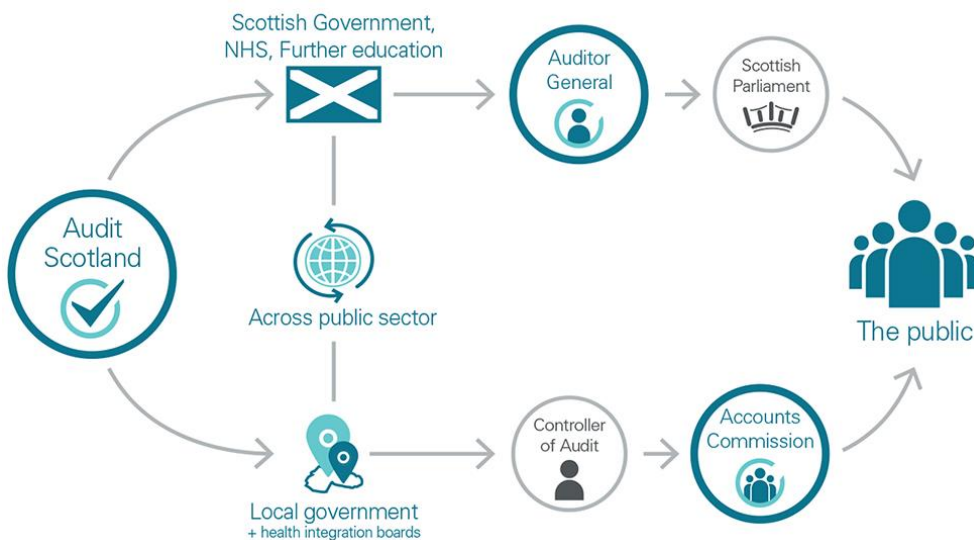
 AUDIT SCOTLAND

Prepared for the Members of West Dunbartonshire Council and the Controller of Audit  
25 September 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.

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# Key messages

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## 2018/19 annual accounts

- 1 The financial statements of West Dunbartonshire Council and its group give a true and fair view of its financial position for the year ended 31 March 2019.
- 2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.
- 3 The statement of accounts for the five section 106 charities administered by the council properly presents the receipts and payments of the charities for the year ended 31 March 2019 and its statement of balances at that date.

## Financial management

- 4 The council has a good track record in consistently delivering services within budget. In 2018/19 a surplus of £0.231 million was reported against the revised budget. The surplus for the year increased to £0.675 million after post-audit adjustments.
- 5 The council's budget setting process is operating effectively and there was clear evidence of member and stakeholder engagement in the preparation and approval of the 2018/19 budget.
- 6 The council has effective budgetary monitoring and control arrangements that allow elected members to carry out effective scrutiny of the council's finances.
- 7 A trend of slippage in the capital programme was reported in the 2018 Best Value Assurance Report. Capital slippage remains high in 2018/19, £34.795 million (41.5%) against the general services capital programme and £13.215 million (39.6%) against the HRA capital programme. Improvement actions to reduce the level of slippage are ongoing.
- 8 Management are taking action to address weaknesses in procurement practices and improve the level of compliance with the council's financial regulations.

## Financial sustainability

- 9 The council has effective arrangements in place for financial planning that include a long-term financial plan.
- 10 The Council approved a budget for 2019/20 that includes the one-off use of reserves balances. A cumulative funding gap of £16.930 million is projected for 2020/21 and 2021/22.
- 11 The council has a low level of reserves as a proportion of net revenue compared to other Scottish local authorities.

## Governance and transparency

- 12 Overall effective governance arrangements are in place in the council but improvements in Internal Audit practices and the governance of procurement are required and are being progressed.
- 13 The council has introduced bi-monthly cross-party meetings between the Chief Executive and group leaders to discuss strategic issues and the challenges facing the council.
- 14 The council is open and transparent in the way it conducts its business and the public can attend meetings of the Council and its standing committees.

## Best Value

- 15 The [Best Value Assurance Report \(June 2018\)](#) (BVAR) reported that the council demonstrates a focus on delivering Best Value. The report said that there was evidence of continuous improvement in its services. There is evidence that the council's performance improvement against its strategic indicators has continued in 2018/19.
- 16 Good progress has been made against all five recommendations made in the 2018 Best Value Assurance Report.
- 17 The council has satisfactory arrangements in place to ensure it meets its responsibilities under the Equality Act 2010. There is also evidence that fairness and equality are embedded within the organisation.
- 18 The council and other stakeholders have prepared a Community Empowerment Strategy and Action Plan which will be published in November 2019.

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# Introduction

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1. This report summarises the findings from our 2018/19 audit of West Dunbartonshire Council (the council).
2. We aim to add value to the council through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvement that are accepted by management
  - reporting our findings and conclusions in public
  - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides, and
  - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Scope of our audit

3. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the meeting of the audit committee on 20 March 2019. This report comprises the findings from:
  - our audit of the council and its group's annual accounts, and the statement of accounts of the section 106 charities administered by the council, including the issue of independent auditor's reports setting out our opinions
  - a review of the council's key financial systems
  - an [Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services \(April 2019\)](#)
  - audit work covering the council's arrangements for securing best value relating to fairness and equality and the follow up of our recommendations from our [Best Value Assurance Report \(June 2018\)](#)
  - our consideration of the wider audit dimensions of public sector audit, [exhibit 1](#), as set out in the [Code of Audit Practice 2016](#).

## Ethical considerations

4. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2018/19 audit fee of £264,810 (which includes the audit of the charitable trust funds) as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

## Exhibit 1

### Audit dimensions



Source: *Code of Audit Practice 2016*

## Responsibilities and reporting

**5.** The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

**6.** Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

**7.** As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability, and best value arrangements.

**8.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

**9.** This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control. An agreed action plan is included at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation.

**10.** This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## Acknowledgement

**11.** We would like to thank all management and staff for their cooperation and assistance during the audit.

# Part 1

## Audit of 2018/19 annual accounts



### Main judgements

The financial statements of West Dunbartonshire Council and its group give a true and fair view of its financial position for the year ended 31 March 2019.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

The statement of accounts for the five section 106 charities administered by the council properly presents the receipts and payments of the charities for the year ended 31 March 2019 and its statement of balances at that date.

### Audit opinions on the annual accounts

**12.** The annual accounts for the council and its group for the year ended 31 March 2019 were approved by the Council's Audit Committee on 25 September 2019. We reported, within our independent auditor's report that the:

- financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

**13.** We have nothing to report in respect of misstatements in the information accompanying the financial statements, the adequacy of accounting records, or the information and explanations we received during the audit.

**The annual accounts are the principal means for the council accounting for the stewardship of resources and performance in the use of resources to its external stakeholders.**

### Submission of the council and its group annual accounts for audit

**14.** We received the unaudited annual accounts on 26 June 2019, in line with the agreed timetable set out in our 2018/19 Annual Audit Plan.

**15.** The working papers provided with the unaudited accounts were generally of a good standard. However, some papers were provided late which forced us to reorganise our planned audit work. Finance staff provided good support to our team which helped to ensure the final accounts audit process ran smoothly and enabled us to complete the audit in accordance with the agreed timetable.

**16.** The working papers not available at the start of the final accounts audit included those for provisions, common good, and the group statements. Management have advised that the arrangements for the provision of working papers will be strengthened going forward to ensure that all requested papers are provided with the unaudited accounts from 2019/20.



## Risk of material misstatement

**17.** [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

**18.** We have reported one issue from our work on the risks of material misstatements highlighted in our 2018/19 Annual Audit Plan. This relates to financial sustainability and is included in the action plan at [Appendix 1](#).

## Materiality

**19.** Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

**20.** Our initial assessment of materiality for the financial statements was undertaken during the planning phase of the audit and was based on the gross expenditure reported in the audited 2017/18 Annual Accounts. These levels were reported in our Annual Audit Plan presented to the audit committee on 20 March 2019.

**21.** On receipt of the unaudited 2018/19 Annual Accounts we recalculated our materiality levels based on the actual gross expenditure for the year ended 31 March 2019. Our materiality levels are summarised in [exhibit 2](#).

## Exhibit 2 Materiality values

Materiality level	Amount
<b>Overall materiality:</b> 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 2019.	£4.617 million
<b>Performance materiality:</b> 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 overall materiality.	£2.308 million
<b>Reporting threshold:</b> We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality.	£0.050 million

Source: Audit Scotland

## Significant findings from the audit in accordance with ISA 260

**22.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

**23.** The significant findings are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

## Exhibit 3

### Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Revaluation of non-current assets</b></p> <p>Ahead of the audit commencing, the finance staff advised that the council had appointed Gerald Eve as the external valuers for the financial year 2018/19. It was advised that due to the change in appointment there was a delay in the provision of the valuations as at 31 March 2019 required as part of the rolling revaluation programme. In addition, officers identified issues with some of the valuations provided by the valuer that did not reflect the requirements of the 2018/19 Code or the council's accounting policies. As a result of these issues, the council took a cut-off point in May 2019 to compile the draft accounts with valuations received as at that date.</p> <p>During the audit, two revised reports were received detailing adjustments required. The final report and adjustments were received for auditing on 3 September 2019.</p>	<p>A post-audit adjustment was processed to reflect the final valuation report received. The impact of this adjustment was to increase the Net Assets figure in the balance sheet by £0.551 million and to reduce the Total Comprehensive Expenditure figure in the comprehensive income and expenditure statement by the same amount.</p> <p>The council should work with the external valuers to ensure these issues are not repeated in 2019/20.</p> <div>  <p>Recommendation 1 (refer <a href="#">appendix 1</a>, action plan)</p> </div>
<p><b>2. Property, Plant and Equipment addition</b></p> <p>During our non-current assets testing we identified capital expenditure of £0.515 million for work completed prior to 31 March 2018, and invoiced in April 2018, had not been capitalised as an addition in the 2017/18 accounts. This expenditure was instead capitalised during 2018/19 and is reflected in the Property, Plant and Equipment balance at 31 March 2019 in the annual accounts.</p>	<p>As the value of the addition did not exceed our materiality levels no prior year adjustment has been made for this. Our additions testing did not identify any similar issues for 2018/19.</p> <p>As part of the close-down procedures for 2019/20 Management will review the capital accruals listing to ensure that accruals have been processed for all significant work undertaken up to 31 March that has not been billed for at the year-end.</p>
<p><b>3. Group accounting errors</b></p> <p>During the audit we found 15 disclosure errors, one omission and multiple financial consolidation errors in the group accounts. This resulted in additional audit work reviewing three sets of revised group account statements and working papers.</p> <p>The financial consolidation errors related to inter-group transactions between component group bodies not being correctly eliminated.</p>	<p>All errors identified have been corrected in the group account statements in the audited accounts.</p> <p>Procedures should be put in place to ensure that the unaudited group accounts statements are free from misstatement and reflect the component group bodies accounts.</p> <div>  <p>Recommendation 2 (refer <a href="#">appendix 1</a>, action plan)</p> </div>
<p><b>4. Capitalisation of software licenses</b></p> <p>As part of our expenditure testing, we identified that the council had taken advantage of a bulk discount and purchased eight separate annual software licenses (covering the period 2018/19-2025/26) for £0.234 million during August 2018. The full cost of the licenses was paid in 2018/19, with the £0.200</p>	<p>Management agreed that the licenses relating to future years should have been capitalised. An adjustment of £0.200 million has been processed to capitalise this expenditure as an intangible asset addition with an asset life of seven years. This change increased the intangible assets balance in the balance sheet by £0.200 million and reduced the short-term debtors balance by the same</p>

Issue	Resolution
million for the seven annual licenses covering the period 2019/20 to 2025/26 treated as prepayments.	amount. As a result, this had a nil impact on the Net Assets figure in the balance sheet.
In accordance with IAS 36, multi-year licenses should be capitalised as intangible assets and amortised over the period of use as they give the council access to future economic benefits.	<p>Management reviewed other significant revenue expenditure and did not identify any other similar issues.</p> <p>As part of the 2019/20 year-end closedown procedures, Management should review all significant revenue expenditure during the year to identify any expenditure that should be capitalised.</p>



Recommendation 3  
(refer [appendix 1](#), action plan)

### 5. Accounting treatment of exam entry fees

Our audit identified an inconsistency in the accounting treatment of the exam entry fees payable to the Scottish Qualification Authority (SQA) for the summer 2019 diet of exams, with some fees treated as 2018/19 expenditure and some fees treated as 2019/20 expenditure. Therefore, we asked the council to agree a consistent accounting treatment going forward.

Management determined that as these exam entry fees related to examinations sat by students in May and June 2019 the most appropriate accounting treatment would be to classify these payments as 2019/20 expenditure. We accepted this treatment and a post-audit adjustment was processed which reduced the Net Cost of Service in the comprehensive income and expenditure statement by £0.444 million and increased the Net Assets in the balance sheet by the same amount.

### 6. Exit package

During our testing of exit packages we identified one case where the costs had been treated as 2018/19 expenditure but the employee had not left until after the 31 March 2019.

Management agreed that this should not have been treated as 2018/19 expenditure. However, as the exit package was approved prior to 31 March 2019 there was a constructive obligation on the council to make this payment. Therefore, a provision has been created for this amount and there is a nil impact on the Total Comprehensive Expenditure figure reported in the comprehensive income and expenditure statement.

### 7. Revised pension liability

Two distinct legal rulings, affecting Local Government Pension Schemes, have impacted upon the pension liability at 31 March 2019 disclosed in the council's accounts.

The first of these was the Guaranteed Minimum Pension case which related to sex discrimination on guaranteed minimum pension rights.

The other ruling was the McCloud case challenging age discrimination on pension scheme transitional protection.

*Further details on both of these cases is included in the 'Impact of legal rulings on pension liability' section at paragraphs [27-33](#) below.*

As these rulings had a material impact on the pension liability at 31 March 2019, management obtained a revised actuarial report and made an adjustment to the audited accounts to reflect the revised pension liability figure. The impact of these rulings resulted in the pension liability figure in the balance sheet, and the deficit on provision of services figure in the comprehensive income and expenditure statement, both increasing by £12.455 million.

## Movement in pension liability over time

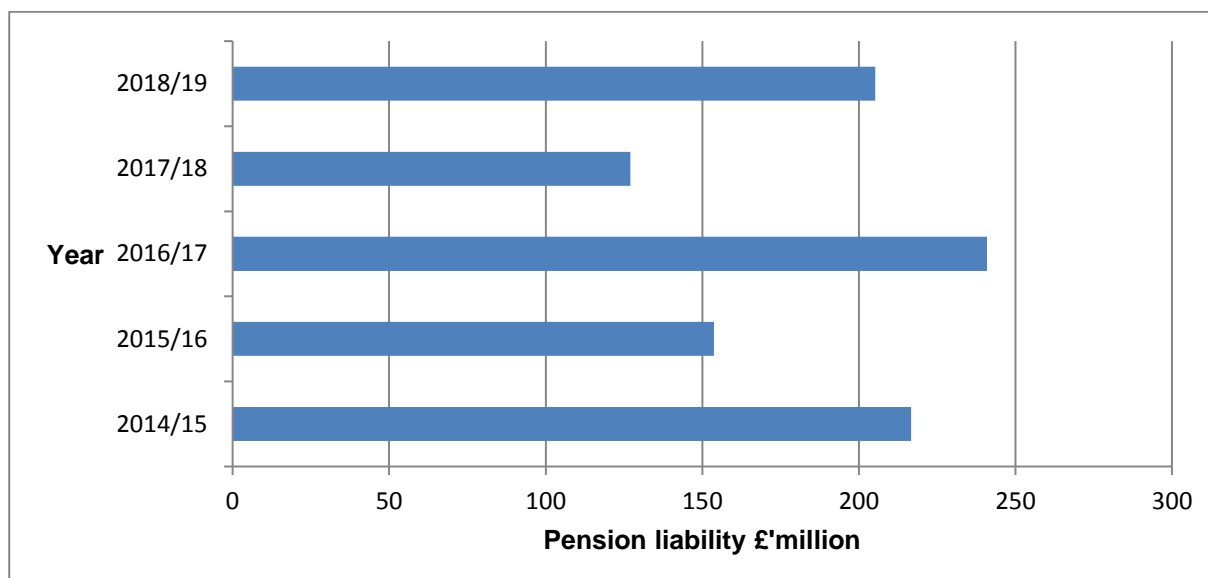
**24.** As required by international accounting standards the council has recognised its pension liability on the balance sheet.

**25.** West Dunbartonshire Council is a member of Strathclyde Pension Fund, one of the largest pension funds in the UK. The valuation of pension fund assets and liabilities is assessed by professional actuaries (Hymans Robertson) each year and is dependent on a range of external variables, including projected rates of return on assets, interest rates and mortality estimates.

**26.** The pension liability represents the difference between expected future payments to pensioners and the underlying value of pension fund assets available to meet this cost. [Exhibit 4](#) sets out the movement in the council's pension liability over the last five years. Historically there has been considerable volatility year on year of the valuation of liabilities across the public sector. Small changes in actuarial assumptions can have a significant impact on the calculation of closing liabilities. Part of this movement relates to the impact of the legal rulings discussed at paragraphs [27-33](#) below but the majority is attributable to changes in the annual valuation.

### Exhibit 4

#### Movement in pension fund liability 2014/15 – 2018/19



Source: West Dunbartonshire audited Annual Accounts 2014/15 to 2018/19

## Impact of legal rulings on pension liability

**27.** Two distinct legal rulings, affecting Local Government Pension Schemes, have impacted upon the pension liability at 31 March 2019 disclosed in the council's accounts ([Point 7 - Exhibit 3](#)).

### Guaranteed Minimum Pension (GMP) case relating to sex discrimination on guaranteed minimum pension rights

**28.** Contracting out of the state earnings related pension scheme (SERPS) became possible in April 1978. This provided for reduced employer and employee National Insurance contributions in return for members receiving a GMP from an occupational pension scheme. GMPs are discriminatory in various ways. For example, they are payable at 60 for female members and 65 for male members and they are built up at different rates, reflecting the earlier payment age for women.

**29.** In October 2018 the High Court (England) held that pension schemes must equalise the discriminatory effects of GMPs. The Court's judgement will be applicable across all affected public sector defined benefit pension schemes. An interim method of calculating costs in respect of persons retiring from April 2016 and April 2021 has been agreed. However, the issue is a long standing one and the many complexities of dealing with it have meant that there is, as yet, no agreed solution to calculating the liabilities of pension schemes.

**30.** The assessed impact of this ruling on the pension liability of the council was not reflected in the *IAS19 – Employee Benefits* report provided by the actuary, Hymans Robertson, which was used in preparation of the unaudited accounts. Management therefore obtained a revised IAS19 actuarial report reflecting the impact of this ruling and made the required adjustment in the audited accounts. This resulted in the pension liability figure in the balance sheet, and the deficit on provision of services figure in the comprehensive income and expenditure statement, both increasing by £2.090 million.

### **McCloud case challenging age discrimination on pension scheme transitional protection**

**31.** In March 2011 the Independent Public Services Pension Commission published a review of Public Sector Pensions, the Hutton Report. It recommended wholesale public sector pension reform in order to place public sector pensions on a more sustainable footing. The Government largely accepted the recommendations of the report and enacted pension reforms through the Public Service Pensions Act 2013. The main changes introduced were that:

- pensions are now based on career average earnings rather than final salary
- retirement ages have been aligned with state pension eligibility age, and
- rates of the annual accrual of pension benefits have changed.

**32.** The reforms included transitional protection for scheme members approaching retirement age. In December 2018, the Court of Appeal ruled that the transitional protection provided to some members of the judiciary and fire fighters schemes amounted to unlawful age discrimination. On 28 June this judgement was upheld by the Supreme Court. Although this (McCloud) case related to specific schemes the principle also applies to Local Government Pension Schemes which have made similar changes.

**33.** Due to the timing of the Supreme Court ruling, the assessed impact of this case on the pension liability of the council was not reflected in the *IAS19 – Employee Benefits* report provided by the actuary, Hymans Robertson, which was used in preparation of the unaudited accounts. Management therefore obtained a revised IAS19 actuarial report reflecting the impact of this ruling and made the required adjustment in the audited accounts. This resulted in the pension liability figure in the balance sheet, and the deficit on provision of services figure in the comprehensive income and expenditure statement, both increasing by £10.365 million.

### **How we evaluate misstatements**

**34.** It is our responsibility to request that all misstatements above the reporting threshold are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality.

**35.** Five adjustments were made as a result of issues that arose during the course of the 2018/19 financial statements audit ([Exhibit 3](#)). As a result of these changes the Total Comprehensive Expenditure figure in the comprehensive income and expenditure statement increased by £11.465 million and the Net Assets figure in the council's balance sheet decreased by the same amount.

**36.** As the gross value of post-audit adjustments exceeded our overall materiality level of £4.617 million further audit procedures were performed to obtain the necessary assurance that the errors identified were isolated in nature and not pervasive to either the account area or the financial statements.

### Qualitative aspects of the audit

**37.** We did not identify any significant issues with the qualitative aspects of the audit. However, a number of presentational and disclosure changes were requested to improve the accounts and management commentary, including the Annual Governance Statement. Officers were receptive to these suggestions and made the requested changes in the audited annual accounts.

### Transparent reporting of financial performance

**38.** The management commentary that accompanies the financial statements should explain in simple terms how the council has performed against its budget and how this reconciles to the position reported in the financial statements. The management commentary in the 2018/19 Annual Accounts included:

- the final outturn against budget position for General Services and Housing Revenue Account (HRA) for the year and how this reconciles to the movements reported in the financial statements
- the delivery of the annual capital programme and reasons for any areas of significant slippage
- a summary of borrowing activity during the year
- the financial performance of the council's two statutory trading operations, and
- details of the main financial risks and uncertainties facing the council in the future.

**39.** We have concluded that the management commentary that accompanies the council's 2018/19 financial statements adequately explains the council's financial performance for the year.

### Follow up of prior year recommendations

**40.** The council has made good progress in implementing our prior year audit recommendations with 10 of the 11 recommendations from our 2017/18 Annual Audit Report now complete. For the remaining action that has not yet been fully implemented, a revised response and timescale has been agreed with management and is set out in [Appendix 1](#).

### Integration Joint Board

**41.** 2018/19 is the fourth year that the council has included its share of the financial transactions of West Dunbartonshire Integration Joint Board (the IJB) within its group financial statements. We provided assurances to the external auditor of West Dunbartonshire IJB under International Standard on Auditing 402 (audit considerations relating to an entity using a service organisation) in relation to the income received and expenditure incurred by the council on behalf of the IJB. In addition, we liaised with the auditor of the IJB to obtain assurances on the accuracy and completeness of IJB figures included in the group accounts.

### Going concern

**42.** The financial statements of the council and its group have been prepared on a going concern basis. We are unaware of any material uncertainties that would cast doubt on the ability of the council and its group to continue in operation for at least the next 12 months.



## Audit of registered charities administered by the council

**43.** Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity administered by the council, where elected members of Scottish local authorities are the sole trustees, irrespective of the size of the charity.

**44.** West Dunbartonshire Council administer the Dr A K Glen and West Dunbartonshire Charitable Trusts, a registered charity that incorporates five trust funds. A single statement of accounts is produced each year covering all six trust funds and at 31 March 2019 a cumulative balance of £0.283 million was held in these funds, [exhibit 5](#).

**45.** The Trust Fund balances are disclosed in a note in West Dunbartonshire's Annual Accounts but do not represent assets of the council so are not included within the cash and cash equivalents balance shown in the council's balance sheet.

## Exhibit 5

### Movement in funds held by charities administered by West Dunbartonshire Council

Charity	Scottish Charity Number	Opening Balance at 1 April 2018 £000	Closing Balance at 31 March 2019 £000
Dr A K Glen	SC018701	25	24
Alexander Cameron Bequest	SC025070	150	122
UIE Award		24	24
Vale of Leven Trust		6	2
Dunbartonshire Educational Trust Scheme 1962		89	90
McAuley Prize for Mathematics		21	21
<b>Total Net Assets</b>		<b>315</b>	<b>283</b>

Source: Dr A K Glen and West Dunbartonshire Trust Funds audited accounts 2018/19

**46.** Our duties as auditors of the charities administered by West Dunbartonshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation
- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
- report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator (OSCR).

**47.** We have given an unqualified opinion on the financial statements for the charities administered by the council and have nothing to report in respect of other matters.

**48.** Two wider audit dimension risks relating to the charities administered by West Dunbartonshire Council were identified during the audit planning process. Both of these are issues that have been ongoing for a number of years and have still to be satisfactorily resolved. As a result they are both included in the agreed action plan at [Appendix 1](#).

## Objections

**49.** The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council complied with the regulations. There were no objections to the accounts.

## Whole of Government Accounts

**50.** In accordance with the WGA guidance, the council submitted a consolidation pack for the whole of government accounts audit on 5 July 2019. We audited the pack and submitted the required assurance statement to the National Audit Office (NAO) by the 27 September 2019 deadline.



# Part 2

## Financial management



### Main judgements

The council has a good track record in consistently delivering services within budget. In 2018/19 a surplus of £0.231 million was reported against the revised budget. The surplus for the year increased to £0.675 million after post-audit adjustments.

The council's budget setting process is operating effectively and there was clear evidence of member and stakeholder engagement in the preparation and approval of the 2018/19 budget.

The council has effective budgetary monitoring and control arrangements that allow elected members to carry out effective scrutiny of the council's finances.

A trend of slippage in the capital programme was reported in the 2018 Best Value Assurance Report. Capital slippage remains high in 2018/19, £34.795 million (41.5%) against the general services capital programme and £13.215 million (39.6%) against the HRA capital programme. Improvement actions to reduce the level of slippage are ongoing.

Management are taking action to address weaknesses in procurement practices and improve the level of compliance with the council's financial regulations.

### Financial management

51. The Accounts Commission's [\*Local government in Scotland: Financial overview 2017/18 \(November 2018\)\*](#) report highlighted the continuing pressure on local government finances and the need for councils to make further savings and to find new ways to meet service demand more efficiently and effectively. It also reiterated that meeting these challenges will require councillors and senior management to work together to make difficult decisions, and that it is important that these decisions are taken in a planned and coordinated way and supported by reliable financial projections.

### Budget setting process

52. During the 2018/19 annual budget setting process we observed that:

- members were actively involved in medium and long-term planning through updates from officers and engagement in the budget setting process
- officers provided clear information to members to enable them to ensure decisions were soundly based, and
- the savings options presented set out the cost savings and implications of each option.

53. In March 2018, the Council approved a three per cent increase to council tax and a general fund revenue budget of £214.183 million for 2018/19, which was an increase of £1.645 million from the 2017/18 revised budget of £212.538 million. This identified a projected budget surplus for 2018/19 of £0.671 million. The council

**Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.**

made in-year budget revisions which resulted in overall revenue budget increasing by £0.340 million to £214.523 million.

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### **Good Practice – Budget consultation**

The annual budget setting process was informed by a public consultation exercise on the proposed budget saving options for 2018/19. The consultation process included an online survey, drop-in sessions and focus groups. The online survey generated 2,733 responses (equates to 3% of population of West Dunbartonshire) and 28 individuals participated in the focus groups, although the drop-in sessions were not as well attended. The consultation exercise provided a clear picture of the public's views on the proposed savings (e.g. 90.3% in favour of transferring cash payments to PayPoint and post offices) and the quality of the information gathered directly reflected the clear and specific nature of the savings options presented for consideration.

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**54.** The council's budget setting process is operating effectively and there was clear evidence of member and stakeholder engagement in the preparation and approval of the 2018/19 budget.

### **Financial performance in 2018/19**

**55.** The council has a good track record in consistently delivering services within budget. In 2018/19 a surplus of £0.231 million was reported against the revised budget. The surplus for the year increased to £0.675 million after post-audit adjustments. The revised surplus reflects underspends on a number of services, partly offset by overspends against other services and lower than anticipated non-grant aided expenditure allocations during the year. In addition, Council agreed, during 2018/19, the use of free reserves of £0.151 million.

**56.** During the year elected members were provided with regular budget monitoring reports which included the projected year-end outturn position for the council, and each service, and reasons for any significant movements from the previous reporting period or emerging budget pressures. The final budget position reported for 2018/19 was in line with the projected position reported throughout the year.

**57.** We concluded that overall the council has effective budgetary monitoring and control arrangements that allow elected members to carry out effective scrutiny of the council's finances.

### **Housing revenue account (HRA)**

**58.** The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year. The council does not have the power to budget to accumulate HRA reserves.

**59.** In March 2018, the Council approved a 2% increase in the average weekly rent levels for tenants for 2018/19. The rent level set reflected the income required to fund the revenue budget of £42.508 million, and a contribution towards the capital programme of £31.826 million.

**60.** Total HRA expenditure for the year totalled £48.169 million, £5.661 million greater than budgeted. The additional expenditure was funded through £6.072 million released from the HRA reserves balance of £7.422 million carried forward at 31 March 2018. This in-year expenditure related to the acceleration of planned regeneration of housing stock work and reflected the council policy that any HRA surpluses carried forward are earmarked for the purpose of regeneration of the housing stock in future years.

**61.** After the application of the £6.072 million released from the HRA reserves balance the council reported a £0.256 million underspend for the year. Therefore, the HRA reserves balance has decreased by £5.816 million during the year from £7.422 million at 31 March 2018 to £1.606 million at 31 March 2019.

### Rent arrears

**62.** As at 31 March 2019, total rent arrears amounted to £3.519 million (£3.468 million at 31 March 2018) with a bad debt provision of £2.509 million recognised for these amounts. We also noted that 900 (9.2%) of the 9,896 current council tenants' accounts were in arrears by 13 weeks or more and had arrears valued at more than £250 at the end of 2018/19.

**63.** Uncollected rental income impacts directly on the HRA budget and there is a risk that the continuing roll out of welfare reform and universal credit will further impact upon the collectability of rental income in future years. The council continue to use all available methods to encourage payment, and pursue arrears, and anticipated rent collection levels are considered as part of the annual HRA budget setting process.

### Capital programme 2018/19

**64.** The council has comprehensive asset management plans in place, linked to the council's strategic objectives. The plans set out the resources required to invest in the council's assets including schools, offices and land.

**65.** We reported in the [\*Best Value Assurance Report \(June 2018\)\*](#) that there has been a trend of significant levels of capital slippage at the council over a number of years and recommended that the council review its project management processes and consider performing self-assessments to identify areas for improvement. In response to this recommendation the council agreed the four improvement actions set out below to address the level of slippage. These actions have been completed during 2018/19 and the council anticipate these will lead to improvements in the delivery of the capital programme going forward.

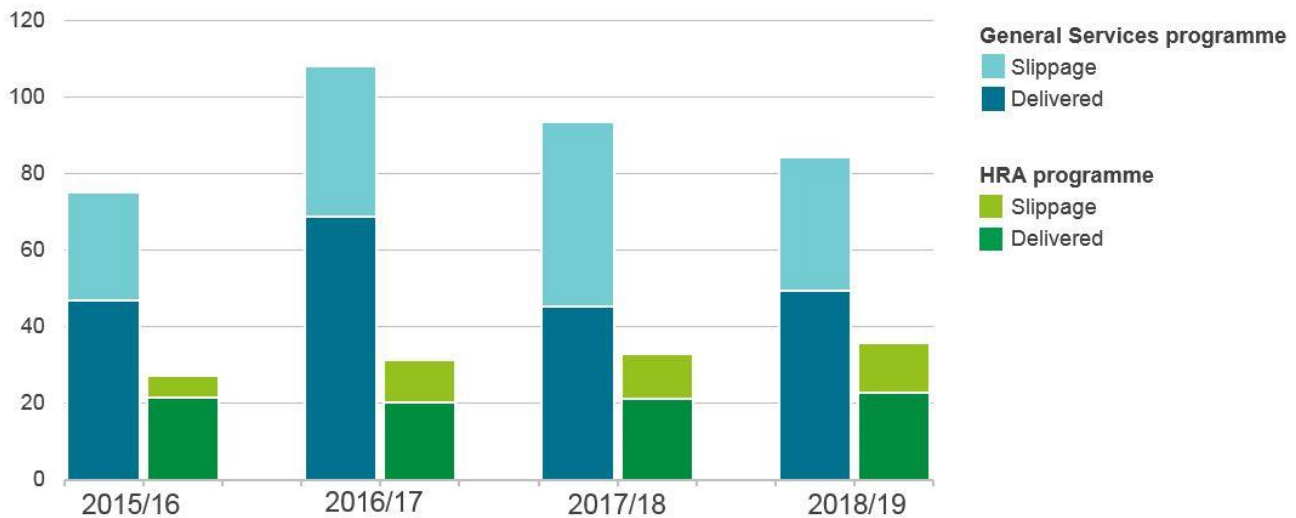
- Carry out a review of current practice against good practice guide and identify improvement actions.
- Analyse drivers of slippage in capital projects (previous 5 years) to identify common issues and improvement actions.
- Update the project management framework and supporting practices / guidance.
- Put in place a review programme for the project management framework.

**66.** For 2018/19, the council approved a capital programme of £117.183 million split between £83.777 million for planned general services capital projects and £33.406 million for HRA capital works.

**67.** Total capital expenditure in 2018/19 was £72.197 million of which £49.577 million related to general services and £22.620 million to the HRA capital programme. This represented total in-year slippage of £48.010 million (41.0%) with slippage of £34.795 million (41.5%) against the general services programme and £13.215 million (39.6%) against the HRA programme.

## Exhibit 6

### Delivery of capital programme 2015/16-2018/19



Source: West Dunbartonshire Council Annual Accounts 2015/16 to 2018/19

**68.** [Exhibit 6](#) shows the delivery of the councils' general services and HRA capital programmes over the last five years. While the overall reported slippage of 41.0% shows a marginal improvement from 2017/18 when total slippage was 47.7%, the level of slippage is still high and the delivery of the HRA capital programme has significantly deteriorated with slippage increasing to 39.6%, from 19.4% last year. There is little evidence yet that the actions taken by the council are delivering the intended improvements in the delivery of the capital programme. We will continue to monitor progress in this area during 2019/20.

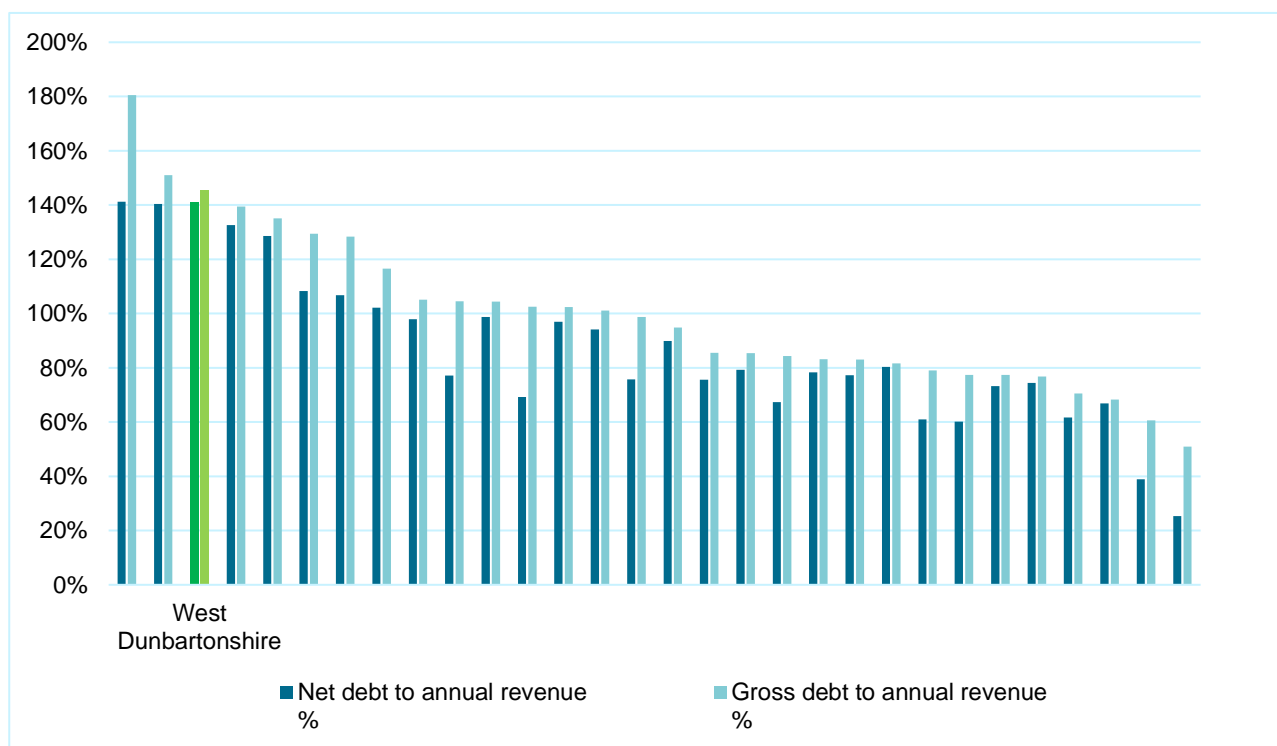
### Borrowing in 2018/19

**69.** The council's outstanding loans at 31 March 2019 totalled £445.455 million, an increase of £15.834 million on the previous year. Loan repayments of £185.258 million were made during 2018/19 and new loans of £201.337 million (£201.006 million of new short-term loans and £0.331 million of new long-term loans) were taken out during the year. The additional borrowing was required to help finance the council's capital programme and short-term borrowing was used to take advantage of the continuing low level of interest rates.

**70.** Analysing both gross and net external debt as a proportion of annual revenue gives an indication of the relative indebtedness of the council. [Exhibit 7](#) shows both gross and net external debt as at 31 March 2019 as a percentage of annual revenue (including HRA dwelling rents) for all Scottish councils (excluding Shetland Islands and Orkney Islands councils). West Dunbartonshire Council is highlighted near the upper end of the range of debt levels, with gross external debt of £548.556 million and net external debt of £531.311 million at 31 March 2019 (with net external debt being total external debt less short-term investments). It is recognised that the council's borrowing figure includes debt associated with both the HRA and the council's PPP assets which not all Scottish local authorities have.

## Exhibit 7

### Gross and net external debt of Scottish local authorities as a percentage of annual revenue for 2018/19



Source: Scottish councils' unaudited 2018/19 accounts (excluding Shetland Islands and Orkney Islands councils)

**71.** The council's debt includes long-term liabilities for Public Private Partnership (PPP) finance contracts that will run up to 2038/39. Over the remaining life of the contracts, the council expects to pay £326.424 million in annual repayment and service costs. These contracts relate to the provision through PPP schemes of 4 new secondary schools and one new primary school and the ongoing costs of these projects are reflected in the council's financial plans. The council receives Scottish Government revenue support funding of £7.3 million annually for PPP schemes which amounts to £153 million over the remaining contract term. This funding is not reflected in the figures at [Exhibit 7](#).

## Procurement

**72.** An Internal Audit report to the Audit Committee in December 2018 identified weaknesses in the council's procurement arrangements within Roads and Greenspace. It highlighted that a number of procurement processes had been completed without following the council's Financial Regulations.

**73.** As part of our audit responsibilities, we completed an [Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services \(April 2019\)](#). The findings were reported to a special meeting of the Council on 14 May 2019.

**74.** Our review confirmed the weaknesses already reported by internal audit and identified further breaches of procurement policies and the financial regulations. Members of the Senior Management Team were aware that procurement practices were not being followed for some service contracts over a number of years. We also reported weaknesses in the controls in place to monitor revenue spend consistently against contracts across all services, and for identifying and managing potential conflicts of interest relating to staff involved in procurement activity. We

concluded that the council has therefore not demonstrated Best Value in procuring the services covered by the audit findings.

**75.** Improvement plans to address the issues raised in both audits have been agreed by management.

**76.** As part of the approved Internal Audit Plan for 2019/20 a follow-up audit on procurement was undertaken. This found that audit actions have been implemented by management, but a number of further improvements are required within Roads and Greenspace. As a result, the follow-up Internal Audit report produced a number of further recommendations.

**77.** The council's [\*Annual Procurement Report 2019\*](#) was reported to the Corporate Services Committee on 22 May 2019. This detailed that 79.7% of regulated spend was compliant with the council's Financial Regulations during 2018/19. It also reported that for all spend above £2,000 (spend above which specific approaches to procurement should be followed per the Financial Regulations) 77.2% was compliant during 2018/19, compared to 72% in 2017/18. A target for 2019/20 has been set at 90%.

**78.** As part of our 2019/20 audit we will monitor the delivery of the improvement plans and the level of compliance with the council's financial regulations.

## Systems of internal control

**79.** As part of our interim audit work, we reviewed the high-level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the council's financial statements. Our findings, which were reported to the Audit Committee on 12 June 2019, included recommendations to enhance the existing control system.

**80.** As a consequence of the control weaknesses reported, we carried out additional audit work in some areas to allow us to obtain the necessary assurances for the audit of the 2018/19 financial statements. Specifically, we carried out additional work on the new cash receipting system for NDR and Council Tax to ensure that all reconciliations with the general ledger had been completed by the year end and there were no large unreconciled differences.

**81.** This testing did not identify any errors or other issues that would impact on the reliability of the information within the financial statements. However, we did find that there were reconciling differences of £0.301 million in the cash receipting system which were not in the ledger, and £0.170 million of reconciling differences in the ledger but not in the cash receipting system. While we received satisfactory explanations and evidence for the significant differences tested, the level of reconciling items at the year-end highlights the extent of the ongoing issues with the posting of payments to the ledger from the new Capita cash receipting system. The council should continue to work with the system provider to address these issues and reduce the number of reconciling items each period.



### [Recommendation 4 \(Appendix 1 - Action Plan\)](#)

**82.** We also followed up on one recommendation from the 2017/18 AAR relating to the period end ledger reconciliation for creditors. We reported last year that there was no formal review of the reconciliations. This is still the case and there is also an associated risk due to reliance being placed on one individual to complete the reconciliation. This presents a risk that the reconciliation could not be completed in their absence.



### [Recommendation 5 \(Appendix 1 - Action Plan\)](#)

## Dependency on key suppliers

**83.** The impact of a failure or collapse of a key supplier can be significant to an organisation and can result in either delays or non-completion of major contracts or, disruptions in the continued provision of vital services. This has brought into focus the risk of key supplier failure and the risk of underperformance in suppliers that are experiencing difficult trading conditions. It is important that the council is aware of the risks it faces and takes appropriate mitigating action.

**84.** Management has advised that the council always assess potential suppliers' financial standing and past performance as part of the procurement process. In addition, as part of a new process rolled out from September 2018, all suppliers of contracts worth over £50,000 are now subject to ongoing financial, performance and failure risk assessment by the council's Corporate Procurement Unit.

**85.** Any supplier performance issues identified by the Corporate Procurement Unit are escalated to the Performance and Monitoring Review Group and the supplier must attend a supplier management meeting where actions to address the non-performance are agreed.

**86.** Over and above the ongoing supplier monitoring arrangements the council also considered its key suppliers in the wake of the collapse of Carillion. This identified that, as the council does not outsource any services, the main risks would be presented by the failure of a major social care provider or capital contractor. The council are not aware of any current issues with key suppliers and arrangements are in place to minimise the impact of any such event.

**87.** Based on our discussions with management, and our understanding of the key suppliers of the council, we are satisfied that appropriate risk management and business continuity arrangements are in place to respond to the failure or underperformance of a key supplier.



# Part 3

## Financial sustainability



### Main judgements

The council has effective arrangements in place for financial planning that include a long-term financial plan.

The Council approved a budget for 2019/20 that includes the one-off use of reserves balances. A cumulative funding gap of £16.930 million is projected for 2020/21 and 2021/22.

The council has a low level of reserves as a proportion of net revenue compared to other Scottish local authorities.

### Financial planning for 2019/20

**88.** The 'General Services Budget Preparation' paper to the March meeting of the Council identified a projected funding gap for 2019/20 of £5.060 million. The Council approved a three per cent increase to council tax and a general fund revenue budget of £219.079 million for 2019/20, which was an increase of £4.556 million from the 2018/19 revised budget of £214.523 million. The approved budget includes savings and the one-off use of reserves balances.

**89.** Since the budget was approved, additional funding has been provided by the Scottish Government, to cover additional pay and pension costs for teachers, and the revised budget for the year is £222.835 million. Revenue budget monitoring reports for 2019/20 (up to period 4) indicate that the council is projecting a year end underspend of £0.039 million against the revised budget.

### European Social Fund payments

**90.** The Scottish Government is responsible for managing two European Structural and Investment Funds for the period 2014 to 2020. One of the programmes, the European Social Fund (ESF), aims to help people improve their lives by learning new skills and finding better jobs. West Dunbartonshire Council, as a lead partner, make payments as part of this programme and are able reclaim ESF funding, via the Scottish Government, to match its eligible programme expenditure.

**91.** In February 2019, the European Commission (EC) notified the Scottish Government that the ESF had been placed in 'pre-suspension' as a result of serious deficiencies in the management and control system following issues identified by their auditors.

**92.** The EC aims to avoid making payments where there is a risk that the 'managing authority', in this case the Scottish Government, has not followed the rules on how funds are spent. EC payments are stopped until it considers such risks have been removed. Pre-suspension means that the EC stop making payments, and the Scottish Government cannot make claims, until the issues identified are resolved.

**Financial sustainability looks forward to the medium and longer term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered.**



**93.** The Scottish Government has until November 2019 to resolve the issues before the pre-suspension can be lifted and payments can be made. Lead partners (made up of 32 councils and other public bodies) are continuing to make payments to beneficiaries from their own budgets during this time. The Scottish Government will not reimburse lead partners until they have confirmation that the pre-suspension will be lifted. The Scottish Government are currently working with lead partners to resolve the issues that led to pre-suspension.

**94.** West Dunbartonshire Council have applied for ESF funding of £0.302 million in 2019/20, in respect of payments made through the programme during 2018/19. Management have advised that they still anticipate receiving this funding in full during 2019/20 but will continue to monitor developments in this area.

## Workforce planning

**95.** Audit Scotland's [\*Local government in Scotland – challenges and performance 2019 \(April 2019\)\*](#) report highlighted the need to plan and manage reductions to council workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively.

**96.** We recommended in the [\*Best Value Assurance Report \(June 2018\)\*](#) that the council should further develop its workforce plans to include forecasts of workforce numbers, the expected shape of the workforce and costs, over the planning period.

**97.** During 2018/19 the council undertook a trend analysis exercise to forecast future workforce numbers and inform workforce planning. This allowed it to develop long-term workforce plans at a service level. The plans were taken to the Corporate Services Committee meeting in May 2019.

**98.** The workforce requirements identified in the updated workforce plans are being actioned with training, learning and development opportunities. The plans will also be reviewed each year as part of the refresh of annual delivery plans.

**99.** We welcome the improvements made to address the BVAR recommendation and strengthen the existing workforce planning arrangements by including forecasts of workforce numbers, the expected shape of the workforce and costs within workforce plans.

**100.** The [\*Best Value Assurance Report \(June 2018\)\*](#) also highlighted that some staff are finding the pace of change challenging and staff absence remains an issue. It acknowledged that the council was taking positive steps to try and address this and recommended that it should continue to explore opportunities for improvement.

**101.** The council produced an updated wellbeing policy in May 2019. This was developed through the newly revised employee wellbeing group and is intended to promote and support acceptable attendance at work, and provide guidance for the fair, reasonable and consistent management of sickness absence. Targeted audits on absence related to stress and mental health were also completed during the year and the results of these will be used to inform future action. A number of actions have already been undertaken, with mental health being a key focus.

**102.** The new employee wellbeing group have also developed wellbeing advocates, who will act as points of contact for employees wishing to better understand what support is available to those employees who want to improve their wellbeing.

**103.** Attendance management continues to be a standing item at management monthly meetings. Performance against the organisational sickness absence target, and attendance management annual updates, are reported to the Corporate Services Committee. These include comparative figures from the previous year to allow the committee to monitor progress in this area.

**104.** Despite the council's actions and efforts, there was a deterioration in the absence rates reported for both teaching and non-teaching staff for 2018/19 with 6.24 days and 12.77 days per FTE employee lost respectively.

**105.** We are encouraged by the range of action taken by the council to support staff and tackle sickness absence levels. The impact of these actions has not yet been reflected in the reported sickness absence figures, but we accept that delivering such improvement will be a longer-term process. We will continue to monitor progress in this area during 2019/20.

## Longer-term financial planning

**106.** Scottish public finances are fundamentally changing. The Scottish Government now has significant tax-raising powers, new powers over borrowing and reserves, and responsibility for some social security benefits. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater uncertainty and complexity.

**107.** A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for public bodies' financial planning.

**108.** The Accounts Commission's [\*Local government in Scotland: Challenges and performance 2019 \(March 2019\)\*](#) report emphasised the importance of medium to long-term financial planning given the continuing pressures that councils face. The Accounts Commission recommended that councils should undertake long-term financial planning to set out how they will deliver national policy commitments, while continuing to sustain local services with reducing budgets and increasing demands.

**109.** We reported in the [\*Best Value Assurance Report \(June 2018\)\*](#) that the council has already developed its financial planning arrangements and has a long-term financial strategy that projects budget gaps for the next ten years. The strategy is revised annually as part of the budget setting process and identifies budget pressures and provides clear links to the council's strategic objectives.

**110.** The council's long-term financial strategy identifies budget pressures and provides clear links to the council's strategic objectives. Given that financial settlements are only made annually, it is difficult for the council to plan with absolute certainty. To address this, the council has included scenario planning (informed by the MTFS) and a risk assessment of the likely impact of any changes in assumptions. The council's annual revenue estimates supplement the long-term strategy and show the projected movement in budget gaps as a result of changes in strategy.

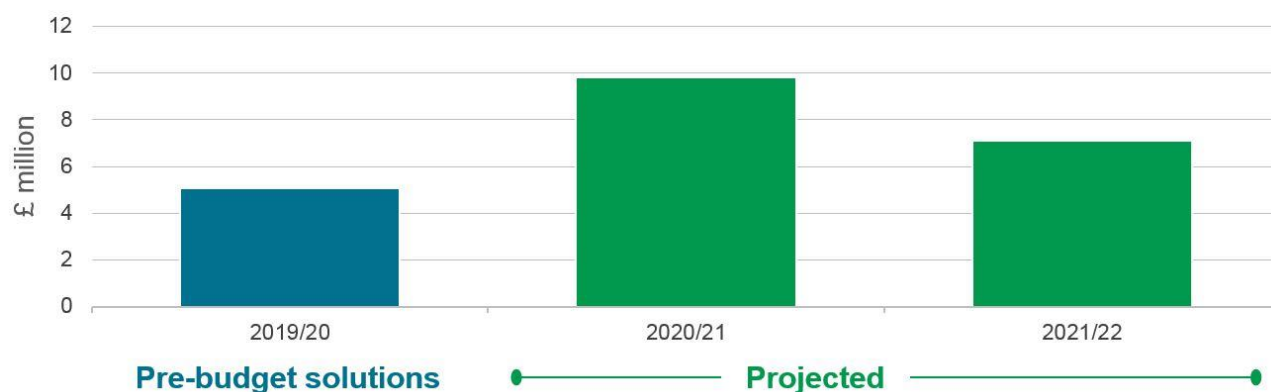
## Future funding gaps and savings requirements

**111.** In common with other public sector bodies, the council faces complex challenges in maintaining a sustainable financial position into the future. Pressures arise from increasing costs, changing demographics and increased demands by the public and legislature.

**112.** The council's budget projections for 2020/21 and 2021/22 forecast a cumulative funding gap of £16.930 million, [Exhibit 8](#). As detailed at paragraph [88](#), the 2019/20 budget includes savings and the one-off use of reserves balances. Bridging the projected funding gaps for the next two years will be challenging and the council recognises that the use of reserves for this purpose is not sustainable in the longer term.

## Exhibit 8

### Funding gaps 2019/20 – 2021/22



Source: 'General Services Budget Preparation' paper to Council (March 2019) and West Dunbartonshire Council Long Term Financial Strategy

## Capital Strategy 2019/20-2028/29

**113.** In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA), issued revised Prudential and Treasury Management Codes. These included a requirement from 2019/20 for all local authorities to prepare a Capital Strategy to provide:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed, and
- the implications for future financial sustainability

**114.** West Dunbartonshire Council's Capital Strategy 2019/20-2028/29 was approved at the March meeting of the Council and includes the required information on long term capital planning; investments and guarantees; treasury management and prudential indicators; and the Section 95 officer statement on the delivery, affordability and risks associated with the strategy. It also includes a high-level action plan of the key actions required to deliver the strategy.

**115.** It should be noted that improvements in the delivery of the annual capital programmes, discussed at paragraphs [64-68](#), will be essential to the successful delivery of the new Capital Strategy.

## Reserves

**116.** The CIPFA Local Authority Accounting Panel (LAAP) bulletin 99 provides guidance on the establishment and maintenance of reserves. It does not prescribe level of reserves, but instead places the responsibility on the chief finance officer to advise the Council on the creation and level of reserves appropriate to its circumstances.

**117.** The bulletin states that reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows
- a contingency to cushion the impact of unexpected events
- a means of building up funds, often referred to as "earmarked" reserves to meet known or predicted requirements.

**118.** The level of usable reserves held by the council decreased by £6.367 million, from £22.458 million to £16.091 million, during 2018/19 as shown in [exhibit 9](#). This decrease was mainly attributable to the £6.072 million released from the HRA reserves balance to fund regeneration of housing stock work, discussed at paragraphs [60](#) and [61](#).

## Exhibit 9

### West Dunbartonshire Council usable reserves

Reserve	31 March 2018 £' million	31 March 2019 £' million
General fund	10.975	10.998
Housing revenue account reserve	7.422	1.606
Capital grants unapplied account	0.314	0.278
Capital reserve	3.269	2.847
Other reserves	0.478	0.362
<b>Total usable reserves</b>	<b>22.458</b>	<b>16.091</b>

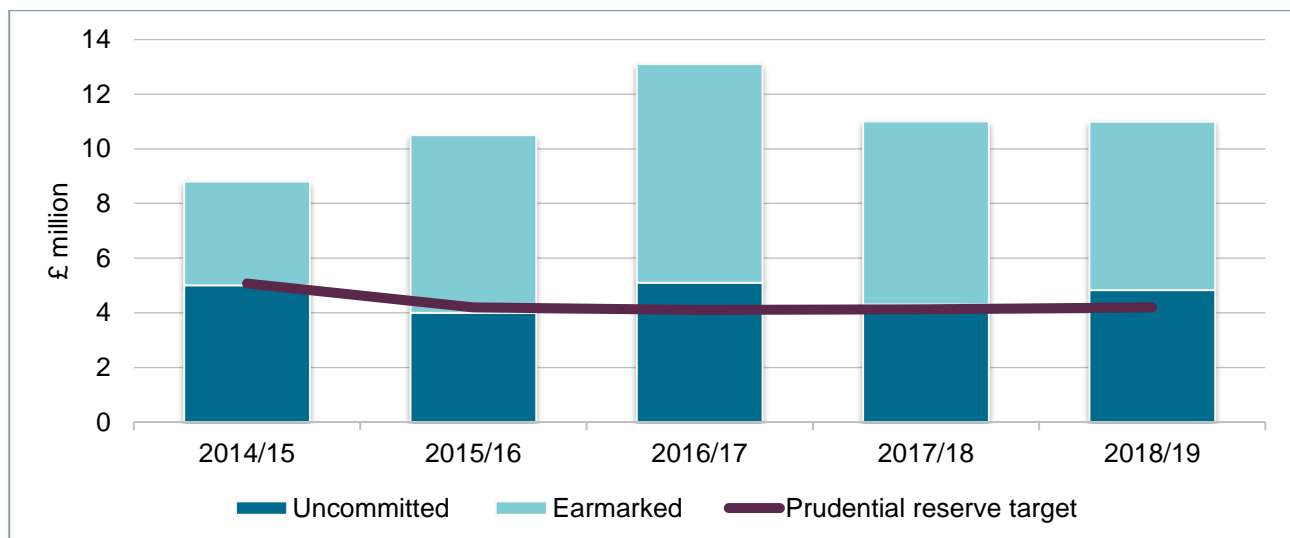
Source: West Dunbartonshire Council Annual Accounts 2018/19

## General Fund

**119.** [Exhibit 10](#) provides an analysis of the general fund balance over the last five years split between the earmarked and uncommitted elements.

## Exhibit 10

### Analysis of general fund balance over last five years



Source: West Dunbartonshire Council Annual Accounts 2014/15 to 2018/19

**120.** The council's approved reserves strategy specifies that there should be a prudential reserve of 2% of net expenditure to safeguard assets and services

against financial risk. This equates to £4.192 million for 2018/19. The uncommitted general fund balance at 31 March 2019 was £4.828 million.

**121.** Although, the current uncommitted general fund balance is above the approved prudential reserve target, the council still has a low level of reserves as a proportion of net revenue compared with other Scottish local authorities. Furthermore, the approved 2019/20 budget includes the one-off use of reserves balances, paragraph 88. This presents a risk that the council will have insufficient reserves to respond to unforeseen events or reductions in future funding. The council should ensure that a sufficient reserve balance is maintained for this purpose.



#### [Recommendation 6 \(Appendix 1 - Action Plan\)](#)

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### Good Practice – Earmarked balances

£6.170 million of the general fund balance at 31 March 2019 has been earmarked. It is important that amounts are only earmarked where there is a known commitment, or approval to use those amounts for a specific purpose, and this is clearly communicated to elected members and other stakeholders. We are pleased to note that all earmarked elements represent genuine commitments and have been disclosed within a note in the audited accounts.

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### City Deals

**122.** The Glasgow City Region City Deal was the first in Scotland and involves eight councils working together to deliver infrastructure, innovation and employment projects to improve their economic performance. Launched in August 2014, the £1.1 billion deal includes £500 million from the UK and Scottish governments over a 20-year period, plus £130 million from the eight councils. It is estimated that the deal will attract an estimated £3.3 billion of private-sector investment, create 29,000 permanent jobs and increase gross value added – that is, the value of all the goods and services that the region produces without taxes or subsidies – by £2.2 billion per year.

**123.** West Dunbartonshire Council is one of eight councils included in the Glasgow City Region City Deal. It is one of the smallest councils involved in the City Deal but is an equal partner and plays an active role in the governance structure. It is represented on all sub-groups and takes the lead on the Housing and Equalities portfolio.

**124.** In 2017/18 we reported that the council were developing an infrastructure project as part of the City Deal: the Exxon Site at Bowling. This is anticipated to cost £34.1 million over 7 years with an expected £29.3 million (86%) funded through grants from the UK and Scottish governments and the remaining £4.8 million (14%) funded by contributions from the council. The project includes a proposal to create an industrial and commercial development at the site and plans for a new road to provide an alternative route in and out of West Dunbartonshire.

**125.** This project supports the council's priority to generate additional employment opportunities in West Dunbartonshire and increase the Gross Value Added (GVA) of the area. It aims to improve job density, which is low within West Dunbartonshire at 0.55 per head, compared with the Scottish average of 0.8 per head. The project should help address the average length of unemployment which is the longest within the City Deal region.

**126.** The refreshed Outline Business Case (OBC) for the Exxon site project was approved by the City Deal Cabinet on 12 February 2019, and the Final Business Case is anticipated no later than November 2020. However, The City Deal update paper taken to the Council meeting in August 2019 advised that ExxonMobil are not in a position at present to conclude their procurement approach to deliver the remediation strategy. There is a risk that this delay in decontaminating the

proposed development site will impact upon the planned delivery of the overall project. Management have advised that the council are continuing to liaise with ExxonMobil to progress this crucial stage of the project.

**127.** The council continues to work with its City Deal partners on a range of other projects intended to deliver benefits for residents of West Dunbartonshire including improved digital connectivity and enhanced employment opportunities.

## EU Withdrawal

**128.** EU withdrawal will inevitably have implications for the public sector in Scotland. In October 2018, Audit Scotland published the briefing paper: [\*Withdrawal from the European Union\*](#). The paper emphasised the importance of public sector bodies working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

**129.** Following a Regional Workshop on 6 February 2019, the council's Resilience Group decided that the council should prepare a bespoke EU Exit Assurance Action Plan, based upon the Scottish Planning Assumptions, to set out the key risks to the council and the mitigating actions to address these. The action plan is designed to complement the other preparatory work taking place across the council and covers a range of risks relating to:

- workforce issues
- financial and funding implications
- information and data sharing arrangements
- travel, freight and borders issues
- demonstrations and disorder risks, and
- other potential risks to the operation of the council.

**130.** The council have kept staff and elected members informed of developments in this area and the steps being taken to prepare for the potential impacts. It also submitted the 'Brexit Preparedness' return to the Convention of Scottish Local Authorities (COSLA) in April 2019 to advise them of the arrangements put in place.

**131.** Although there is still no clarity over the actual arrangements for the UK's exit from the EU, we are satisfied that the council has taken all reasonable steps to ensure it is as prepared as possible for the potential implications of EU withdrawal.



# Part 4

## Governance and transparency



### Main Judgements

**Overall effective governance arrangements are in place in the council but improvements in Internal Audit practices and the governance of procurement are required and are being progressed.**

**The council has introduced bi-monthly cross-party meetings between the Chief Executive and group leaders to discuss strategic issues and the challenges facing the council.**

**The council is open and transparent in the way it conducts its business and the public can attend meetings of the Council and its standing committees.**

### Governance arrangements

**132.** Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

**133.** Following the elections in May 2017, no political party in West Dunbartonshire had an overall majority. A joint administration was formed, made up of ten SNP councillors and one independent councillor. As the largest single group not in administration, it was agreed that Labour would form the official opposition.

**134.** The council's strategic plans clearly set out its vision and priorities. The Chief Executive and Senior Management Team provide clear direction through the council's 'Leadership and Governance' structure and the Performance, Monitoring and Review Group meet monthly to monitor progress against the plan. There are also weekly meetings attended by the Chief Executive, strategic directors and strategic leads to review current issues. We reported in the [\*Best Value Assurance Report \(June 2018\)\*](#) that senior officers are motivated and passionate in striving to achieve the council's priorities.

**135.** Within the political environment in which local authorities operate, there is evidence that the West Dunbartonshire councillors work well together. Discussions at committees focus on the main issues and councillors are able to make decisions. Working relationships between officers and councillors are generally respectful and constructive.

**136.** The council has introduced bi-monthly cross-party meetings between the Chief Executive and group leaders to discuss strategic issues and the challenges facing the council. It is hoped this will assist officers and elected members in progressing the difficult service and financial decisions which will have to be made going forward. We will monitor the impact of the new cross-party meetings on the operation of the council as part of our 2019/20 audit.

**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.**

## Training and support for elected members

**137.** In addition to a comprehensive induction process for new members, the council offers briefing sessions and seminars to give councillors more in-depth information to support scrutiny and decision-making. During 2018/19 this included the provision of a briefing paper for all members in March 2019 on the council's preparation for the UK leaving the EU, discussed at paragraphs [128-131](#).

## Openness and transparency

**138.** Transparency means that the public have access to understandable, relevant and timely information about how the council is taking decisions and how it is using resources such as money, people and assets.

**139.** There is evidence from several sources which demonstrate the council's commitment to openness and transparency:

- Members of the public can attend meetings of the full council, executive and other committees. Minutes of these committee meetings and supporting papers are readily available on the council's website.
- The council's website allows the public access to a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint. In addition, the website provides details of the citizens' panel and how to join it. The panel provides information and feedback on services as well as views on the needs of local communities.
- The council makes its annual accounts available on its website. These include a management commentary which adequately explains the council's financial performance for the year, paragraphs [38](#) and [39](#).

**140.** Overall, we concluded that the council conducts its business in an open and transparent manner.

## Integration of health and social care

**141.** The Scottish Government's 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is a mechanism to achieve this.

**142.** In November 2018, the Auditor General and Accounts Commission issued the [\*Health and social care integration: update on progress report\*](#). The report highlighted that, while some improvements have been made to the delivery of health and social care services, IJBs, councils and NHS boards need to show a stronger commitment to collaborative working to achieve the real long-term benefits of an integrated system.

**143.** The West Dunbartonshire Integration Joint Board (WDIJB) was formally established on 1 July 2015. The Chief Officer of WDIJB is one of West Dunbartonshire Council's strategic directors.

**144.** In March 2019 the board approved its third strategic plan, covering the three-year period 2019/20 to 2021/22. The strategic plan sets out how the partnership will use its resources to continue to integrate services and contribute to local and national objectives and priorities.

**145.** The WDIJB Integration Scheme details the body corporate arrangement by which NHS Greater Glasgow and Clyde Health Board and West Dunbartonshire Council agreed to formally delegate all community health and social care services provided to children, adults and older people, criminal justice social work services and some housing functions. The Public Bodies (Joint Working) Act (Scotland)



2014 requires that Integration Schemes are reviewed within five years of establishment. The current scheme is due to be revised by July 2020 and arrangements are in place for this to be reviewed in partnership with the council, the health board, and other Glasgow group IJBs, by this date.

## Enforcement of community payback orders

**146.** A recent Care Inspectorate report identified weaknesses in how well Community Payback Orders (CPO) are implemented and managed within West Dunbartonshire. It highlighted that practice was not consistent with the national framework for the assessment and management of risk. It also reported that in a high proportion of instances, case management plans are not completed, and plans are not reviewed in accordance with national guidelines.

**147.** This report was considered at the West Dunbartonshire Integration Joint Board meeting in August 2019 and the urgent need for improvements has been recognised and is being addressed.

## Internal Audit

**148.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carried out an assessment of the internal audit function at the council. This confirmed that overall the internal audit function has adequate documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS). However, some specific areas for improvement were also identified:

- We reported in our Annual Audit Plan that management and elected members monitor and scrutinise progress on internal audit actions through regular reports to CMT (monthly) and to Audit Committee (at each Committee). 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.
- We identified areas for improvement on a specific investigation reported by Internal Audit in 2018. Our findings are reported at paragraphs [151-154](#).

**149.** During the year the Internal Audit team undertook a review of the operation of controls over the main accounting system, including the controls over standing data. We reviewed this work, with reference to International Standard on Auditing 610 – Using the work of internal auditors, to confirm that we could place reliance on this work.

**150.** Our review of internal audit's work concluded that this had not identified any significant weaknesses in the main accounting function control environment that could result in a material misstatement in the information produced from the system.

## Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services

**151.** As part of our audit responsibilities, we completed an [Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services \(April 2019\)](#). The findings were reported to a special meeting of the Council on 14 May 2019 and identified weaknesses in procurement governance arrangements (paragraph [74](#)). It also included a number of recommendations relating to internal audit as detailed below.

**152.** We identified that the time taken by Internal Audit to investigate and report on the allegations to the Audit Committee, between March 2016 and December 2018 was excessive. The format of the Internal Audit report was not appropriate for an

investigation of this nature and could not be easily shared with members. The summary findings presented to the Audit Committee in December 2018 lacked the level of detail required by members for them to effectively scrutinise the issues identified.

**153.** In relation to our findings we made the following recommendations:

- The format of all Internal Audit reports should be reviewed, and the level of detail provided to the Audit Committee should be reconsidered.
- Internal Audit should ensure that the scope of future procurement audits adequately covers relevant areas.
- Internal Audit should review how they document complex investigations to ensure clear documentation, in accordance with Public Sector Internal Audit Standards.
- The approach taken to investigating serious allegations should be reviewed. Staff should respond quickly to internal audit queries, to facilitate timely reporting of audit findings. Progress updates to the Audit Committee or appropriate member groups should also be considered.

**154.** Our recommendations have been accepted by the Audit Manager and improvement actions agreed. A number of the improvements have already been implemented and target dates set for the remaining actions. We will monitor and report on progress during 2019/20.

## National Fraud Initiative

**155.** The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

**156.** NFI activity as at 6 September 2019 is summarised in [Exhibit 11](#). We identified three areas for improvement during the completion of the latest NFI questionnaire, which was issued to the Internal Audit manager and the Strategic Lead – Resources. These were:

- The Internal Audit manager should discuss the NFI checklist with the chair of the Audit Committee going forward as part of their regular planned meetings. In addition, the checklist should be tabled for noting at the Audit Committee for the next main NFI cycle and thereafter.
- The Internal Audit manager should produce an output identifying frauds and errors flagged through the NFI exercise and use this information to improve internal controls
- The Internal Audit manager and his team should will follow up progress across the council periodically to confirm that all departments are taking a proactive approach to investigating relevant matches.

**157.** We concluded that the council engage positively with NFI. They have made good progress to date and it is a vital part of the council's approach to tackling fraud and corruption. The annual counter fraud update report includes NFI statistics and progress updates to ensure members are kept informed of the process.

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## Exhibit 11

### NFI activity



5,151

Matches



803

Recommended for  
investigation



1,946

Completed/closed  
investigations

Source: NFI secure website: [www.nfi.gov.uk](http://www.nfi.gov.uk)

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## Standards of conduct for prevention and detection of fraud and error

**158.** The council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

**159.** We concluded that the council has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

# Part 5

## Best Value



### Main judgements

The [\*Best Value Assurance Report \(June 2018\)\*](#) (BVAR) reported that the council demonstrates a focus on delivering Best Value. The report said that there was evidence of continuous improvement in its services. There is evidence that the council's performance improvement against its strategic indicators has continued in 2018/19.

Good progress has been made against all five recommendations made in the 2018 Best Value Assurance Report.

The council has adequate arrangements in place to ensure it meets its responsibilities under the Equality Act 2010. There is also evidence that fairness and equality are embedded within the organisation.

The council and other stakeholders have prepared a Community Empowerment Strategy and Action Plan which will be published in November 2019.

### Best value

**160.** Best value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five-year period.

**161.** The [\*Best Value Assurance Report \(June 2018\)\*](#) for West Dunbartonshire Council was published on 28 June 2018 and reported that the council had made significant improvements in how it works since the previous Best Value report in 2007. It highlighted that the council now demonstrates a focus on delivering Best Value and there was evidence of continuous improvement in its services. The report also included five recommendations which were endorsed by the Accounts Commission.

**162.** At its meeting on 29 August 2018, the council agreed a Best Value Assurance Improvement Plan which included actions to address all recommendations included in the BVAR. It also agreed that progress against the plan would be reported to the Audit Committee on a six-monthly basis over the period of the plan with a final report presented to full council following delivery of all the actions contained in the improvement plan.

**163.** This section of the report provides a summary of the progress made against the BVAR recommendations. It also covers other audit findings relating to the audit dimension of Value for Money, referred to in [exhibit 1](#).

**164.** The Controller of Audit will consider the results of this follow up work, and report to the Accounts Commission on the extent of improvements made.

**Best Value is concerned with using resources effectively and continually improving services.**

## Progress against BVAR

**165.** [Exhibit 12](#) sets out our view on the progress made against the BVAR recommendations. We are pleased to note that good progress has been made against all five recommendations. We will continue to monitor progress against the ongoing recommendations as part of our 2019/20 audit.

### Exhibit 12 Progress against BVAR

Recommendation	Audit Scotland view on progress to date
<b>1. To reduce the level of slippage on the capital plan, the council should review its project management processes.</b>	<b>Ongoing</b>  As detailed at paragraphs <a href="#">64-68</a> , the council has completed the four improvement actions identified to address the level of slippage in the capital programme. However, there is little evidence yet that the actions taken are delivering the intended improvements in the delivery of the capital programme. We will continue to monitor progress in this area during 2019/20.
<b>2. Workforce plans are in place and should be further developed to include forecasts of workforce numbers, the expected shape of the workforce and costs, over the planning period.</b>	<b>Complete</b>  As detailed at paragraphs <a href="#">95-99</a> , action has been taken to address the BVAR recommendation and strengthen the existing workforce planning arrangements by including forecasts of workforce numbers, the expected shape of the workforce and costs within workforce plans.
<b>3. Some staff are finding the pace of change challenging and staff absence remains an issue. The council is taking positive steps to try and address this and should continue to explore opportunities for improvement.</b>	<b>Ongoing</b>  As detailed at paragraphs <a href="#">100-104</a> , the council has taken a range of action to support staff and tackle sickness absence levels. The impact of these actions has not yet been reflected in the reported sickness absence figures, but we accept that delivering such improvement will be a longer-term process. We will continue to monitor progress in this area during 2019/20.
<b>4. The Community Alliance brings together representatives from neighbourhood, interest and user groups. The council sees it as an important engagement link with the community but there are a number of challenges that it needs to address. The council should continue to offer help to further develop the role of the CA and help it reach its full potential.</b>	<b>Ongoing</b>  As detailed at paragraphs <a href="#">173-178</a> , a draft Community Empowerment Strategy and Action Plan has been developed in consultation with a range of stakeholders, and resident feedback has been gathered via community events and an online survey. The feedback received will be reflected in the final Community Empowerment Strategy and Action Plan which is expected to be published in November 2019. As part of our 2019/20 audit we will monitor the progress in delivering the published Community Empowerment Strategy and Action Plan.
<b>5. Councillors should consider working in cross-party groups to address the financial challenges which exist and the important decisions required in the future.</b>	<b>Complete</b>  As detailed at paragraph <a href="#">136</a> , the council has introduced bi-monthly cross-party meetings between the Chief Executive and group leaders to discuss strategic issues and the challenges facing the council. It is hoped this will assist officers and elected members in progressing the difficult service and financial decisions which will have to be made going forward. We will monitor the impact of the new cross-party meetings on the operation of the council as part of our 2019/20 audit.

## Fairness and equality

**166.** As part of our 2018/19 audit we reviewed the council's arrangements for ensuring that they meet their responsibilities under the Equality Act 2010 and considered the extent to which the best value principle of fairness and equality is embedded within the organisation.

**167.** The Equality Act 2010 requires public bodies to consider all individuals when carrying out their day-to-day work: in shaping policy, in delivering services and in relation to their own employees. The public sector equality duty, also known as the general equality duty, covers the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. This duty requires public bodies to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act
- advance equality of opportunity among all people
- foster good relations between different people when carrying out their activities.

**168.** The Scottish Specific Duties (introduced in May 2012) requires listed authorities to carry out the following activities:

- Report on mainstreaming the equality duty
- Publish equality outcomes and report progress
- Assess and review policies and practices
- Gather and use employee information
- Publish gender pay gap information
- Publish statements on equal pay
- Consider award criteria and conditions in relation to public procurement.

**169.** West Dunbartonshire Council are listed authorities for both the Equality Act and the Specific Duties in Scotland. Consequently, they are required to report progress on mainstreaming the public sector equality duty and to report progress on their published equality outcomes.

**170.** The West Dunbartonshire Council [\*Equality Outcomes and Mainstreaming 2017-2021 – Progress Report 2019\*](#) was approved by the Corporate Services Committee on 22 May 2019 and is published on the council's website. The report provides a detailed overview of the council's work on equality, focusing on reducing significant inequalities, compliance and accountability. The equality outcomes are based on consultation and involvement, and reflect relevant local and national evidence and research. The report contains the required information on employment equalities and the gender pay gap, and also includes the council's equal pay statement.

**171.** Our work also identified a range of other activities across the council that address the other requirements of the Equality Act and ensure that fairness and equality is embedded within the organisation. These include:

- Completion of equality impact assessments for all new and developing policies – These consider how a policy or function will affect the wellbeing of different groups of people, with particular needs, or who are disadvantaged



in some way, and provide an opportunity to drive fairness and good business practice.

- Preparation of British Sign Language (BSL) Action Plan 2018-24 – The council have developed a BSL Action Plan to enable BSL users (those individuals whose first or preferred language is BSL) to be fully involved in daily and public life as active, healthy citizens able to make informed choices about all aspects of life.
- Involvement of equality groups – The West Dunbartonshire Equalities Forum brings together local equality groups with key statutory services to share information and help co-ordinate work on advancing equalities.
- Production of West Dunbartonshire social and economic profile – ‘West Dunbartonshire by Numbers’ pulls together in one document a wide range of social and economic information about the area, making publicly available a range of data about local life with a strong emphasis on people and place. The profile contains information on population, crime, housing, education, the local economy, and the environment, as well as a wider range of topics including digital inclusion. The data contained within the profile provides good quality information that is used by the council to help design and deliver effective and efficient services. It is also published on the council’s website and is used more widely by other stakeholders such as community groups and the third sector.

**172.** Overall, we have concluded that the council has satisfactory arrangements in place to ensure it meets its responsibilities under the Equality Act 2010. There is also evidence that fairness and equality are embedded within the organisation.

## Community engagement

**173.** The *Best Value Assurance Report (June 2018)* confirmed that the council and its partners are well placed to face the substantial challenges in West Dunbartonshire around reducing population, economic deprivation and poor health outcomes. It also highlighted the importance of the Community Alliance in further developing how the council and its partners involve communities in facing these challenges, and recommended that the council continues to offer support to help it reach its full potential.

**174.** The council’s Best Value Assurance Improvement Plan, prepared in response to the BVAR, included three related actions to address this recommendation:

- Create a Community Empowerment short life steering group involving all relevant stakeholders.
- Undertake engagement and involvement of community and wider stakeholders to understand challenges of Community Alliance and barriers experienced in fully utilising the provisions of the Community Empowerment Act.
- Develop a Community Empowerment Strategy through a programme of consultation and engagement.

**175.** The Community Empowerment short life steering group was established in November 2018 and includes representation from key council services, West Dunbartonshire Integration Joint Board, West Dunbartonshire Leisure Trust, Police Scotland, West Dunbartonshire Community and Volunteering Services, and elected members (Depute Leader and the convenor of the Housing and Communities committee).

**176.** The Scottish Community Development Centre (SCDC) was commissioned to deliver a series of informal discussion events in various venues across West Dunbartonshire to discuss community empowerment and the development of a

strategy and action plan which will support people to become more involved in their communities.

**177.** A draft Community Empowerment Strategy and Action Plan has been developed and resident feedback on the draft was sought via community events and an online survey on the council's website. The survey closed on 13 September 2019 and the feedback received will be reflected in the final Community Empowerment Strategy and Action Plan which is expected to be published in November 2019.

**178.** As part of our 2019/20 audit we will monitor the progress in delivering the published Community Empowerment Strategy and Action Plan.

## Arrangements to drive continuous improvement

**179.** The [\*Best Value Assurance Report \(June 2018\)\*](#) considered the arrangements in place to drive continuous improvement. It identified that the council's Strategic Improvement Framework, which delivers the transformation agenda of the council, drives continuous improvement and prepares its services for the future. The framework sets out that the council will deliver continuous improvement by:

- Setting clear outcomes and priorities
- Self-evaluation
- Benchmarking and improving services and planning
- Managing, monitoring and reporting on its performance
- Being externally assessed and accredited.

**180.** The council has a self-evaluation framework and a three-year rolling programme for services to carry this out. All council services not subject to an external assessment, such as that carried out by the Scottish Housing Regulator or Education Scotland, are part of this programme. The Performance Monitoring and Review Group agree the timing of self-evaluations based on risk assessments of each service.

**181.** After self-evaluation, the service reviews its annual service plan and delivery plans to include:

- Improvement actions identified
- External scrutiny recommendations
- Customer and employee feedback
- Relevant benchmarking data.

**182.** Service action plans are developed following self-evaluation. Where there are significant areas for improvement, the service's performance and strategy business partner works with the management team to scope this as a project and link into the Organisational Development and Change team for a more comprehensive plan of support. This is then scheduled into a work programme for continuous improvement.

**183.** At a corporate level, the performance and strategy business partners are responsible for collating the findings from the self-evaluation exercises to compare performance between different service areas and ensure that improvement actions are appropriate.

**184.** Improvement priorities and actions are set out in the 8 annual service delivery plans which include a review of the previous year's performance. The plans



provide balanced analyses of performance and, as reported in the BVAR, there is evidence of actions leading to improved outcomes.

## Strategic plan performance

**185.** The Strategic Plan 2017-22 includes 40 performance indicators with five-year targets and annual milestones set for each. The targets were set from a baseline position and will be reviewed over time. Progress against the plan is monitored and reported to the full Council on an annual basis.

**186.** The annual report on performance against the indicators within the Strategic Plan was presented to the August 2019 Council meeting. This included performance against 39 of the 40 performance indicators (data for one indicator was unavailable at the time of reporting) and reported that 26 (67%) met or exceeded the target set for 2018/19. This is an improvement on the performance reported in 2017/18 when 24 (60%) met or exceeded the target. Of the 13 indicators that did not meet their target, seven narrowly missed the target and six were significantly missed. Any indicator that has not achieved its target is included in the relevant delivery plans and officers have developed action plans to improve performance.

**187.** The [Best Value Assurance Report \(June 2018\)](#) (BVAR) reported that the council demonstrates a focus on delivering Best Value. The report said that there was evidence of continuous improvement in its services. There is evidence that the council's performance improvement against its strategic indicators has continued in 2018/19.

## Statutory performance indicators (SPIs)

**188.** The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

**189.** For 2018/19 two SPIs were prescribed:

- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving best value
- SPI 2: relates to the reporting of performance information as required by the [Local Government Benchmarking Framework](#).

**190.** West Dunbartonshire Council continue to participate in the Local Government Benchmarking Framework and publish a range of performance information on the council website that adequately covers all the requirements set out in the 2018/19 SPI direction issued by the Accounts Commission.

## National performance audit reports

**191.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19, Audit Scotland published a number of reports which are of direct interest to the council. These are outlined in [Appendix 3](#).

**192.** The Audit Committee has processes in place to consider national reports. From our attendance at committee meetings, we have noted that there is evidence of actions being taken to address areas for improvement locally.

# Appendix 1

## Action plan 2018/19



**No. Issue/risk**

**Recommendation**

**Agreed management action/timing**

### Recommendations for West Dunbartonshire Council

1	<p><b>Revaluation of non-current assets</b></p> <p>Due to the change in valuer for 2018/19 there was a delay in the provision of the valuations as at 31 March 2019 required as part of the rolling revaluation programme.</p> <p><i><b>There is a risk that similar issues will be encountered in 2019/20 and these impact on the preparation or sign-off of the annual accounts.</b></i></p>	<p>The council should work with the external valuers to ensure these issues are not repeated in 2019/20.</p> <p><a href="#">Exhibit 3 – Finding 1</a></p>	<p>Officers will ensure that the valuers work to a defined timetable for the timeous provision of valuation information</p> <p>Capital Investment Programme Manager</p> <p>31 March 2020</p>
2	<p><b>Group accounting errors</b></p> <p>Multiple errors were identified in the group account statements in the unaudited accounts.</p> <p><i><b>There is a risk that errors in the group accounts consolidation process result in a material misstatement in the annual accounts.</b></i></p>	<p>Procedures should be put in place to ensure that the unaudited group accounts statements are free from misstatement and reflect the component group bodies accounts.</p> <p><a href="#">Exhibit 3 – Finding 3</a></p>	<p>An improved year-end process will be implemented to avoid future errors</p> <p>Finance Manager</p> <p>31 March 2020</p>
3	<p><b>Capitalisation of software licenses</b></p> <p>As part of our expenditure testing, we identified expenditure on multi-year software licenses that had not been capitalised as an intangible asset.</p> <p><i><b>There is a risk that capital expenditure is not accurately reflected in the annual accounts.</b></i></p>	<p>As part of the 2019/20 year-end closedown procedures, Management should review all significant revenue expenditure during the year to identify any expenditure that should be capitalised</p> <p><a href="#">Exhibit 3 – Finding 4</a></p>	<p>A review process will be implemented to check for potential cases of capital spend being charged to revenue</p> <p>Finance Manager</p> <p>30 September 2019</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
4	<p><b>Cash receipting system reconciliations</b></p> <p>The year-end reconciliation between the cash receipting system and the ledger system included a large number of reconciling items due to ongoing issues with the posting of payments to the ledger from the new Capita cash receipting system.</p> <p><b><i>There is a risk that significant staff time input is required to identify and investigate differences when preparing the reconciliation.</i></b></p>	<p>The council should continue to work with the system provider to address these issues and reduce the number of reconciling items each period.</p> <p>Paragraph <a href="#">81</a></p>	<p>Officers are engaged with the system provider to improve system functionality and minimise reconciling items</p> <p>Finance Manager</p> <p>31 December 2019</p>
5	<p><b>Creditors reconciliations</b></p> <p>We reported last year that there was no formal review of period-end creditors reconciliations. This is still the case and there is also an associated risk due to reliance being placed on one individual to complete the reconciliation. This presents a risk that the reconciliation could not be completed in their absence.</p> <p><b><i>There is a risk that the period-end creditors reconciliations are not correctly completed.</i></b></p>	<p>Management should ensure that period-end creditors reconciliations are evidenced as reviewed and that sufficient staff are trained to complete the reconciliations.</p> <p>Paragraph <a href="#">82</a></p>	<p>Management will review the process and undertake a training process to increase knowledge around undertaking all reconciliations</p> <p>Finance Manager</p> <p>31 December 2019</p>
6	<p><b>Financial Sustainability</b></p> <p>The council has a low level of reserves as a proportion of net revenue compared with other Scottish local authorities and the approved 2019/20 budget includes the one-off use of reserves balances.</p> <p><b><i>There is a risk that the council will have insufficient reserves to respond to unforeseen events or reductions in future funding.</i></b></p>	<p>The council should ensure that sufficient reserve balances are maintained for this purpose.</p> <p>Paragraphs <a href="#">119-121</a></p>	<p>Council will continue to consider the appropriate level of retained reserves when setting budgets</p> <p>Strategic Lead – Resources</p> <p>4 March 2020</p>



**No. Issue/risk**

**Recommendation**

**Agreed management action/timing**

### Recommendations for charities administered by West Dunbartonshire Council

<b>CH1</b>	<p><b>Governance and investment documentation</b></p> <p>As previously reported:</p> <ul style="list-style-type: none"> <li>• The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 requires to be updated.</li> <li>• The governing documentation for the McAuley Prize for Mathematics is not available and a new trust deed required.</li> </ul> <p><b><i>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.</i></b></p>	<p>Management should progress these issues to ensure that adequate governance and investment document is maintained for all trust funds administered by West Dunbartonshire Council.</p>	<p>Officers are working with other Councils involved in these Funds to reach a satisfactory conclusion</p> <p>Chief Monitoring Officer</p> <p>31 March 2020</p>
<b>CH2</b>	<p><b>Dormant trusts</b></p> <p>As previously reported, some of the trusts have been dormant for a number of years and annual activity on all trusts is minimal.</p> <p><b><i>There is a risk that no tangible benefit is being derived from these trust funds.</i></b></p>	<p>The council should investigate whether schemes of amalgamation and rationalisation of trust funds could be prepared that would allow, through the alteration of objects and the merging and de-restriction of funds, increased flexibility in terms of potential beneficiaries and awards.</p>	<p>Officers will review options around the dormant funds and continue to promote the trusts and the submission of funding applications</p> <p>Finance Manager</p> <p>31 March 2020</p>

### Follow up of prior year recommendations

<b>PY1</b>	<p><b>Housing revenue account – housing stock</b></p> <p>Through the audit, it was found that 12 new build properties, totalling £1.663 million, were omitted from the fixed asset register. This move, from assets under construction to council dwellings, resulted in an impairment of £0.985 million.</p> <p><b><i>There is a risk that without proper procedures, the fixed asset register is incomplete.</i></b></p>	<p>The council should review its procedures for identifying housing stock which should be included in the fixed asset register.</p>	<b>Action complete</b>
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No.	Issue/risk	Recommendation	Agreed management action/timing
<b>PY2</b>	<p><b>Remuneration Report disclosure</b></p> <p>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><b>There is a risk that the table does not accurately reflect those employees who earn over the threshold for disclosure in the remuneration report.</b></p>	<p>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>	<b>Action complete</b>
<b>PY3</b>	<p><b>Group boundary assessment and basis of combination</b></p> <p>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><b>There is a risk that the incorrect accounting treatment is being applied for components within the group financial statements.</b></p>	<p>Management should undertake an annual group boundary assessment to identify any changes within the group for the year. Officers should also review the basis of combination of entities included within the assessment.</p>	<b>Action complete</b>
<b>PY4</b>	<p><b>Untaken annual leave accrual</b></p> <p>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><b>There is a risk that the annual leave accrual is not properly calculated.</b></p>	<p>The council should review its procedures for calculating the annual leave accrual.</p>	<b>Action complete</b>



No.	Issue/risk	Recommendation	Agreed management action/timing
PY5	<p><b>Accounts payables/receivables working papers</b></p> <p>The initial set of working papers received for accounts payable and receivable did not provide a clear audit trail or breakdown of all outstanding balances at year-end.</p> <p><b>There is an increased risk of material error in the financial statements.</b></p>	<p>The council should review its procedures for producing working papers at the year end. Specifically, working papers for balances should not include transactions during the year.</p>	<b>Action complete</b>
PY6	<p><b>Education Maintenance Allowance (EMA)</b></p> <p>During the audit of the EMA grant claim, we identified numerous errors leading to three revisions of the claim. A final, fourth version was submitted for audit which identified an overclaim by the Council during the year.</p> <p>The Scottish Government deadline of 30 April for submission of the claim to the audit team was also missed significantly by five weeks.</p> <p><b>There is a risk of inadequate arrangements leading to misstatements in the monthly claims and the year-end claim.</b></p>	<p>The council should review its arrangements to ensure that the EMA claim is prepared in accordance with the SG timetable and that amounts claimed are accurate. The quality of the working papers and evidence provided to audit should also be improved.</p>	<b>Action complete</b>
PY7	<p><b>Housing Revenue Account - methodology for calculating and allocating HRA costs</b></p> <p>Guidance from the Scottish Government on operating Local Authority Housing Revenue Accounts (HRA) states that there must be a robust, written methodology for calculating and allocating HRA costs (including internal costs charged by the council to the HRA). The Council requires to formalise its written methodology.</p> <p><b>Without a formal written methodology there is a lack of transparency for tenants</b></p>	<p>The council should formalise its written methodology in line with the Scottish Government guidance and, to improve transparency, consider publishing this on its website.</p>	<b>Action complete</b>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>and other interested parties to understand why costs are being charged and who is benefitting from the services these costs relate to.</p>		
PY8	<p><b>Inventories</b></p> <p>A number of issues were found while auditing inventories. Stock which had been written-off during the year had not been eliminated from the year-end balance. We also found an instance where stock included in the financial statements was not supported by a stock certificate.</p> <p><b>From our audit work we have concluded there is a high risk of obsolete stock being included in the year end value.</b></p>	<p>Management should undertake a review of stock and write-off any obsolete stock.</p> <p>Management should also consider a secondary review of stock calculations and certificates.</p>	<b>Action complete</b>
PY9	<p><b>Period end reconciliation and review</b></p> <p>The year-end bank reconciliation for creditors (period 13) was not completed or reviewed till mid-July, after the draft accounts were approved.</p> <p>In addition, the year-end ledger reconciliation for creditors was not reviewed.</p> <p><b>There is a risk that errors are not identified in a timely manner.</b></p>	<p>Management should ensure the year end procedures for preparing and reviewing reconciliations are being followed.</p>	<p>No issues were identified with the completion of the bank reconciliations during 2018/19. However, there is still no formal review process for the creditors reconciliations. There is also an associated risk due to reliance being placed on one individual to complete the reconciliation. This presents a risk that the reconciliation could not be completed in their absence.</p> <p>See <a href="#">recommendation 5</a> above.</p>
PY10	<p><b>Debit balances in debtors and creditors</b></p> <p>From our audit testing, we identified debit balances totalling £0.296 million within both debtors and creditors. These are historic balances, with some dating back to 1996.</p> <p><b>There is a risk that the balance sheet is overstated with historic debit balances.</b></p>	<p>Officers should review these balances and the likelihood of their recovery and write-off amounts as necessary.</p>	<b>Action complete</b>





## No. Issue/risk

## Recommendation

## Agreed management action/timing

### PY11 Fixed asset register

From our audit testing of non-current assets we found assets in the fixed asset register with a negative net book value totalling £0.080 million. This is due to excess depreciation being charged in error.

**There is a risk that assets are incorrectly accounted for in future financial statements.**

Officers should review the controls over the fixed asset register. Officers could implement a formula to highlight any assets which move from a positive to negative value.

**Action complete**

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of management override of controls</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Completion of external audit review of the council's response to issues identified on the awarding of a series of contracts.</li> <li>• Review of the Annual Governance Statement.</li> <li>• Review of the assurances obtained by the Section 95 officer for the Governance Statement.</li> <li>• Review the work completed by the procurement section, including analysis of spend against contracts.</li> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focused testing of accruals and prepayments.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>	<p>No unusual or inappropriate transactions were identified as part of the detailed testing of journal entries.</p> <p>A review of accounting estimates did not show any instance of bias.</p> <p>Focussed testing of regularity and cut-off assertions did not reveal any lapses in controls</p> <p>No significant transactions outside the normal course of council business were identified.</p> <p>Our conclusion is that there is no evidence of management override of controls, other than the non-compliance with financial regulations relating to procurement reported at paragraphs <a href="#">72-78</a>.</p>
<p><b>2 Risk of fraud over income</b></p> <p>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</p>	<ul style="list-style-type: none"> <li>• Analytical procedures on income streams.</li> <li>• Detailed testing of revenue transactions focusing on the areas of greatest risk.</li> </ul>	<p>Sample testing of income transactions to confirm that these were in the normal course of business.</p> <p>We obtained satisfactory explanations for any significant increases or decreases in income.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>accordance with ISA240, there is an inherent risk of fraud.</p>		<p>Our sample cut-off testing confirmed that transactions were processed in the correct accounting year.</p> <p>The council has adequate counter-fraud arrangements.</p> <p>Our conclusion is that the council has arrangements in place to minimise the risk of fraud over income.</p>
<p><b>3 Risk of fraud over expenditure</b></p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure.</p>	<ul style="list-style-type: none"> <li>Analytical procedures on expenditure streams.</li> <li>Detailed testing of expenditure transactions focussing on the areas of greatest risk.</li> </ul>	<p>Sample testing of expenditure transactions to confirm that these were in the normal course of business.</p> <p>We obtained satisfactory explanations for any increases or decreases in expenditure.</p> <p>Our sample cut-off testing identified where transactions were processed in the incorrect year, these were appropriate adjusted for by management.</p> <p>The council has adequate counter-fraud arrangements.</p> <p>Our conclusion is that the council has arrangements in place to minimise the risk of fraud over expenditure.</p>
<p><b>4 Estimation and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas within pensions, non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> <li>Review council's procedures for ensuring actuarial valuations provided are appropriate.</li> <li>Completion of 'review of the work of an expert' for the professional valuers.</li> <li>Focussed substantive testing of key areas.</li> </ul>	<p>A number of estimations and judgements in the accounts were based on the opinion of experts. We assessed the reliability of these experts and reviewed their work.</p> <p>We tested samples of accruals and provisions and confirmed them to appropriate back-up evidence.</p> <p>The council's accounting policies are appropriate.</p> <p>We concluded that estimations and judgements included in the audited accounts are supported by appropriate audit evidence.</p>
<p><b>5 Housing revenue account – housing stock</b></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>	<ul style="list-style-type: none"> <li>Detailed testing of housing stock and review of the fixed asset register.</li> </ul>	<p>Our audit testing did not identify any errors or omissions of housing stock from the fixed asset register.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>There is a risk that non-current assets may be understated in the council's balance sheet.</p>		
<p><b>6 Untaken annual leave accrual</b></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>	<ul style="list-style-type: none"> <li>Review of the 2018/19 untaken annual leave accrual during the financial statements audit.</li> <li>Review the checking procedures put in place by officers</li> </ul>	<p>We did not identify any errors in the untaken annual accrual for 2018/19.</p>
<p><b>7 Accounts payable/receivable working papers</b></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>	<ul style="list-style-type: none"> <li>Continue to work with officers prior to the compilation of the working papers.</li> <li>Carry out substantive testing of accounts payable and accounts receivable.</li> </ul>	<p>We reviewed the revised working papers and concluded that they provided a clear breakdown of balances held at year end.</p>
<p><b>8 Period end reconciliation and review</b></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>	<ul style="list-style-type: none"> <li>Review checking procedures put in place by officers.</li> <li>Substantive testing and controls testing of reconciliations.</li> </ul>	<p>No issues were identified with the completion of the bank reconciliations during 2018/19. However, there is no formal evidence to show that the year-end ledger reconciliation for creditors has been reviewed by a secondary person.</p> <p>See recommendation 4 in <a href="#">appendix 1</a>, action plan.</p>
<p><b>9 Arrangements for grant claims</b></p> <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</p>	<ul style="list-style-type: none"> <li>Review checking procedures implemented.</li> <li>Audit of the grant claims.</li> </ul>	<p>We have not identified any significant errors within the EMA grant claim.</p> <p>The 2018/19 Housing Benefit Subsidy claim audit is yet to be concluded but no errors have through the testing already undertaken.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>in the claims. Also, additional staff and audit time is spent in revising the claims.</p>		
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>10 Financial sustainability</b></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>	<ul style="list-style-type: none"> <li>Continue to monitor the financial position and provide an update in the Annual Audit Report.</li> </ul>	<p>The council has a low level of reserves as a proportion of net revenue compared with other Scottish local authorities and the approved 2019/20 budget includes the one-off use of reserves balances.</p> <p>See recommendation 6 in <a href="#">appendix 1</a>, action plan.</p>
<p><b>11 Follow up of Internal Audit actions</b></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; main telephone delivery systems need to be implemented and tested, a delivery date of 31 October 2017 was agreed. This has not been actioned at the time of writing this report.</p> <p>There is a risk that the council is not implementing improvement actions in line with the agreed timescales.</p>	<ul style="list-style-type: none"> <li>Continue to monitor the follow up of both internal and external audit actions by officers.</li> </ul>	<p>As at 7 June 2019, four internal audit actions were showing as outstanding since their original due date. Revised timescales have been set for these actions.</p> <p>We will continue to monitor these on an ongoing basis.</p>
<p><b>12 EU withdrawal</b></p> <p>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.</p> <p>There is a risk that the Council is not prepared for the impact of EU withdrawal on the delivery of services.</p>	<ul style="list-style-type: none"> <li>Assess how the Council has prepared for EU withdrawal, including the specific reports produced by the Council.</li> <li>Consider how the Council responds to any emerging issues after March 2019.</li> </ul>	<p>We are satisfied that the council has taken all reasonable steps to ensure it is as prepared as possible for the potential implications of EU withdrawal.</p> <p>See paragraphs <a href="#">128-131</a></p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>13 Capital management</b></p> <p>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.</p> <p>In addition, general services capital receipts for 2018/19 are forecast to be lower than initially budgeted.</p>	<ul style="list-style-type: none"> <li>On-going monitoring of capital budget, plans and monitoring reports.</li> <li>Follow up of the 2017/18 Best Value Assurance Report recommendations and report an updated judgement in the Annual Audit Report.</li> </ul>	<p>Capital slippage remains high in 2018/19, £34.795 million (41.5%) against the general services capital programme and £13.215 million (39.6%) against the HRA capital programme. Improvement actions to reduce the level of slippage are ongoing.</p> <p>See paragraphs <a href="#">64-68</a></p>
<p><b>14 Procurement and tendering</b></p> <p>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.</p> <p>There is a risk that the council is not achieving value for money.</p>	<ul style="list-style-type: none"> <li>Ongoing discussions with Internal Audit and Procurement.</li> <li>Review of the follow up work to be completed by Internal Audit in 2019.</li> <li>Completion of the external audit review of the council's response to allegations raised on the awarding of a series of contracts.</li> </ul>	<p>We produced a separate report <i>Audit Review of the Investigation of Tendering and Contracting Practices in Roads and Greenspace Services</i> which went to a special meeting of the Council on 14 May 2019.</p> <p>See paragraphs <a href="#">72-78</a> and <a href="#">151-154</a></p>

### Risks for charities administered by West Dunbartonshire Council

<p><b>1 Governance and investment documentation</b></p> <p>As previously reported, the following risks remain for the trusts;</p> <ul style="list-style-type: none"> <li>The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 requires to be updated.</li> <li>The governing documentation for the McAuley Prize for Mathematics is not available and a new trust deed required.</li> </ul> <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>	<ul style="list-style-type: none"> <li>Liaise with officers during process of updating and replacing Deeds of Trust.</li> <li>Review Deeds of Trust.</li> <li>Comment in Annual Audit Report.</li> </ul>	<p>The McAuley Prize for Mathematics, Dunbartonshire Educational Trust Scheme 1962 and the UIE Award trust deeds all still require to be updated and discussions are ongoing between the council, Scottish Ministers and OSCR regarding this. Furthermore, the McAuley Prize for Mathematics and the Dunbartonshire Educational Trust Scheme 1962 are held in the name of Strathclyde Regional Council. This should be updated to West Dunbartonshire Council.</p> <p>See recommendation CH1 in <a href="#">appendix 1</a>, action plan.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p><b>2 Dormant trusts</b></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>	<ul style="list-style-type: none"> <li>Continue to liaise with officers and monitor the activity of the trust funds.</li> <li>Comment in ISA 260.</li> </ul>	<p>While the majority of the trusts remain dormant, there has been movement in two:</p> <ul style="list-style-type: none"> <li>Dr AK Glen - one grant was awarded in 2018/19 totalling £864</li> <li>Alexander Cameron Bequest - eight grants were awarded in 2018/19 totalling £29,640</li> </ul> <p>See recommendation CH2 in <a href="#">appendix 1</a>, action plan.</p>



# Appendix 3

## Summary of national performance reports 2018/19

 <b>2018/19 Reports</b>		
Local government in Scotland: Challenges and performance 2018		<b>Apr</b>
Councils' use of arm's-length organisations		<b>May</b>
Scotland's colleges 2018		<b>Jun</b>
		<b>Jul</b>
Forth Replacement Crossing		<b>Aug</b>
Children and young people's mental health		<b>Sept</b>
NHS in Scotland 2018		<b>Oct</b>
Health and social care integration: update on progress		<b>Nov</b>
		<b>Dec</b>
		<b>Jan</b>
		<b>Feb</b>
		<b>Mar</b>

Scottish Fire and Rescue Service: an update

The National Fraud Initiative in Scotland 2016/17

Major project and procurement lessons

Superfast broadband for Scotland: further progress update

Local government in Scotland: Financial overview 2017/18

Local government in Scotland: Challenges and performance 2019

### Local government relevant reports

[\*Local government in Scotland: Challenges and performance 2018\*](#) – April 2018

[\*Councils' use of arm's-length organisations\*](#) – May 2018

[\*Health and social care integration: update on progress\*](#) – November 2018

[\*Local government in Scotland: Financial overview 2017/18\*](#) – November 2018

[\*Local government in Scotland: Challenges and performance 2019\*](#) – March 2019

# West Dunbartonshire Council

## 2018/19 Annual Audit Report

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