

**WEST DUNBARTONSHIRE COUNCIL**  
Council Offices, Garshake Road, Dumbarton G82 3PU

29 November 2013

**MEETING:     AUDIT & PERFORMANCE REVIEW  
                 COMMITTEE**

**WEDNESDAY, 11 DECEMBER 2013  
COMMITTEE ROOM 3  
COUNCIL OFFICES  
GARSHAKE ROAD  
DUMBARTON**

Dear Member,

Please attend a meeting of the **Audit & Performance Review Committee** to be held in Committee Room 3, Council Offices, Garshake Road, Dumbarton on **Wednesday, 11 December 2013 at 2.00 p.m.**

The business is as shown on the enclosed agenda.

Yours faithfully

**JOYCE WHITE**

Chief Executive

**Distribution:**

Councillor J McColl (Chair)  
Councillor G Black  
Councillor J Brown  
Councillor M McGinty  
Councillor I Murray (Vice Chair)  
Councillor T Rainey  
Councillor G Robertson  
Councillor M Rooney  
Mr SJ Doogan  
Mr E Haynes  
Mr F McNeil

All other Councillors for information

Chief Executive  
Executive Director of Corporate Services  
Executive Director of Educational Services  
Executive Director of Infrastructure and Regeneration  
Director of West Dunbartonshire Community Health and Care Partnership

## **AUDIT & PERFORMANCE REVIEW COMMITTEE**

**WEDNESDAY, 11 DECEMBER 2013**

### **AGENDA**

**1. APOLOGIES**

**2. DECLARATIONS OF INTEREST**

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

**3. MINUTES OF PREVIOUS MEETING**

Submit for approval as a correct record, the Minutes of Meeting of the Audit & Performance Review Committee held on 25 September 2013.

**4. TREASURY MANAGEMENT MID YEAR REPORT 2013/2014**

Submit report by the Executive Director of Corporate Services providing an update on treasury management and prudential indicators during 2013/14. A similar report to this one was previously considered by Members at the meeting of Council held on 30 October 2013.

**5. AUDIT SCOTLAND – ANNUAL REPORT ON THE 2012/13 AUDIT**

Submit report by the Executive Director of Corporate Services advising of the findings in relation to the external auditor's final report to Members on the completion of their 2012/13 audit. A similar report to this one was previously considered by Members at the meeting of Council held on 30 October 2013.

**6. CODE OF GOOD GOVERNANCE**

Submit report by the Executive Director of Corporate Services providing an update on the Council's Code of Good Governance.

**7. AUDIT ACTION PLANS**

Submit report by the Executive Director of Corporate Services advising of:-

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

**8. INTERNAL AUDIT PROGRESS REPORT TO 30 SEPTEMBER 2013**

Submit report by the Executive Director of Corporate Services advising of the work undertaken by the Internal Audit Section against the Action Plan 2013/14.

**9. NATIONAL FRAUD INITIATIVE 2012/13 – PROGRESS REPORT**

Submit report by the Executive Director of Corporate Services on the progress being made in investigating matched datasets provided to the Council as a result of the National Fraud Initiative 2012/13.

**10. SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINTS REPORT 2012/13**

Submit report by the Executive Director of Corporate Services presenting the Scottish Public Services Ombudsman (SPSO) report for 2012/13 on complaints handling by West Dunbartonshire Council.

For information on the above agenda please contact Craig Stewart, Committee Officer, Legal, Democratic & Regulatory Services, Council Offices, Garshake Road, Dumbarton G82 3PU. Tel: (01389) 737251. E-mail: [craig.stewart@west-dunbarton.gov.uk](mailto:craig.stewart@west-dunbarton.gov.uk).

## **AUDIT & PERFORMANCE REVIEW COMMITTEE**

At a Meeting of the Audit & Performance Review Committee held in Committee Room 3, Council Offices, Garshake Road, Dumbarton on Wednesday, 25 September at 2.05 p.m.

**Present:** Councillors George Black, Jonathan McColl, Michelle McGinty, Ian Murray, Tommy Rainey, Gail Robertson, Martin Rooney and Mr Edward Haynes.

**Attending:** Joyce White, Chief Executive; Angela Wilson, Executive Director of Corporate Services; Terry Lanagan, Executive Director of Educational Services; Stephen West, Head of Finance and Resources; Jim McAloon, Head of Regeneration and Economic Development; Gillian McNeilly, Finance Manager; Colin McDougall, Audit and Risk Manager; Joe Gillespie, Section Head, Internal Audit; Craig Stewart, Committee Officer, Legal, Democratic and Regulatory Services.

**Also Attending:** Ms Elaine Boyd, Senior Audit Manager, Mr Laurence Slavin, Senior Auditor, and Mr Christopher Gardner, Senior Auditor, Audit Scotland.

**Apologies:** Apologies for absence were intimated on behalf of Councillor Jim Brown, Mr Francis McNeill and Mr Stevie J. Doogan.

**Councillor Jonathan McColl in the Chair**

### **CHAIR'S REMARKS**

Prior to commencing with the business of the meeting, Councillor McColl, Chair, informed the Committee of the recent resignation of Ms Margaret Ward, as a Lay Member, due to personal commitments. On behalf of the Committee, it was agreed that Councillor McColl write a letter of thanks to Ms Ward for her previous service to the Committee, which was much valued and appreciated.

In other remarks, Councillor McColl congratulated Councillor McGinty who had recently married and Councillor Robertson, who had recently been given a certificate for smoking cessation by NHS Scotland.

## **DECLARATION OF INTEREST**

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

## **MINUTES OF PREVIOUS MEETINGS**

The Minutes of Meetings of the Audit & Performance Review Committee held on 22 May 2013 were submitted and approved as a correct record.

## **TREASURY MANAGEMENT ANNUAL REPORT 2012/13**

A report was submitted by the Executive Director of Corporate Services providing an update on treasury management during 2012/13.

The Committee agreed:-

- (1) to note the treasury management stewardship information within the report; and
- (2) to note the 2012/13 actual prudential indicators as advised within the report.

## **SCOTLAND'S PUBLIC FINANCES: ADDRESSING THE CHALLENGES: A TARGETED FOLLOW-UP REPORT – AUGUST 2013**

A report was submitted by the Executive Director of Corporate Services providing a report which had been received from the Council's external auditors, Audit Scotland, and providing information to Members as to management actions implemented following receipt of this report.

After discussion and having heard Mr Slaven, Senior Auditor, the Executive Director of Corporate Services and relevant officers in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) to note the terms of the discussion that had taken place in respect of this matter; and
- (2) to note the report and the agreed management improvement actions.

## **AUDIT SCOTLAND: REVIEW OF GOVERNANCE ARRANGEMENTS AND MAIN FINANCIAL SYSTEMS REPORT – JUNE 2013**

A report was submitted by the Executive Director of Corporate Services providing for information a report which had been received from the Council's external auditors, Audit Scotland, and providing information to Members as to management actions implemented following receipt of this report.

After discussion and having heard Mr Slaven, Senior Auditor, the Chief Executive and Executive Director of Corporate Services in further explanation and in answer to Members' questions, the Committee agreed to note the contents of the report and progress made to date in relation to the agreed improvement actions.

### **AUDIT SCOTLAND FINAL ACCOUNTS MEMBERS REPORT**

A report was submitted by the Executive Director of Corporate Services on the above.

After discussion and having heard Ms Boyd, the Chief Executive and the Executive Director of Educational Services and relevant officers in elaboration and in answer to Members' questions, the Committee agreed:-

- (1) to note the findings of the audit of the financial statements as detailed in Audit Scotland's report dated September 2013;
- (2) to note that a copy of the Council's assets register would be sent to Members of the Committee, for their information; and
- (3) to convey its thanks and appreciation to the External Auditors, Audit Scotland, and Finance staff for their work and effort on the audit of final accounts.

### **SPI 1 & 2 END OF YEAR REPORT**

A report was submitted by the Executive Director of Corporate Services providing a finalised performance review of the Key organisational Performance Indicators for 2012/13, as a follow up to the outline Statutory Performance Indicator (SPI) report prepared for Council on 26 June 2013.

After discussion and having heard the Executive Director of Corporate Services and relevant officers in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) to note the performance of the Council's 45 SPI measures for 2012/13 as submitted to Audit Scotland by August 30th as requested; and

- (2) to note that the SPI measures, as detailed in the proforma, would form a key element of the 2012/13 Public Performance Report - which would be published by the end of September 2013.

### **AUDIT ACTION PLANS**

A report was submitted by the Executive Director of Corporate Services advising of:-

- (a) recently issued Internal Audit action plans; and
- (b) progress being made in actioning recommendations contained within previous Internal Audit and External Audit reports which management have committed to implementing.

The Chief Executive, Executive Director of Corporate Services, Ms Boyd and the Section Head, Internal Audit were all heard in further explanation and answer to Members' questions.

### **ADJOURNMENT**

After hearing Councillor McColl, the Committee agreed to adjourn for a period of 10 minutes.

The meeting reconvened at 3.40 p.m. with all those Members shown in the sederunt in attendance, with the exception of Councillor McGinty.

The Chair, Councillor McColl, ruled a question by Mr Haynes to be out of order in terms of Standing Order 14(b), in that it was not competent in terms of the subject matter under consideration. The position was noted thereto.

Following upon this, and after discussion and having heard the Chief Executive and Executive Director of Educational Services in answer to Members' questions, the Committee agreed to note the contents of the report.

Note: Councillor McGinty re-entered the meeting during consideration of this item.

### **INTERNAL AUDIT PROGRESS REPORT TO 30 JUNE 2013**

A report was submitted by the Executive Director of Corporate Services advising of the work undertaken by the Internal Audit Section against the Action Plan 2013/14.

After discussion and having heard the Chief Executive, Audit and Risk Manager and Section Head, Internal Audit in further explanation and in answer to Members' questions, the Committee agreed:-



- (1) that relevant officers would check the information contained in the Audit Plan for the category 'Contract/Procurement' to ensure consistency and accuracy;
- (2) otherwise to note the contents of the report.

### **INTERNAL AUDIT CHARTER AND PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) UPDATE**

A report was submitted by the Executive Director of Corporate Services providing the Committee with:-

- (a) an updated version of the Audit Charter previously submitted to the meeting on 22 May 2013; and
- (b) information relating to a self-assessment checklist completed in relation to the level of compliance with the Public Sector Internal Audit Standards (PSIAS) by the Council's Internal Audit Section.

After discussion and having heard the Executive Director of Corporate Services in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) to approve the revised Internal Audit Charter; and
- (2) to note that the Executive Director of Corporate Services would send the Members of the Committee, for their information, the advice given by the Head of Legal, Democratic and Regulatory Services confirming that this Committee was the proper one to approve the Internal Audit Charter.

### **PUBLIC INTEREST DISCLOSURES FOR THE PERIOD 1 JANUARY 2013 TO 30 JUNE 2013**

A report was submitted by the Executive Director of Corporate Services informing on the level of public interest disclosures received during the period 1 January 2013 to 30 June 2013.

After discussion and having heard the Audit and Risk Manager and the Head of Finance and Resources in elaboration and in answer to Members' questions, the Committee agreed to note the contents of the report.

### **RISK UPDATE**

A report was submitted by the Executive Director of Corporate Services providing an update to Members on work being done in relation to risk.

After discussion and having heard the Executive Director of Corporate Services and the Head of Finance and Resources in further explanation and in answer to Members' questions, the Committee agreed to note the contents of the report.

The meeting closed at 4.18 p.m.

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**West Dunbartonshire Council**  
**Report by the Executive Director of Corporate Services**  
**Audit & Performance Review – 11 December 2013**

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**Subject : Treasury Management Mid Year Report 2013/2014**

**1. Purpose**

- 1.1** The purpose of this report is to provide Members with an update on treasury management and prudential indicators during 2013/14.

**2. Recommendations**

- 2.2** Members are requested to:

- (a) Note the treasury management and prudential stewardship information within the Treasury Management Report attached as appendix 1;
- (b) Note that Council approved the 2013/14 revised estimates of treasury and prudential indicators as advised within the report (Tables A, B, C, D, E, F, H and M);
- (c) Note the opportunity for the Council to invest in hub schemes as a result of West Dunbartonshire Council's position as a shareholder in hub West Scotland;
- (d) Note that on 30 October 2013 Council approved delegation of authority to the Council's Section 95 Officer, the Chief Executive, the Leader of the Council and the Leader of the Opposition to invest in hub West Scotland schemes within the timescales identified in section 4.17 of this report; and
- (e) Note that Council approved a new indicator for Principal sums invested > 364 days as advised within the report (Table N).

**3. Background**

- 3.1** In accordance with the Treasury Policy governing the Council's treasury management activities during 2013/14, the Executive Director of Corporate Services is required to provide a Mid Year Report to Members regarding the Treasury function.
- 3.2** The mid year report covers the period 1 April 2013 to 31 August 2013 and details the current position (where appropriate) and revises the 2013/14 estimates where required.
- 3.3** The treasury management mid year report was presented to Council on 30 October and in accordance with the nomination of March 2012 is now passed to members of the Audit and Performance Review Committee to ensure further scrutiny takes place.

#### **4. Main Issues**

##### **Treasury Management Stewardship Report**

- 4.1** A copy of the report is attached (Appendix 1).
- 4.2** The report gives details of key changes to the Council's capital activity (the prudential indicators), the economic outlook, the actual and proposed treasury management activity (borrowing and investment) and the risk approach to treasury management (the treasury management indicators).
- 4.3** The revised estimate for capital expenditure during 2013/14 (Table A) has increased by £12.672m from the original estimate. This increase is due to the slippage of capital spend from 2012/13 carried forward into 2013/14 and additional grants and contributions from external bodies.
- 4.4** The revised estimate for year end debt (Table C) has reduced by £8.584m from the original estimate due to the fact that no new borrowing was undertaken during 2012/13 which resulted in a reduced balance at the start of the year.
- 4.5** During the first half of 2013/14 the Council prematurely repaid a PWLB variable rate loan at a rate of 1.60% and replaced it with a loan from another Local Authority at 0.40%. The Council has also repaid naturally maturing debt of £14.500m in July 2013 which was funded by 2 new temporary loans of £10.000m and a new long term market loan of £5.000m.
- 4.6** The average return on Investment income to 31 August 2013 is 0.59% (Table K) which is higher than the local measures of yield investment benchmark that was approved by Members in March 2013.
- 4.7** The current investment counterparty criteria selection approved by Members in March 2013 meets the requirement of the treasury management function and is no changes to the criteria are recommended at this time; however a change is recommended to the delegated approval of the Section 95 Officer as described below.

##### **Changes required to Delegated Approval of Section 95 Officer**

- 4.8** The permitted investments detailed within the Treasury Management Strategy included a "type of investment" called "Investment in joint venture delivery companies such as hub West Scotland" and a change was required to seek delegated approval to allow the Section 95 Officer to invest in hub West Scotland as opportunities arise.
- 4.9** At the time of writing the Treasury Management Strategy there was no information from either the Scottish Futures Trust or hub West Scotland as to how opportunities for shareholding public bodies would be able to consider whether to invest in a project that is being developed by the hubco. As a result the Treasury Management Strategy detailed that any investment in hub West Scotland would require Member approval and that each application would be supported by the service rationale behind the investment and the likelihood of loss.

- 4.10** Since then there has been information provided by the Scottish Futures Trust and hub West Scotland around how such opportunities will arise and the timelines for consideration and decision-making by the shareholding body.
- 4.11** Funding for Design, Build, Finance & Maintain (DBFM) type hub schemes is typically provided 90% or more from major financial institutions (“senior debt”) and up to 10% from subordinate lenders, with hub West Scotland shareholders being given the first option to act as subordinate lenders.
- 4.12** 60% of hub West Scotland shares are held by the Private Sector developer, Wellspring Partnerships Ltd. A further 10% are held by the Scottish Futures Trust and the remaining 30% are shared among the 8 public sector bodies (including West Dunbartonshire Council) who have signed up as shareholding members of hub West Scotland.
- 4.13** Shareholders will initially be offered the chance to invest in each hub West Scotland project as subordinate lenders, pro rata to their hub shareholding. Thus West Dunbartonshire Council would be given the option of investing up to 0.375% (i.e.  $10\% \times 30\% / 8$ ) in each project. This applies regardless of whether The Council is an active participant in the project in question.
- 4.14** Such investments would be for the duration of the project, typically 25 years, but could currently be expected to produce an annual return on investment of over 9%. It is important to recognise the longer term nature of this type of investment. If this type of investment was progressed, it would be essential that the associated risks were appropriately managed.
- 4.15** Should any public sector shareholder decline to invest in a project, the remaining public sector shareholders would be offered the chance to increase their investment in the scheme. If the remaining public sector shareholders do not wish to do so, the unsubscribed investment opportunity would be offered to SFT, then to the private sector partner shareholder.
- 4.16** As such, an individual public sector shareholder’s opportunity for investment in a project could extend to a maximum of 3% (i.e.  $10\% \times 30\%$ ) of the project value if no other public sector shareholders took up the option. This equates, for example, to an investment of a maximum of £300,000 for a scheme with a capital value of £10 million.
- 4.17** Councils will be notified of such investment offers as schemes progress through the hub process and provided with a Funding Review and Investment Report on the project in question to facilitate consideration of the risks and rewards associated with the offer. Responses to these offers will be required within 7 days of such notifications.
- 4.18** Due to the timelines indicated above it is recommended that these investment considerations are treated in a similar manner to Cash Type Instruments and that in accordance with clause 4 of The Treasury Management Clauses, formally adopted by the Council on 28 March 2012, that the execution and administration of treasury management decisions in relation to potential hub West Scotland investments should be delegated to the Section 95 officer.

- 4.19** As with any investment decision there is always a risk that the investment may not be returned or reduce in value. However, due to the nature of the opportunities and the funding bodies being public bodies such as the NHS or other local authorities in the west of Scotland, the level of financial risk is likely to be low.
- 4.20** Based on the potential value of any investment based on the example provided in 4.16 above the Council will use normal cash balances to invest therefore avoiding any potential issues regarding borrowing to on lend.
- 4.21** Any investment made in a hub West Scotland project would be included within the ongoing regular Treasury Management Briefings which are provided to Members.

## **5. People Implications**

- 5.1** There are no personnel issues.

## **6. Financial Implications**

- 6.1** There are no financial implications.

## **7. Risk Analysis**

- 7.1** There are three main risks associated with the formulation of prudential indicators and the treasury management strategy:
- (a) Capital receipts which affect the capital financing and borrowing requirement may not materialise and if this occurs then additional borrowing will be required in order to fund the financing requirement;
  - (b) The risk of Counterparties default (i.e. loss of principal sum invested) must also be taken into account; however the robust controls included within the investment strategy will assist in mitigating this risk; and
  - (c) Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to an increase in borrowing, assuming no additional capital receipts are available.

## **8. Equalities Impact Assessment**

- 8.1** No equalities impact assessment was required in relation to this report.

## **9. Consultation**

- 9.1** The views of Legal Services have been requested on this report and have advised there are neither any issues or concerns.

## **10. Strategic Assessment**

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

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Angela Wison  
Executive Director of Corporate Services  
Date: 11 November 2013

**Person to Contact:** Jennifer Ogilvie, Finance Business Partner,  
Council Offices, Garshake Road.  
Telephone (01389) 737453.  
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**Background Papers:** Loans register and portfolio;  
Debt rescheduling schedules;  
Prudential Indicators 2012/13 to 2015/16 and Treasury Management  
Strategy 2013/14 to 2015/16 (Council 27 March 2013).

**Wards Affected:** No wards directly affected.

**Mid Year Monitoring Report 2013/14  
Treasury Management and Prudential Indicators  
1 April 2013 to 31 August 2013**

**1 Introduction**

- 1.1** The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:
- The Local Government in Scotland Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
  - The Act permits the Scottish Ministers to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions have been made as yet during 2013/14;
  - Statutory Instrument (SSI) 29 2004, requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities, and therefore to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services; and the treasury activity with regard to the CIPFA Code of Practice for Treasury Management in Local Authorities.
- 1.2** The regulatory framework of treasury management requires that the Council receive a mid year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously. This report meets that requirement and also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The treasury strategy and PIs were previously reported to Council on 27 March 2013. The current position is shown (where appropriate) and revisions to the 2013/14 estimate are provided where required.
- 1.3** This report sets out:
- Key changes to the Council's capital activity (the prudential indicators);
  - The economic outlook;
  - The actual and proposed treasury management activity (borrowing and investment); and
  - The risk approach to treasury management (the treasury management indicators).



## 2 Key Prudential Indicators

2.1 This part of the report is structured to update:

- The Council's capital expenditure plans and how these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

2.2 **Capital Expenditure** – Table A shows the current position and revised estimates for capital expenditure for 2013/14 only. The original estimate has been revised from the General Services capital plan which was approved by Members on 6 February 2013 and has increased by £12.672m due to slippage of capital spend from 2012/13 carried forward into 2013/14 and additional grants and contributions from external bodies.

**Table A:**

£000	2013/14 Original Estimate	Current Position	2013/14 Revised Estimate
General Services	25,942	9,353	39,204
HRA	39,413	9,328	38,823
<b>Capital Expenditure</b>	<b>65,355</b>	<b>18,681</b>	<b>78,027</b>
Financed by:			
Capital receipts	3,669	641	5,253
Capital grants	16,798	6,224	18,044
Revenue	7,137	0	6,812
<b>Net financing need for the year</b>	<b>37,751</b>	<b>11,816</b>	<b>47,918</b>

2.3 **Impact of changes in Capital Expenditure Plans** – Table B shows the CFR, which is the underlying external need to borrow for a capital purpose while Table C shows the expected debt position over the period.

2.3.1 The reduction in the level of debt at 1 April between original estimate and revised estimate (as detailed in Table C) is due to the fact that no new capital borrowing was undertaken during 2012/13.

2.3.2 The CFR is calculated on a year end position based on the Council's balance sheet and therefore the current position is not shown. The CFR has not materially changed since originally set in March 2013 and the Executive Director of Corporate Services can report that the Council is on target to meet the 2013/14 revised estimates for both indicators.

Table B:

£000	2013/14 Original Estimate	2013/14 Revised Estimate
<b>Capital Financing Requirement</b>		
CFR – General Services	216,374	218,253
CFR – HRA	140,214	137,470
<b>Total CFR</b>	<b>356,588</b>	<b>355,723</b>
Movement in CFR (from Previous year)	19,997	30,352

<b>Movement in CFR Represented by</b>		
Net financing need for the year (from Table A, above)	37,751	47,918
Less loan repayments in year	(16,537)	(16,366)
<b>New Borrowing : CFR</b>	<b>21,214</b>	<b>31,552</b>
Less Long Term Liability repayment in years	(1,217)	(1,200)
<b>Movement in CFR</b>	<b>19,997</b>	<b>30,352</b>

Table C:

£000	2013/14 Original Estimate	Current Position	2013/14 Revised Estimate
<b>External Debt</b>			
Debt at 1 April 2013	236,751	218,226	218,226
Maturing Debt	(7,980)	(19,382)	(31,874)
New Borrowing : Maturing Debt	7,950	14,400	31,900
New Borrowing : CFR	21,214	0	31,552
<b>Debt at 31 March (1)</b>	<b>257,935</b>	<b>213,244</b>	<b>249,804</b>
Long Term Liabilities (LTL) at 1 April	91,912	91,442	91,442
Expected change in LTL	(1,217)	(500)	(1,200)
<b>LTL at 31 March (2)</b>	<b>90,695</b>	<b>90,942</b>	<b>90,242</b>
<b>Actual Debt at 31 March (1) + (2)</b>	<b>348,630</b>	<b>304,186</b>	<b>340,046</b>
<b>CFR from Table B</b>	<b>356,588</b>	<b>n/a</b>	<b>355,723</b>
<b>Under/(Over) Borrowing</b>	<b>7,958</b>	<b>n/a</b>	<b>15,677</b>

**2.3.3** Table C highlights that the Council is forecast to be under borrowed by £15.677m at 31 March 2014 when compared to the CFR. This is due to the treasury management policy over the last few years which has been to use investment income to fund the replacement of naturally maturing debt and capital expenditure where possible. This policy resulted in lower debt position as at 1 April 2013 than anticipated. The reason behind this decision is explained further in section 4.2.

**2.4 Compliance with the limits in place for borrowing activity** – The first key control over the treasury activity is a PI to ensure that over the medium term, gross borrowing will only be for a capital purpose. Gross borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and next two financial years. This allows some flexibility for limited early borrowing for future years.

The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. As discussed in section 2.3, above the current position is not shown since the CFR is calculated on a year end position. The revised indicator is detailed in Table D and the Executive Director of Corporate Services reports that no difficulties are envisaged for the current year in complying with this PI.

Table D:

£000	2013/14 Original Estimate	2013/14 Revised Estimate
<b>CFR at 31 March 2013</b>		
2012/13 Actual	336,591	325,371
<b>Estimated movement in CFR</b>		
2013/14	19,997	30,352
2014/15	37,197	37,851
2015/16	52,178	51,375
<b>Anticipated CFR at 31 March 2016</b>	<b>446,963</b>	<b>444,949</b>
<b>Gross Debt at 31 March 2013</b>	<b>328,663</b>	<b>309,668</b>

- 2.4.1** The Operational Boundary is detailed in Table E below and is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Table E:

£000	2013/14 Original Estimate	Current Position	2013/14 Revised Estimate
External Debt	383,493	334,605	374,051

- 2.4.2** A further PI controls the overall level of borrowing. This is the Authorised Limit which is detailed in Table F and represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table F:

£000	2013/14 Original Estimate	Current Position	2013/14 Revised Estimate
External Debt	418,356	365,023	408,056

### 3 Economic Outlook

- 3.1 UK Economy** - In Mervyn King's last Inflation Report as Governor of the Bank of England, there was a distinct shift towards optimism in terms of a marginal upgrading of growth forecasts. In addition, there was a lowering of the inflation forecast to now hit the 2% target within two years. However, this is still a long way away from strong recovery though the chances of more

quantitative easing (QE) has receded due to business surveys indicating that the economy is on the up.

- 3.1.2** Mark Carney started on 1<sup>st</sup> July as the new Governor of the Bank of England. His appointment could lead to some changes to the way the MPC operates and makes decisions and announcements. Forward guidance e.g. that Bank Rate will not go up until some target rate, e.g. unemployment, falls to a specified level has potentially closed the door to any increase in Bank Rate until sometime in 2016.

**3.2 Global Economy** – A summary of the global economic outlook is noted below.

- 3.2.1 Eurozone** - Most Eurozone countries are now battling against recession, although Germany is experiencing a resurgence of business confidence and surveys are pointing towards a resumption of growth. Growth prospects for many Eurozone countries are poor due to the need to adopt austerity programmes to bring government deficits under control. The ECB cut its central rate from 0.75% to 0.5% in this quarter but this is unlikely to lead to much in the way of improvement in the prospects for GDP growth.

- 3.2.2 US** - There has been a marked improvement in consumer, investor and business confidence this year along with a decline in unemployment to 7.6%, however this is still a long way from the target rate of 6.5%.

- 3.2.3 China** - GDP growth has been disappointing in 2013. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector.

**3.3 Forward View** - Economic forecasting remains difficult with so many external influences weighing on the UK. Key areas of uncertainty include:

- The potential for a significant increase in negative reactions of populations in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis;
- The Italian political situation is frail and unstable;
- Problems in other Eurozone heavily indebted countries could also generate safe haven flows into UK gilts;
- Monetary policy action failing to stimulate growth in western economies, especially the Eurozone and Japan;
- The potential for weak growth or recession in the UK's main trading partners - the EU and US;
- The impact of the UK Government's austerity plan in dampening confidence and growth; and
- Geopolitical risks e.g. Syria, Iran, North Korea.

- 3.3.1** The overall balance of risks to economic recovery in the UK is now evenly weighted. Sector believes that the longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond

issuance in other major western countries. Near-term, the prospect of further QE has diminished but measures other than QE may be more favoured by Governor Carney if additional support is viewed as being required.

**3.3.2** Given the generally weak outlook for economic growth, Sector sees the prospects for any increase in Bank Rate before 2015 as limited. Indeed, the first increase could be even further delayed if the tentative signs of growth failed to be maintained.

**3.4** Interest Rate Movements and Expectations which take into account the economic outlook as described above are detailed in Table G below.

**Table G:**

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
<b>Bank rate</b>	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
<b>5yr PWLB rate</b>	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%	2.40%
<b>10yr PWLB rate</b>	2.90%	2.90%	3.00%	3.10%	3.20%	3.30%	3.50%
<b>25yr PWLB rate</b>	4.10%	4.10%	4.20%	4.20%	4.30%	4.40%	4.60%
<b>50yr PWLB rate</b>	4.20%	4.20%	4.40%	4.40%	4.50%	4.60%	4.70%

Source: Sector Interest Rate View July 2013

## 4 Treasury Management Activity

**4.1** This part of the report is structured to update:

- The Council's expected borrowing need and details of under/(over) borrowing;
- Debt rescheduling and new borrowing;
- Debt charges; and
- Investments.

**4.2 The Expected Borrowing Need** – This was set out in Table C and demonstrates that the Council is currently under-borrowed to reduce risks in investments held and the cost of carry on investments (investments yield up to 1%, long term borrowing rates for periods greater than 25 years are approximately 4.5%). This introduces an element of interest rate risk, as longer term borrowing rates may rise; however, this position is being carefully monitored.

**4.3 Debt rescheduling and new borrowing** – During the first half of 2013/14 the Council prematurely repaid a PWLB variable rate loan at a rate of 1.60% and replaced it with a loan from another Local Authority at 0.40%. The Council has also repaid naturally maturing debt of £14.500m in July 2013 which was funded by 2 new temporary loans of £10.000m and a new long term market loan of £5.000m.

**4.4 Debt Charges** – The revised estimate for debt charges for both the General Fund and the HRA is shown in Table H.

**Table H:**

£000	2012/13 Original Estimate	Current Position	2013/14 Revised Estimate
Borrowing	27,784	11,531	27,675
Other Long Term Liabilities	7,943	3,283	7,880
Total	35,727	14,814	35,555

**4.5 Investments** – The objectives of the Council's investment strategy are the safeguarding of the re-payment of the principal and interest of its investments on time with the investment return being a secondary objective. Following on from the economic background above, the current investment climate has one over-riding risk consideration which is the risk of default. As a result of these underlying concerns, officers continue to implement an operational investment strategy which tightens the controls already in place in the approved investment strategy.

**4.5.1** The Council held £4.298m of investments at 31/08/2013, and the constituent parts of the investment position are detailed in Table I:

**Table I:**

£000	Country	< 1 Year	1 – 2 Years	2 – 3 Years
Banks	UK	4,298	Nil	Nil
Total		4,298	Nil	Nil

**4.5.2** Table J details the revised budget position for investment income. The original estimate has been reduced by £0.120m due to the utilisation of investment income in lieu of new long term borrowing (as noted in 4.3).

**Table J:**

£000	2013/14 Original Estimate	Current Position	2013/14 Revised Estimate
Investment Income	180	20	60

**4.5.3** A regulatory development to address risk is the consideration and approval of security, liquidity and yield benchmarks. Yield benchmarks are currently widely used to assess investment performance, however the application of security and liquidity benchmarks are more subjective in nature.

- **Security** - The Council's maximum security risk benchmark for the current portfolio in relation to investment periods of up to one year (when compared to historic default tables) was set at 0.08% and the Executive Director of Corporate Services can report that there have been no defaults of principal sums invested in the year to date.
- **Liquidity** – The Executive Director of Corporate Services can report that liquidity arrangements were adequate during the year to date and that

the liquidity facilities and benchmarks set by the Council as noted below were maintained:

- Bank overdraft - £1.000m; and
  - Liquid short term deposits of at least £5.000m available on an overnight basis.
- **Yield** – The Executive Director of Corporate Services can report that investment return to date average 0.59%. Table K illustrates how this average return compares with the local measures of yield investment benchmarks approved in March 2013.

**Table K:**

Benchmark	Benchmark Return	Average Return
Internal returns above the 7 day LIBID rate	0.36%	0.59%
Internal returns above the 1 month LIBID rate	0.37%	0.59%
Internal returns above the Council's Instant Access Account	0.50%	0.59%

- 4.5.4** The current investment counterparty criteria selection approved by Members in March 2013 meets the requirement of the treasury management function and no changes to the criteria are recommended at this time.

## 5 Key Treasury Management Indicators

- 5.1** This part of the report is structured to update:

- Actual and estimates of the ratio of financing costs to net revenue stream;
- Upper limits on interest rate exposure;
- The maturity structure of borrowing; and
- Total principal sums invested.

- 5.2 Actual and estimates of the ratio of financing costs to net revenue stream** – This indicator (as shown below in Table L) identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream

**Table L:**

	2013/14 Original Estimate	2013/14 Revised Estimate
General Fund	6.84%	6.95%
HRA	38.22%	36.24%

- 5.3 Upper Limits On Fixed and Variable Rate Exposure** – These indicators identify a maximum limit for fixed and variable interest rates based upon the debt position and were set at 100% and 50% respectively for 2013/14. The Executive Director of Corporate Services can report that no limits were breached in the year to date.
- 5.4 Maturity Structures Of Borrowing** – These maximum limits are set to reduce the Council's exposure to large fixed rate loans (those instruments

which carry a fixed interest rate for the duration of the instrument) which are due to naturally mature in any given period as detailed in Table M.

Table M:

<b>Maturity Structure of Fixed Interest Rate Borrowing</b>	<b>2013/14 Original Estimate</b>	<b>Current Position</b>	<b>2013/14 Revised Estimate</b>
Under 12 months	50%	45.31%	50%
12 months to 2 years	50%	10.38%	50%
2 years to 5 years	50%	14.03%	50%
5 years to 10 years	50%	7.80%	50%
10 years to 20 years	50%	3.11%	50%
20 years to 30 years	50%	1.39%	50%
30 years to 40 years	50%	12.38%	50%
40 years to 50 years	100%	5.58%	100%
50 years to 60 years	100%	0%	100%
60 years to 70 years	100%	0%	100%

- 5.5 Total Principal Funds Invested** – These limits are set to reduce the need to temporarily borrow to cover any unexpected expenditure, and show limits to be placed on investments with final maturities beyond each year-end. The Council does not currently invest sums for periods greater than 364 days, however as any potential investment in hub West Scotland would be for a period greater than 364 days a new indication is required and the limit is detailed in Table N.

Table N:

<b>£000</b>	<b>2013/14 Original Estimate</b>	<b>Current Position</b>	<b>2013/14 Revised Estimate</b>
<b>Principal sums invested &gt; 364 days</b>			
Over 12 months	0	0	1,000



**WEST DUNBARTONSHIRE COUNCIL**  
**Report by Executive Director of Corporate Services**  
**Audit and Performance Review Committee: 11 December 2013**

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**Subject: Audit Scotland – Annual Report on the 2012/13 Audit**

**1. Subject**

- 1.1** The purpose of this report is to advise Members of the findings in relation to the external auditor's final report to Members on the completion of their 2012/13 audit.

**2. Recommendations**

- 2.1** Members are asked to consider the findings of the 2012/13 audit and to note that the report was presented to Council on 30 October 2013.

**3. Background**

- 3.1** Audit Scotland has completed its audit of the Council's 2012/13 annual accounts and have now signed them.
- 3.2** Audit Scotland is required to report to Members at the conclusion of its audit for 2012/13 and the full report is appended. The report was presented to Council on 30 October 2013 where Members referred it onto this Committee for further scrutiny and consideration.

**4. Main Issues**

- 4.1** The report is intended to inform Members of key issues arising during the audit and to assist Members in fulfilling their obligations in respect of governance, performance management and the stewardship of public funds.
- 4.2** A representative from Audit Scotland will be in attendance at the Committee to present the findings of the audit and to answer any Members' questions.
- 4.3** The key messages and headline information are provided on pages 4 to 5 of the report. Further detail is provided in pages 6 to 36 with an action plan, including agreed management responses, presented on pages 38 to 40.
- 4.4** The report identifies 7 key risk areas together with management responses, which have been agreed with the auditor, detailed within the action plan, together with targeted dates for implementation of each agreed management action.

**5. People Implications**

- 5.1** There are no people implications.

## **6. Financial Implications**

- 6.1** Other than the financial position detailed regarding the Financial Statements, there are no financial implications in connection with the preparation of this report.

## **7. Risk Analysis**

- 7.1** The risks identified in the report have been addressed through the recommendations in the Action Plan, referred to above.

## **8. Equalities Impact Assessment (EIA)**

- 8.1** There was no requirement to carry out an equality impact assessment.

## **9. Consultation**

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

## **10. Strategic Assessment**

- 10.1** Sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan. This report forms part of the financial governance of the Council.

.....  
**Angela Wilson**  
**Executive Director of Corporate Services**  
**Date: 11 November 2013**

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<b>Person to Contact:</b>	Gillian McNeilly, Finance Manager, Garshake Road Telephone: (01389) 737194 E-mail : <a href="mailto:gillian.mcneilly@west-dunbarton.gov.uk">gillian.mcneilly@west-dunbarton.gov.uk</a>
<b>Appendix:</b>	Audit Scotland: Annual Report on the 2012/13 Audit
<b>Background Papers:</b>	None
<b>Wards Affected:</b>	None

# West Dunbartonshire Council

## Annual report on the 2012/13 audit



Prepared for Members of West Dunbartonshire Council and the Controller of Audit  
October 2013

**Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.**

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# Key messages

## 2012/13

This report summarises the findings from our 2012/13 audit of West Dunbartonshire Council (the Council). As part of the audit we assessed the key financial and strategic risks being faced by the Council. We audited the financial statements and reviewed the Council's financial position and aspects of governance, best value, the use of resources and performance.

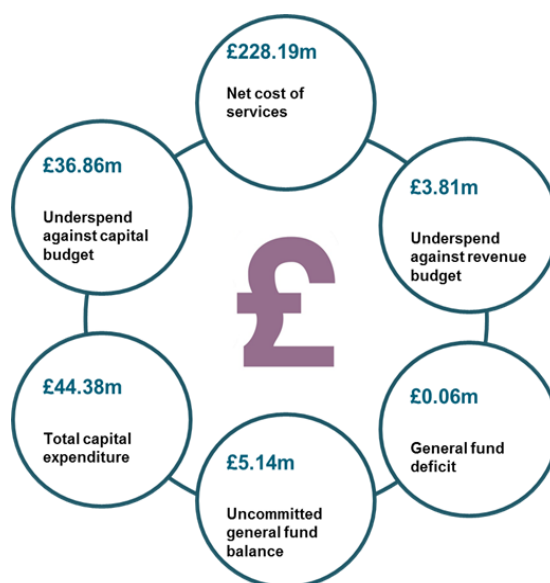
### Financial statements

We have given an unqualified opinion on the financial statements of the Council and its group for 2012/13. In our opinion they give a true and fair view of the financial transactions for the year to 31 March 2013 and the financial position at that date. We also certify that the accounts have been prepared in accordance with relevant legislation, applicable accounting standards and other reporting requirements.

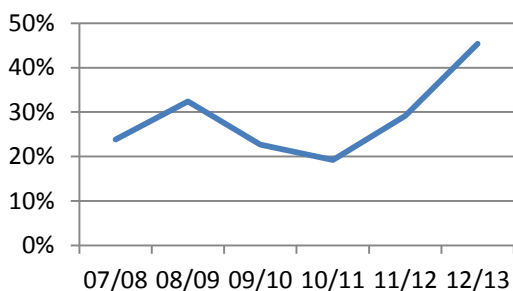
### Financial position

The general fund recorded a net deficit for 2012/13 of £0.06 million, decreasing the balance to £14.77 million as at 31 March 2013. This balance includes earmarked commitments of £9.63 million and an unallocated general fund balance of £5.14 million,

The housing revenue account (HRA) recorded an overall deficit of £0.06 million decreasing the balance on the account to £4.18 million. Of this balance £3.46 million is earmarked leaving an unallocated balance of £0.72 million.



### Capital Slippage



Capital slippage in 2012/13 totalled £36.86 million against a budgeted capital programme of £81.24 million (45.4% slippage). Capital slippage has been an on-going area of concern for the Council with it varying between 19% and 45% over the past six years. In February 2013 the Council approved a 10 year capital plan covering 2013/14 to 2022/23. It is hoped that this will create flexibility around delivery of longer-term capital projects and help address the issue of capital slippage.

Overall the Council have maintained a stable financial position. However, we note that across the 32 Scottish local authorities, the Council has the sixth lowest usable reserves as a percentage of net revenue spend. The Council needs to ensure it is adequately protected against future commitments and/or reductions in funding.

## **Governance and accountability**

Overall the Council's governance arrangements in 2012/13 were adequate. No material weaknesses in the accounting and internal control systems were identified during the audit although we agreed some areas for improvement in our *Review of Governance Arrangements and Main Financial Systems Report* issued in June 2013.

## **Best Value, use of resources and performance**

The Council has continued to make good progress to address issues highlighted by the Shared Risk Assessment (SRA) process.

A new Strategic Planning & Performance Framework is in the process of being launched and will replace the current Performance Management Framework and Joint Planning & Budget Guidance. The Council has implemented a strategic programme framework and new governance structures to help deliver its ambitious transformation programme. Whilst it is too early to assess the impact of these new arrangements we welcome the introduction of strategic formalised programme management arrangements.

## **Outlook**

Scotland's public bodies will continue to face increasing demand and cost pressures for their services in the foreseeable future. The Council, as with other councils, will need to continue to review its priorities and make difficult decisions in order to deliver balanced budgets in future years.

Further financial pressure is resulting from the public reform agenda, particularly Welfare Reform, which is resulting in the biggest shake up in the UK welfare system in 60 years. There are early indications that welfare reform is resulting in increased rent arrears while research groups such as the Rowntree Foundation are warning of increasing poverty and homelessness amongst the poorer sections of society.

These developments are planned at a time when the Council is faced with a significant funding gap forecast at £21.68 million cumulatively by 2016/17. The Council recognise this and are progressing a major transformation programme focused on delivering savings through delivery of efficient and effective services.

The Council's long term financial strategy is updated on a six monthly basis and takes account of the challenging economic circumstances. Regular review and updating of the strategy helps ensure the Council target the available financial resources at achieving the Council's strategic objectives.

The co-operation and assistance given to us by officers during the audit is gratefully acknowledged.

# Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of West Dunbartonshire Council. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the Council.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the Council understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to members of the Council and the Controller of Audit and should form a key part of discussions with the Audit & Performance Review Committee (A&PRC), either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. Reports should be available to the other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website ([www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)) after consideration by the Council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
6. The management of the Council is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.



# Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
  - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the annual governance statement and the remuneration report. Auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

## Audit opinion

10. We have given an **unqualified** opinion that the financial statements of West Dunbartonshire Council for 2012/13 give a true and fair view of the state of affairs of the Council and its group as at 31 March 2013 and of the income and expenditure for the year then ended.

## Legality

11. Through our planned audit work we consider the legality of the Council's financial transactions. In addition the Head of Finance & Resources has confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the Council's Corporate Management Team (CMT), the financial transactions of the Council were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

## Going concern and group accounts

12. The Council has prepared the financial statements on the assumption that both the Council and its group can continue to operate as a going concern in future. Local authorities are required to prepare group accounts in addition to their own Council's accounts where they have a material interest in other organisations.
13. For the purpose of consolidation and incorporation within the group accounts the Council has six associates (Strathclyde Police Joint Board, Strathclyde Fire and Rescue Joint Board, Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme, Dunbartonshire and Argyll Valuation Joint Board, West Dunbartonshire Leisure Trust) and the Dumbarton Common Good and Sundry Trust Funds.

14. The overall effect of inclusion of all these bodies on the group balance sheet is to reduce both reserves and net assets by £317.49 million. The group balance sheet as at 31 March 2013 discloses a net asset of £4.86 million (2011/12 £86.43 million). The material reduction in net assets is due to the accrual of pension liabilities in accordance with International Accounting Standards. Police and Fire functions transferred to the Scottish Police Authority and the Scottish Fire and Rescue Service on 1 April 2013. The group balance sheet position will improve, in future years, as the Council will no longer be required to accrue the pension liabilities of Police and Fire into its group accounts.

## Annual Governance Statement

15. In 2012/13 the Council adopted the more comprehensive Annual Governance Statement disclosure rather than maintaining the Statement on the Systems of Internal Financial Control (SSIFC). We welcome this development and, as part of our annual audit, reviewed the disclosures made in the Annual Governance Statement and the process for obtaining sufficient assurances to inform the content of the statement.
16. We are satisfied that the disclosures in the Annual Governance Statement are in line with the guidance contained in the CIPFA publication *Delivering Good Governance in Local Government* and with the adequacy of the process put in place to obtain the necessary assurances for the statement.
17. The Annual Governance Statement refers in outline to a number of areas where improvements are being progressed:
- Enhanced control over allocation of transactions between the Council and West Dunbartonshire Leisure Trust in the financial ledger.
  - Identifying actions to further improve levels of compliance with the Council's Code of Good Governance.
  - Exploring additional opportunities for benchmarking in addition to the introduction of the new SOLACE indicators.

## Remuneration report

18. We are satisfied that the remuneration report has been prepared in accordance with relevant legislation. The disclosures within the 2012/13 financial statements include all eligible remuneration for the relevant Council officers and elected members.

## Accounting issues

19. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012/13 Code). We are satisfied that the Council prepared the 2012/13 financial statements in accordance with the 2012/13 Code.

## Accounts submission

20. The Council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June 2013. Comprehensive working papers to support the financial statements were also provided considerably earlier than the agreed deadline and were of a high quality. This improved the efficiency of our audit and enabled us conclude the audit and certify the financial statements prior to the target date of 30 September 2013. The financial statements are now available for presentation to members and publication.

## Presentational and monetary adjustments to the unaudited accounts

21. A number of presentational and monetary adjustments have been made to the 2012/13 unaudited financial statements in accordance with normal audit practice. These adjustments primarily relate to minor misstatements and have not had a material impact on the general fund balance of the Council. A number of presentational amendments have also been processed to improve the disclosures within the financial statements. The net effect of all monetary adjustments identified during the audit process was:
- £1.00 million decrease in the Council's net worth, predominantly due to an identified impairment charge for incurred demolition costs (£0.78 million) and an adjustment to the valuation of the Clyde Shopping Centre (£0.46 million).
  - £1.20 million decrease in the surplus on the provision of services mainly due to the same impairment charge and a technical change regarding the presentation of costs relating to the loans fund.
  - £0.08 million increase in the general fund balance due to a post year-end decision to refund funds by the Valuation Joint Board.
22. The key presentational changes made to the draft accounts were:
- Removal of the SSIFC and adoption of an Annual Governance Statement.
  - Reallocation of cash inflows and outflows in the Cash Flow Statement which affected current and prior year figures.
23. An accounting error during the reallocation of central support costs in 2011/12 resulted in both gross income and gross expenditure for Roads & Transportation Services being overstated in that year by £4.27 million. It should be noted that the 2011/12 net expenditure figure was not affected and there was no impact on the Council's general fund. As the error exceeded our materiality threshold it was necessary to process a prior year adjustment in the 2012/13 financial statements.
24. As is normal practice, the effect of the monetary adjustments were reported to the Head of Finance and Resources, and included within our *ISA260 - Report to Those Charged with Governance on the 2012/13 Audit*, reported to A&PRC on 25 September 2013. As a result, there were no unadjusted misstatements requiring to be brought to the attention of the A&PRC.

## Pension costs

25. The Council is a member of the Strathclyde Pension Fund which is a multi-employer defined benefit scheme. In accordance with pension accounting standard IAS19 'Retirement Benefits' the Council has recognised its share of the net liabilities for the pension fund in the balance sheet. The Council also has responsibility for the unfunded liabilities in respect of the teachers' pension scheme. These are defined benefit schemes that were in existence prior to Local Government Reorganisation in 1996 and are administered as part of the Strathclyde Pension Fund.
26. The overall impact on the balance sheet of these defined benefit schemes is based on the 31 March 2013 valuation provided by the actuaries. The valuation at 31 March 2013 provided by the scheme's actuaries increased the Council's share of those net liabilities from £113.98 million last year to £146.70 million this year, reflecting unfavourable movements in investment markets.
27. It is important to note that this additional liability does not have any immediate impact on the Council's financing requirements. The Council will continue to make annual contributions to the Pension Fund, through employer contributions, in accordance with triennial valuations carried out by the actuaries. We note that the actuary remains of the view that the asset holdings of the fund and the contributions from employees and employers, together with planned increases in employer contributions, provide sufficient security to meet future pension liabilities.

## Whole of government accounts

28. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The Council submitted the consolidation pack to support its 2012/13 WGA return to the Scottish Government prior to the deadline of 7 August 2013. This has now been audited and the audited return submitted.

## The Charities Accounts (Scotland) Regulations 2006

29. The Charities Accounts (Scotland) Regulations 2006 as amended (the 2006 Regulations) set out the accounting and auditing rules for Scottish registered charities. These apply to all local authority registered charities. These require an audit of a registered charity's financial statements where the local authority is sole trustee and where certain thresholds apply (i.e. income of £0.5 million or above or gross assets of £3.26 million). An independent examination is required for the financial statements of charities below aforementioned threshold values.
30. The Council administer eight charitable trust funds which may be used for purposes consistent with the terms of the Trust. Each of these is below the aforementioned thresholds and, in 2012/13, were subject to independent examination through a reciprocal arrangement in place with East Renfrewshire Council and East Dunbartonshire Council. OSCR's feedback on the 2011/12 submissions from each local authority allocates councils to one of four categories,

fully compliant (two councils), above average (21 councils), average (2 councils) and below average (4 councils). The Council's submission fell into the 'above average' category.

## Carbon trading

31. In April 2010 a complex system of charging for carbon emissions was introduced by the EU. The Council is now required to purchase and account for carbon credits to cover all of its non-transport related energy usage. Incentives and penalties are built into the system to encourage a reduction in carbon emissions. The Council has a Carbon Management Plan which was approved by the Corporate & Efficient Governance Committee in November 2009. The primary focus of the plan is to reduce emissions from energy consumption, vehicle fleets, street lighting and waste disposal. Progress against the plan is now monitored by the Housing, Environmental and Economic Development (HEED) Committee.
32. The provision at 31 March 2013 was calculated as £0.19 million (£0.25 million at 31 March 2012) based on a 2013/14 forecast annual carbon footprint of 14,516 tonnes CO<sub>2</sub> (19,210 tonnes in 2011/12). This reduction is consistent with prior years which have seen the Council's total carbon emissions fall by 14% between 2006/07 and 2011/12.

## Asset decommissioning costs

33. In April 2013, Scottish Coal Company Limited which operated a number of open cast mine sites across Scotland went into liquidation. On 11 July 2013, the Court of Session in Edinburgh ruled that the liquidated company could abandon the sites and therefore was not liable for the cost of restoring these sites to their original condition. As a result of this ruling, potential costs may eventually fall to the relevant public sector bodies including Scottish Environmental Protection Agency, Scottish Natural Heritage, East Ayrshire Council and South Lanarkshire Council. The estimated cost of restoration of the sites at September 2013 was £161 million.
34. There is a landfill site within West Dunbartonshire which is operated and owned by a private limited company. Although the site is located in West Dunbartonshire it is used by other local authorities, public bodies and multiple commercial users. The Council are of the opinion that they would not be responsible for any decommissioning costs. We would encourage the Council to review this in light of the recent Court of Session decision.

## Outlook

35. The Assistant Auditor General (AAG) wrote out to Local Government Directors of Finance in June 2013 advising them of these new arrangements and the Accounts Commission's decision to appoint the auditor of each council as the auditor of their relevant charities. This is likely to result in an increase in audit costs and will form part of the audit fee discussions as part of the 2013/14 audit planning process.

# Financial position

36. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
37. Auditors consider whether audited bodies have established adequate arrangements and examine:
- financial performance in the period under audit
  - compliance with any statutory financial requirements and financial targets
  - ability to meet known or contingent, statutory and other financial obligations
  - responses to developments which may have an impact on the financial position
  - financial plans for future periods.
38. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

39. In 2012/13, as recorded in the comprehensive income and expenditure statement, the Council spent £361.01 million on the provision of public services, resulting in an accounting surplus of £7.42 million. This represents a £0.90 million reduction in gross expenditure on public services when compared to 2011/12. The accounting surplus includes certain elements of income and expenditure that are accounted for to comply with the 2012/13 Code. These require to be adjusted for to show their impact on statutory Council reserves. Following these adjustments there is a decrease in the Council's general fund balance of £0.06 million.

## Budgetary control

40. In January 2012 the Council agreed a net general fund revenue budget of £243.25 million. This comprises £211.60 million for service expenditure & loan charges and £31.65 million for requisitions.
41. In January 2012 the Council agreed a balanced HRA expenditure budget of £33.74 million. This budget was set with an agreed average weekly rent increase of not less than 4.5%.
42. Both the general fund and HRA budgets are phased over the financial year and a budget monitoring control report presented to each meeting of the Council to report on budget variances to date and provide explanation for key variances.
43. The 2012/13 outturn report shows that net service expenditure across the Council was £239.44 million, representing an underspend of £3.81 million (1.6%) against the budget.
44. Favourable savings were predominantly due to control of vacancies, restructuring of service delivery, implementation of savings targets and Scottish Government funding. Exhibit 1 provides further details.

**Exhibit 1: Service variances**

Service	Variance Reason (£ m)	
Chief Executive / Corporate Services	(0.09)	Higher than anticipated expenditure on housing benefits.
Education	1.35	Lower employee costs due to reduced cover required within schools and vacancies and lower than anticipated utility costs and property recharges.
CHCP	0.78	Delays in client uptake of mental health services and vacancies across range of services.
HEED	2.10	Additional income to the Housing Maintenance Trading Account and delays to securitisation.
Miscellaneous Services	(1.74)	Additional costs for new insurance contract, death in service and an accounting adjustment.
Loan Charges	0.18	Debt restructuring.
Non GAE Allocation	0.88	Allocation from each central service to other services reflects a change in estimated time spent by services in different areas.
Requisitions	1.34	One-off return of reserves from both police and fire boards following the reform.
Other	(0.99)	Predominantly due to additional in-year earmarked balances.

Source: West Dunbartonshire Council 2012/13 financial statements

**Financial position****General services**

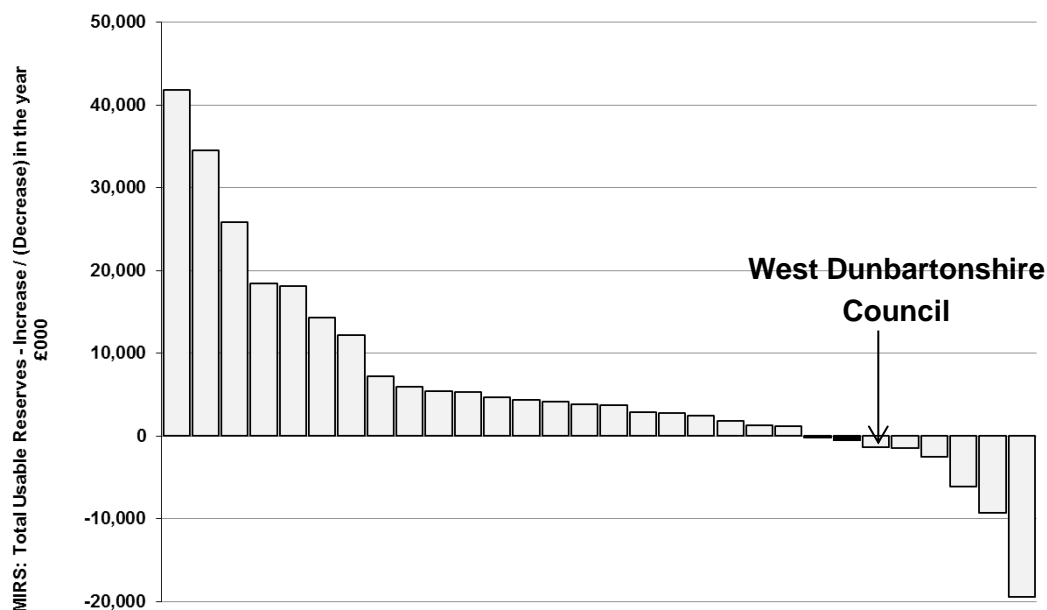
45. The general fund reported a net deficit for 2012/13 of £0.06 million, decreasing the general fund balance to £14.77 million as at 31 March 2013. Of this balance £2.16 million was applied to the 2013/14 budget, £7.47 million is earmarked, leaving an unallocated general fund balance of £5.14 million.
46. There are a number of key financial ratios which can be considered as measures of the financial health of the Council in relation to other councils in Scotland.
47. Exhibit 2 shows a breakdown of the Council's £24.04 million useable funds at 31 March 2013 compared to the previous year. The slight decrease in total usable reserves in 2012/13 is inconsistent with the picture across the majority of Scottish local authorities, as demonstrated in Exhibit 3. However we note that the Council's un-earmarked reserve position has increased from £4.20 million at 31 March 2012 to £5.14 million at 31 March 2013.



**Exhibit 2: Usable reserves**

Description	31 March 2012 £ million	31 March 2013 £ million
General Fund	14.829	14.766
HRA	4.234	4.175
Capital Receipts	0.546	0.000
Capital Grants Unapplied	0.168	0.400
Capital	4.548	4.378
Other	0.158	0.316
<b>Total Usable Reserves</b>	<b>24.483</b>	<b>24.035</b>

Source: West Dunbartonshire Council 2012/13 financial statements

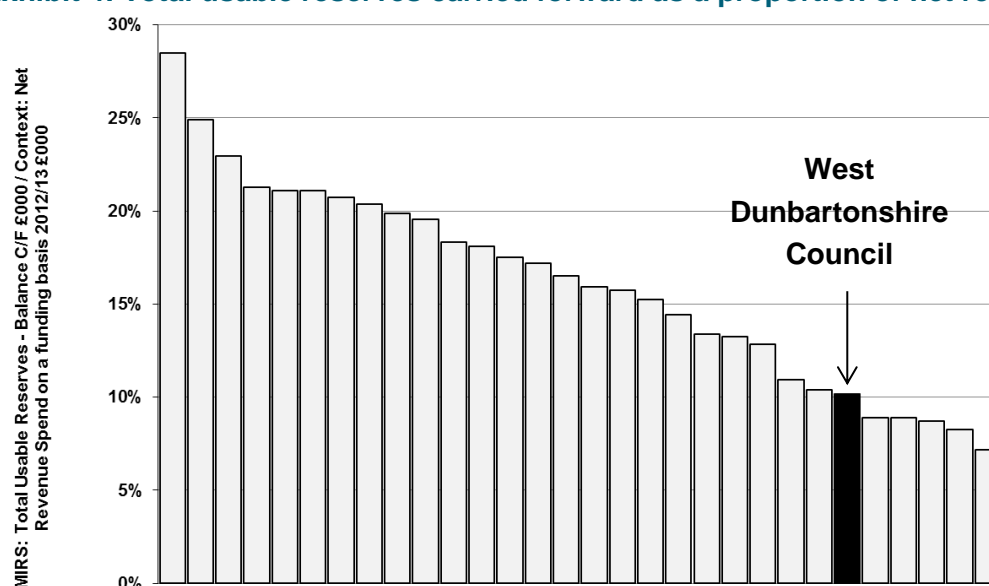
**Exhibit 3: Movement in total usable reserves**

Source: Scottish councils unaudited 2012/13 financial statements

48. Exhibit 4 presents the Council's usable reserves position as a proportion of net revenue spend for the year in comparison to other Scottish local authorities. The graph demonstrates that, out of the 32 Scottish local authorities. The Council is towards the lower end of the range. The Council should continue to keep its reserves position under review to ensure their appropriateness to its financial plans and risks.

**Action Plan 1**



**Exhibit 4: Total usable reserves carried forward as a proportion of net revenue spend**

Source: Scottish councils unaudited 2012/13 financial statements

**Housing revenue account**

49. The HRA recorded an overall deficit for 2012/13 of £0.06 million decreasing the balance on the account to £4.18 million. Of this balance £3.56 million is earmarked for stock regeneration. This leaves an un-earmarked balance of £0.72 million which complies with the Council's target reserves level for the HRA.

**Capital investment and performance 2012/13****General services**

50. The Council agreed the 2012/13 general services capital plan in June 2012 with the total programme expenditure being £43.30 million. Revisions to the capital plan were agreed by the Council on a number of occasions throughout the year to reflect changes to available resources. This resulted in a final budgeted spend of £46.17 million.

**Housing revenue account**

51. The Council agreed a £32.78 million 2012/13 HRA capital plan in March 2012. Similar to the general services budget, this was revised by Council to reflect changes to available resources (in particular funding from the Community Energy Saving programme). The final budget was set at £35.07 million.

## Capital slippage

52. The 2012/13 financial statements highlight total capital slippage of £36.86 million (45.4%) with this breaking down as £25.07 million (54.3%) for general services and £11.79 million (33.6%) for the HRA. Exhibit 5 shows that capital slippage has been an area of concern for a number of years.

### Exhibit 5: Capital slippage 2007/08 - 2012/13

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Capital Programme (£m)	36.8	47.4	47.5	45.2	44.9	81.2
Capital Expenditure (£m)	28.0	31.9	36.6	36.6	31.8	44.4
Slippage (£m)	8.8	15.5	10.9	8.6	13.1	36.8
Slippage	23.9%	32.4%	22.7%	19.2%	29.2%	45.3%

Source: West Dunbartonshire Council Budget Reports 2007/08 - 2012/13

53. Capital slippage in 2012/13 was predominantly caused by delays in capital projects commencing with capital expenditure reallocated to 2013/14. Specific projects where slippage exceeded £1.5 million were:
- ICT modernisation (£4.05 million) - due to the original budgetary phasing of the projected spend and impact of complex procurement and contract negotiations.
  - Knowleburn flooding (£2.72 million) - delay in receiving statutory permissions from SEPA.
  - Dumbarton Academy new build (£7.6 million) - delayed due to a requirement to re-tender the contract for the build of the school.
  - External fabric upgrades (£2.8 million) - large owner occupier involvement and high initial contractor costs impacting on the agreement to release addresses.
  - High rise properties upgrade (£3.3 million) - later site start and inclement weather.
  - New house builds (£5.4 million) - initial site was unaffordable. Three alternative sites identified which required demolition and resolution of contractual and legal issues.
54. In January 2013 the Council approved a new 10 year general services capital plan which provides for a longer term view on capital investment and should facilitate more successful and timely delivery of future capital programmes. The Council have implemented a new approach to capital monitoring which not only focuses on financial information but also on progress through the project life cycle. Projects are then allocated a status based on progress toward completion and financial performance against budget. It is noted that, as at period 5 in 2013/14, the slippage against the phased capital budget is less than 1% (£8,000 slippage against a phased budget of £9.35 million).

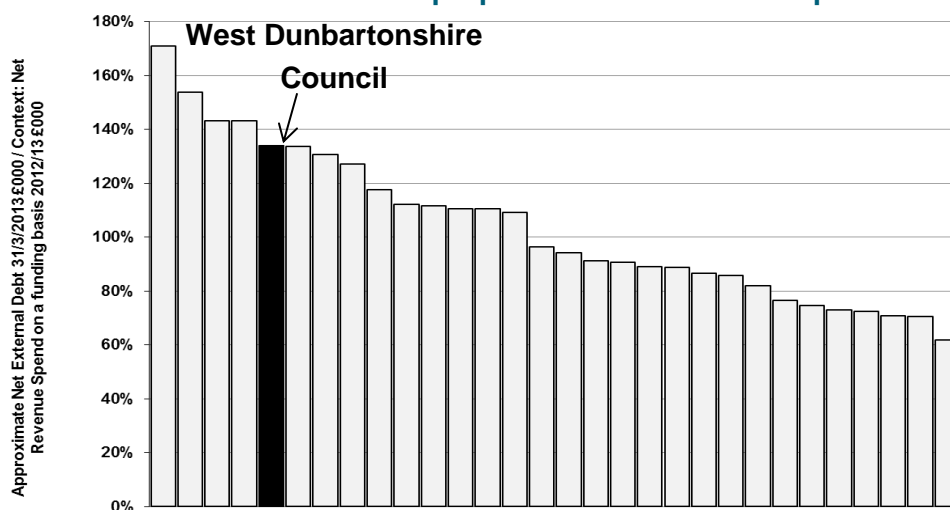
**Action Plan 2**

## Identification and valuation of common good assets

55. In our 2011/12 *Annual Audit Report* we highlighted that the Council had not performed an exercise to establish the existence, ownership and completeness of its heritable properties. The Council committed to considering the options available to clarify ownership of heritable properties between the Council and the Common Good. A common good Property Register has been created and, when identified, Common Good assets will be added to the register. The Council have considered the options and the impact of undertaking a detailed examination of potential common good assets. They have concluded that the cost to complete the exercise would outweigh the benefits derived from this exercise in comparison to other competing priorities. The Council have accepted the risk of not completing a comprehensive review of title deeds to identify and record additional common good assets in the financial statements.

## Treasury management

56. The Council's level of borrowing has reduced from £317.12 million at 31 March 2012 to £313.87 million at 31 March 2013. Despite this reduction the Council's net external debt as a proportion of net revenue spend continues to remain high relative to other Scottish councils (Exhibit 6). It is recognised that the total debt figure includes debt associated with the HRA and the Council's Public Private Partnership (PPP) assets which not all Scottish local authorities have. High levels of debt may reduce a Council's flexibility going forward as revenue resource has to be set-a-side to service the debt. It is further noted that the Council has the third highest interest payable as a proportion of net revenue spend out of all 32 Scottish local authorities.

**Exhibit 6: Net external debt as a proportion of net revenue spend**

Source: Scottish councils unaudited 2012/13 financial statements

57. As noted at paragraph 54 the Council has approved a 10 year general services capital plan. It identifies capital projects over the 10 year period with a total capital investment of £320.67 million. This will be principally funded by borrowing, government grants and capital.
58. The prudential borrowing requirement over the 10 year programme is £179.30 million with that split between borrowing to be funded from the revenue budget (£103.91 million) and borrowing to be funded from the revenue savings delivered by the capital projects (£75.39 million). Assuming interest rates of 5%, each £10 million of prudential borrowing has an annual revenue implication of £0.63 million. Therefore, to fund £102.16 million of borrowing, the cumulative impact on the revenue budget will be £6.55 million per annum by 2022/23. However it should be noted that for every 1% interest rates increase over 5% the annual impact on revenue would increase by approximately £0.075 million, making a cumulative impact on the revenue budget of £0.77 million per annum by 2022/23.
59. The plan projects a total of £23.4 million in capital receipts over the period 2013/14 - 2022/23. This included £2 million to be received in 2013/14 however minimal receipts are now anticipated by 31 March 2014. We have received assurances that anticipated capital receipts over the period 2013/14 - 2015/16 still exceed projections in the capital plan.
60. It is further noted that the capital projects will need to deliver cumulative revenue savings of £4.75 million per annum by 2022/23 if they are to support £75.39 million of prudential borrowing. If the capital projects do not deliver the projected cumulative savings there will be additional impact on annual revenue budgets.

**Action Plan 3**

## Financial planning to support priority setting and cost reductions

### Efficiency savings

61. The Council is facing a cumulative funding gap of £21.68 million over the period 2014/15 - 2016/17 and needs to identify efficiencies and costs savings to sustain its financial position in the longer-term. Each Director has been tasked with identifying 5% of savings over the period 2013/14 to 2016/17, a financial target of £10.1 million. The CMT are currently developing a set of savings options and refining these in light of Council priorities.

### Procurement

62. The public procurement reform programme aims to drive continuous improvement in public sector procurement. In 2009 the Scottish Government introduced an annual evidence-based assessment, the procurement capability assessment (PCA), to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice. Since being graded as 'non-conformance' in 2010 with a score of 17% the Council have clearly demonstrated a commitment to improve their approach to purchasing. In 2011 the Council received a revised assessment of 33% and this improvement was continued in 2012 when the Council achieved a PCA score of 44%. This places the Council in the conformance category. The next PCA is due to be carried out on 24 October 2013.

### Workforce

63. The Council has recently updated and consolidated workforce planning arrangements into a new strategic workforce framework which is being presented to the Corporate Services committee in November 2013. This will shape and strengthen the future direction of workforce arrangements in the Council. As disclosed in the 2012/13 remuneration report 78 staff left the Council under the voluntary severance scheme during the year. This adds to the 131 who left in 2011/12 and the 91 who left in 2010/11. The total cost to the Council for employees who left over this three year period is £15.04 million (£3.67 million in 2012/13, £6.88 million in 2011/12 and £4.49 million in 2010/11). These costs include the initial in-year-cost plus the expected future annual contributions required, while the actual cost incurred in-year in 2012/13 was £1.295 million. The costs incurred are in line with the agreed budget savings through staffing efficiencies and we have been advised by the Council that significant ongoing revenue savings have been generated, for example in 2012/13 the annual ongoing net savings is around £0.870 million.
64. During a review of staff costs we identified instances where employees were working considerable amounts of overtime at enhanced rates. This was specifically noted in relation to janitors for managing school lets and tradesmen for emergency repairs and additional hours required due to fire and storm damage.
65. We note that these payments may not represent value for money as enhanced rates have been paid where lesser rates could have been paid if another member of staff had been employed on a fixed term contract. We have been given assurances that the implementation

of the Facilities Management Restructure should reduce the need for janitors to work excessive overtime.

66. Attendance at work is a significant corporate priority. The Council have a major project in place to improve, including set targets that, by 2017, days lost will be reduced to 7 full time equivalent days per employee for local government employees and 5.5 days per employee for teachers. The Council are adopting a range of activities and techniques to work toward achieving these targets and are working in partnership with the Trade Unions. Early indications are that the action being taken by the Council is having a positive impact in 2013. We recognise it is likely to be medium to long term before the effectiveness of the action being taken can be properly measured.

## Partnership working

### Community planning

67. The Audit Scotland report *Improving community planning in Scotland (March 2013)* concluded that partnerships have not been able to show that they have had a significant impact on delivering improved outcomes across Scotland. The report outlined five areas for improvement. The West Dunbartonshire Community Planning Partnership (CCP) Strategic Board considered this report, along with the June 2011 Christie Commission on the Future Delivery of Public Services report, and, in June 2013, agreed a revised approach to community planning.
68. A new CPP structure is being implemented which will place a greater emphasis on understanding place, planning and delivering outcomes, accountability and prevention. The SOA is the CPP's development plan and describes governance, process and performance in further detail. Performance against SOA outcomes is monitored and recent progress reports indicate that the SOA is on target.. It is also supported by the delivery of the Council's Economic Development Strategy 2013/16, also refreshed during 2013.
69. Work to design a new three year SOA 2014 -17 has begun. West Dunbartonshire CPP underwent a scrutiny and assurance process recently carried out on behalf of the Scottish Government to assess the status of the CPP's SOA. This process highlighted the significant progress made by the CPP to deliver on the national guidance and the detailed work planned to ensure a deliverable and measurable outcomes focus in future.
70. The refreshed Single Outcome Agreement 2011/14, reflecting the key actions for 2013/14, was submitted to the Scottish Government by the 30 June 2013 deadline. The CCP is working to develop the 2014/17 SOA by April 2014. This three year plan will reflect a longer term ten year vision focused on regeneration and growth which aims to deliver:
- 5,000 new homes
  - a major tourist attraction delivering £20 million annual economic benefit
  - strategic assets and capability in the provision of Care related services
  - 1,000 new jobs (refer to Case Study 1).

### Case study 1 - Jobs growth and investment framework

Following the May 2012 elections the Council invested £2.8 million in a 'Jobs Growth and Investment Framework.' A target was set to create 1,000 jobs, apprenticeships and training places during the first 1,000 days of the current administration. As part of the 2013/14 budget a further £0.35 million was invested in the scheme.

The framework focuses on supply initiatives to develop the supply of labour and provide training and job coaching and demand side initiatives to assist businesses to create job opportunities through provision of business support and development grants. As at September 2013 the framework has created 658 employment opportunities.

### Community Health & Care Partnership (CHCP)

71. In May 2013 the CHCP Committee considered the 2012/13 performance report for the West Dunbartonshire CHCP which summarised performance in relation to key performance indicators and actions within the CHCP strategic plan. It is a predominantly positive report which highlights good progress against the partnership's priorities. This report formed part of the CHCP's Organisational Performance Review (OPR) carried out in June 2013. The OPR identified a number of areas where there was evidence of good progress and also highlighted a number of areas for further improvement. The feedback from the OPR has been considered by the CHCP senior management team and they have provided assurances that the areas identified for improvement are incorporated in the CHCP Strategic Plan 2013/14.

## Outlook

### 2013/14 budget and beyond

72. In setting its 2013/14 budget the Council agreed to freeze its council tax. The net general services revenue expenditure budget set for 2013/14 of £211.45 million shows a decrease of 13.1% on that set for 2012/13 (£243.25 million). It is recognised that the majority (£29.01 million) of this reduction is due to the removal of the police and fire board costs which are not relevant to the 2013/14 budget.
73. At August 2013 (period 5), the general fund budget is showing an overspend of £0.32 million for 2013/14 (0.36% of phased budget). The budget position of the Housing Revenue Account as at period 5 is an underspend of £0.30 million against a phased expenditure budget of £15.18 million (2.0 %). However it is noted that no variance is currently recognised against the bad debt provision for rental income as the impact of Welfare Reform on rent arrears is uncertain.

### Financial forecasts beyond 2013/14

74. At the time of approving the 2013/14 budget, the Council projected a cumulative funding gap of £10.0 million by 2015/16. In order to fund this gap members agreed actions for specific efficiencies, growth and targets for future efficiencies. However the financial position has been reviewed again to take accounts of changes like DWP reform and the introduction of



pension auto-enrolment. The current cumulative funding gap is £21.68 million over the period 2013/14 - 2016/17.

75. The current economic climate is resulting in significant pressures on the overall level of public sector spending. This is likely to lead to reductions in funding for all local government bodies meaning that recurring savings in overall net expenditure will need to be found either from base budget allocations or reserves. The use of reserves in the short term may stem the gap but will only push saving solutions into future years.
76. The Council's transformation programme (refer to paragraphs 134-138) and the targeted savings (refer to paragraph 61) will contribute toward addressing the budget gap however, looking ahead it is clear that the outlook for public spending remains challenging for the foreseeable future. At the same time the demand for public services is rising as the economy feels the effects of uncertainties in the world's financial markets, questions about the sustainability of the Eurozone and Scotland's changing population demographic. Continuing to deliver vital public services with a reducing budget will remain a significant challenge for the Council.

#### Action Plan 4

## Governance and accountability

77. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
78. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance, including audit committees, in monitoring these arrangements.
79. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
  - corporate governance and systems of internal control
  - the prevention and detection of fraud and irregularity
  - standards of conduct and arrangements for the prevention and detection of corruption.
80. In this part of the report we comment on key areas of governance.



## Corporate governance

### Processes, committees and elected members

81. Following the May 2012 elections the Labour administration introduced a new committee structure which reduced council meetings from monthly to quarterly. It was agreed that this change would be subject to review after one year. In June 2013 the Council agreed that there would be a total of six council meetings per year, including the budget setting meeting held in February.
82. The A&PRC is a key part of the Council's governance framework. Its remit includes risk management and consideration of audit plans and reports. It is chaired by the Leader of the Opposition and four lay members are invited to attend. Committee meetings continue to be well attended by elected members and appropriate Council officers.
83. A new Audit & Risk Manager was appointed in December 2012. The Audit & Risk Manager reports to the Head of Finance & Resources who, in turn, reports to the Executive Director of Corporate Services. As the Audit & Risk Manager has responsibility for a number of operational areas which will be routinely subject to audit (ICT security, risk management, health & safety, insurance, business continuity and civil contingencies) there may be a concern that internal audit is not sufficiently independent of line management. The team's new structure provides for improved governance and independence whereby the Audit & Risk Manager for the purposes of Internal Audit, can report directly to the Executive Director of Corporate Services or Chief Executive independently of direct line management.
84. Overall we are of the opinion that there is an appropriate degree of scrutiny and challenge, both through the A&PRC and at service committees.
85. The Council organised 32 member development events throughout the year covering topics such as local government finance, raising attainment and achievement, directorate overviews, procurement and social media strategy. Attendance at these events varies depending on conflicting responsibilities and areas of specific interest. During 2012/13 the average attendance was 6.5 elected members out of a total of 22. Only one event was attended by more than 50% of members and over a third of members attended five or less events in the year. It is recognised that the Council have agreed to adjust the committee timetable to reduce the impact of committee attendance on the opportunity to attend member development sessions.
86. In June 2013 two elected members were reported to the Standards Commission by the Chief Executive. The consideration of this by the Investigating Officer for the Commissioner for Ethical Standards in Public Life is currently on-going.

### Internal control

87. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial

systems and controls of audited bodies as a whole. The extent of this work is informed by their assessment of risk and the activities of internal audit.

- 88. As part of our work, we took assurance from key controls within the Council's financial systems, with the work to review controls of key systems being split between internal audit and ourselves. The results of our review of key controls were discussed with officers and reported in our *Review of governance arrangements and main financial systems report* issued in June 2013. The A&PRC considered this report in September 2013.
- 89. Our 2011/12 *Review of governance arrangements and main financial systems report* highlighted some weaknesses in the process for reconciling key financial systems. Whilst we recognise that there has been considerable improvement in this area, our 2012/13 highlighted that further improvements are required. However our overall conclusion was that there are adequate governance arrangements and controls operating within the main financial systems and we noted that the Council had made good progress implementing the actions agreed in our 2011/12 report.

## Internal audit

- 90. A key element of our work on internal controls is the extent of reliance that we place on the work of internal audit in terms of International Standards on Auditing 610 (Considering the work of internal audit). The findings from our review of internal audit were reported to the A&PRC in May 2013 and we concluded that the internal audit service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government and has sound documentation standards and reporting procedures in place.
- 91. Also, we placed formal reliance on aspects of the work of internal audit in several areas, for the purposes of our financial statement audit responsibilities, including payroll, trade receivables and trade payables. This avoided duplication of effort and enabled us to focus on other areas of risk.
- 92. The Internal Audit Annual Report presented by the Audit and Risk Manager to the A&PRC in May 2013 concluded that that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2013.

## Business continuity plan

- 93. In our *Review of governance arrangements and main financial systems report* issued in June 2013 we highlighted that the Council's business continuity plan was drafted in 2007 but was still to be completed. The Council committed to completing a revised version by 30 September 2013. Progress has been made with a revised business continuity strategy and corporate business continuity plan having been developed and awaiting Corporate Service committee approval. Work is underway to refresh on a priority basis, Departmental and Service Business Continuity plans across the Council by the end of March 2014.

## Risk management

94. New strategic risks were approved by the Council in October 2012 in line with the agreed Council strategic priorities. These have been reviewed and subject to scrutiny at the A&PRC. Department and Service risks are embedded into service planning arrangements, and have been developed in line with the new Department Plans remitted to committees in 2013. The revised risk management framework will be remitted to Corporate Services Committee for approval in November 2013.

## ICT service review

95. As part of our 2012/13 audit work we carried out an ICT service review using a standard methodology developed by Audit Scotland. We reported our findings to management in the *Review of governance arrangements and main financial systems report* issued in June 2013.
96. We identified some areas where the Council is exposed to a degree of risk, including
- Use of unsupported and older versions of software.
  - Completion of supporting documentation for the ICT Disaster Recovery Plan.
  - Implementing a Change Advisory Board to oversee management procedures.
  - Reviewing the project management methodology.
97. An action plan of improvements has been agreed with management and is detailed in the June 2013 report.

## Public Services Network (PSN)

98. The Council exchanges data with many other public bodies and in so doing makes use of Cabinet Office sponsored arrangements to share electronic data. For example, the Council shares benefit information with the Department of Works and Pensions while social work and education departments exchange information with the police, Criminal Justice Partnership and Children's Hearings.
99. The Government Secure Intranet (GSI) is the mechanism that allows the Council to share data and services. The Council must re-apply annually to the Cabinet Office to be allowed to connect to the government secure network. This year the government is replacing GSI with the PSN.
100. Since November 2012 all applicants have to apply to connect to PSN which means complying with the stricter PSN Code of Connection. The new code of connection is challenging and uncompromising with a zero tolerance approach to security measures and aims to provide a substantial level of trust between organisations.
101. As with many councils who have applied at this time the Council's initial application was unsuccessful and it continues to work with Cabinet Office assessors to progress the transition to PSN. The Council have included these enhanced security requirements into their ICT Modernisation project. As there is a risk of interruption to the existing data-sharing arrangements, the Council is ensuring business continuity arrangements are in place.

## Housing and council tax benefits performance audit

- 102.** In October 2010, we issued a report summarising the risk assessment we performed on the Council's benefits service. The report concluded that the Council demonstrated an awareness of what constitutes an effective, efficient and secure benefits service but also highlighted 13 action areas to further improve the performance of the benefits service. Our July 2013 risk assessment confirmed that 10 of these actions were complete, one was partially complete and two were outstanding. The overall conclusion of the report was positive although it did highlight some performance issues relating to claim processing and a need to establish targets for the overpayment recovery team. An action plan has been agreed with the Council.

## Prevention and detection of fraud and irregularities

- 103.** Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
- 104.** The Council has arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include: a Strategy for the Prevention and Detection of Fraud & Corruption, codes of conduct for elected members and staff; and defined remits for committees. The Council's fraud and corruption strategy was updated in June 2013 however it is noted that it requires further revision to reflect the provisions of the 2010 Bribery Act.
- 105.** The Council also has a Public Interest Disclosure Policy which was approved by the Corporate Services Committee in November 2012. Internal Audit follow up on any claimed breaches of policy and report findings to the A&PRC.
- 106.** Overall, we have concluded that the Council's arrangements are adequate in relation to the prevention and detection of fraud and irregularities, although it should be noted that no system can eliminate the risk of fraud entirely.

## NFI in Scotland

- 107.** NFI in Scotland collates data from all relevant public bodies to help identify and prevent a wide range of frauds committed against the public sector. These exercises are undertaken every two years with the most recent findings reported in May 2012. The current round of NFI commenced in June 2012, and will look to expand the range of data sets and bodies reporting in full in May 2014.
- 108.** As at 13 September 2013, 6,945 matched items were provided to the Council with 1,299 of these classified as "recommended filter matches". Two cases of fraud worth £7,510 have been identified. Of these two cases, one has been reported to the Procurator Fiscal with the other having accepted additional penalties. A further 12 overpayments were identified, totalling £60,105. Of these, two related to benefit overpayments, with the other ten relating to

creditors overpayments. There are a number of on-going investigations and it is therefore likely these figures will increase over the coming months.

## **Standards of conduct and arrangements for the prevention and detection of bribery and corruption**

- 109.** Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the Council's arrangements are satisfactory and are not aware of any specific issues that we need to identify in this report.

## **Welfare Reform**

- 110.** The Welfare Reform Act 2012 represents the biggest reform of the UK welfare system for 60 years. The Council established a Welfare Reform Programme Board (WRPB) with representation from relevant Council areas. The WRPB meets on a monthly basis to discuss progress and determine future action. Sub groups were created with group 'leads'. These sub groups operate as necessary in order to appropriately plan for upcoming changes from the welfare reform agenda aligned to new information coming from the DWP. Currently the most active elements relate to the Local Support Services Group and Universal Credit Group.
- 111.** In early 2013 the Council completed the local authority preparatory checklist which formed part of The Improvement Service welfare reform implementation support programme. The WRPB have continued to update the actions identified in the checklist and use it as a customised action plan.
- 112.** In March 2013 the Council approved a Scottish Welfare Fund (SWF) Policy which was written with reference to the Scottish Government's '*The Scottish Welfare Fund Guidance 2013.*' The SWF provides for crisis grants and community care grants and the Council's policy provides a framework to facilitate consistency in the decision making process. The Scottish Government have allocated £0.83 million to the Council for SWF funding in 2012/13. This money is ring fenced for SWF grant purposes.
- 113.** The WRPB keep the CMT informed of progress through monthly monitoring reports and elected members are kept informed through a combination of committee reports and elected member bulletins. Residents of West Dunbartonshire have been informed of relevant changes through a range of methods including information on the Council website, letters, housing association liaison meetings, attendance at local tenants groups and registered social landlord forums and provision of an information booklet during the annual council tax billing process.

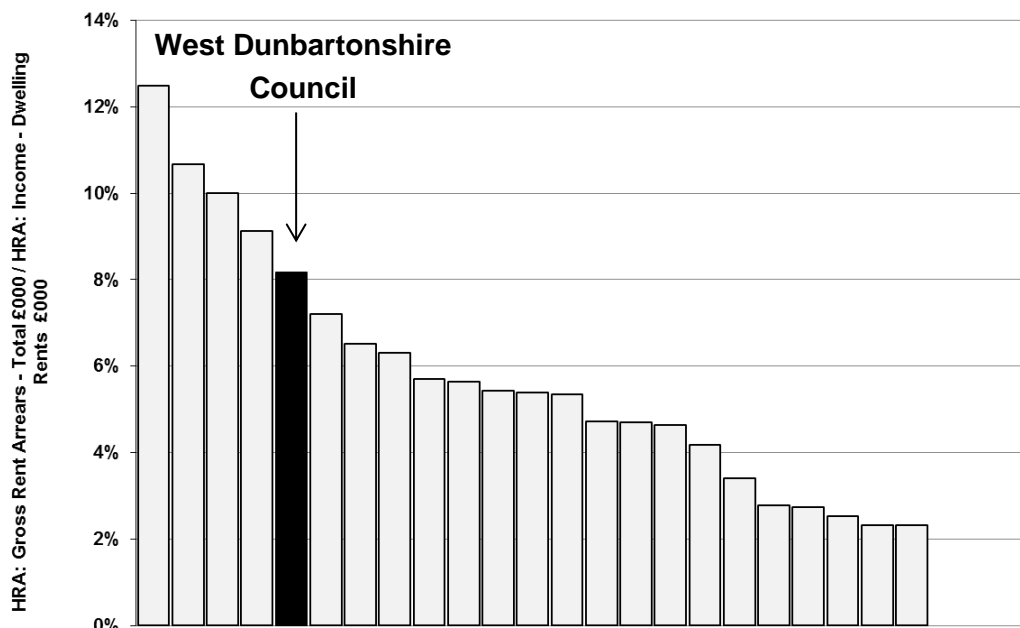
## Outlook

- 114. Welfare reform will continue for several years to come and from October 2013 Universal Credit will start to be rolled-out nationally. This will replace a range of existing means-tested benefits and tax credits for people of working age.
- 115. Research by the Rowntree Institute, and others, indicates that welfare reform will increase the number of families in poverty, lead to rising rent and council tax arrears and a growing homelessness problem. This will increase the demand for social work services and put greater pressure on the Council's resources. It is important that the Council continues to monitor the situation closely and develop efficient and effective strategies that address the welfare reform agenda.
- 116. Rent arrears in West Dunbartonshire Council have remained relatively stable between 31 March 2012 and 31 March 2013. However since 31 March 2013 rent arrears have increased and there remains an unquantifiable risk that welfare reform and the general economy might impact on future rental income. Exhibit 7 highlights that the Council have the fifth highest gross rent arrears as a proportion of HRA dwelling rents in Scotland. The rent increases required to fund the HRA capital programme, designed to meet the Scottish Housing Quality Standards (SHQS), are also likely to result in further increases in arrears. We note that in 2013/14 the Council has increased its provision for bad debt relating to unpaid rent by £0.54 million.

### Action Plan 6

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## Exhibit 7: Gross rent arrears as a proportion of HRA dwelling rents



Source: Scottish councils unaudited 2012/13 financial statements

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# Best Value, use of resources and performance

117. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning.
118. Additionally, auditors of local government bodies have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
119. Furthermore, as part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:



- a performance audit which may result in the publication of a national report
- an examination of the implications of a particular topic or performance audit for an audited body at local level
- a review of a body's response to national recommendations.

120. This section includes a commentary on the Best Value/performance management arrangements within the Council. We also note any headline performance outcomes and measures used by the Council and comment on any relevant national reports and the Council's response to these.

## Management arrangements

### Best Value

121. In May 2012 the Local Area Network (LAN), made up of representatives of all the main local government audit and inspection agencies, concluded that the Council had made good progress in relation to the actions in its Assurance and Improvement Action Plan. The Best Value review scheduled for 2012/13 was no longer deemed appropriate and further consideration will take place during the next shared risk assessment process to be reported in the 2014-17 AIP Update.
122. During the Shared Risk Assessment (SRA) process carried out between October 2012 and May 2013 the LAN recognised that the Council had continued to make good progress and demonstrated its commitment to continuous improvement.
123. Paragraph 147-151 provide an update on the issues identified in the Assurance and improvement plan update 2013-16 which was issued in April 2013.

### Strategic planning and performance framework

124. The Council are in the process of replacing the current Performance Management Framework and Joint Planning & Budget Guidance with a new Strategic Planning and Performance Framework (SPPF). The framework draws together the work performed by the Council to revise their approach to performance and planning over the past year including setting the new strategic priorities, revising departmental plans and refreshing the approach to self-evaluation and continuous improvement.
125. The SPPF provides the context in which departmental, service and team plans should be developed. This is intended to provide for a consistent approach to planning, and the creation of the plans themselves. Departmental and service plan templates will be implemented with the SPPF identifying the key links required to ensure plans are developed which support the overall delivery of the Council's strategic plan. Departmental plans are to be reported the relevant committee at mid-year (by exception) with a full performance report submitted on an annual basis. Service and team plans are to be reviewed and managed within departmental management teams with performance reporting to be a standing item at team meetings. The draft SPPF is to be reviewed by the Corporate Services committee in November 2013.



## Overview of performance in 2012/13

### Annual public performance report

126. The Council's Annual Public Performance Report for 2012/13, entitled "*Measuring Up?*" provided a summary of the performance of services provided by the Council in 2012/13. The report describes aspects of performance, achievements and areas for future improvement across each of the Strategic Plan 2012/17 objectives. The report is available on the Council's website and provides a balanced assessment of performance throughout the year.

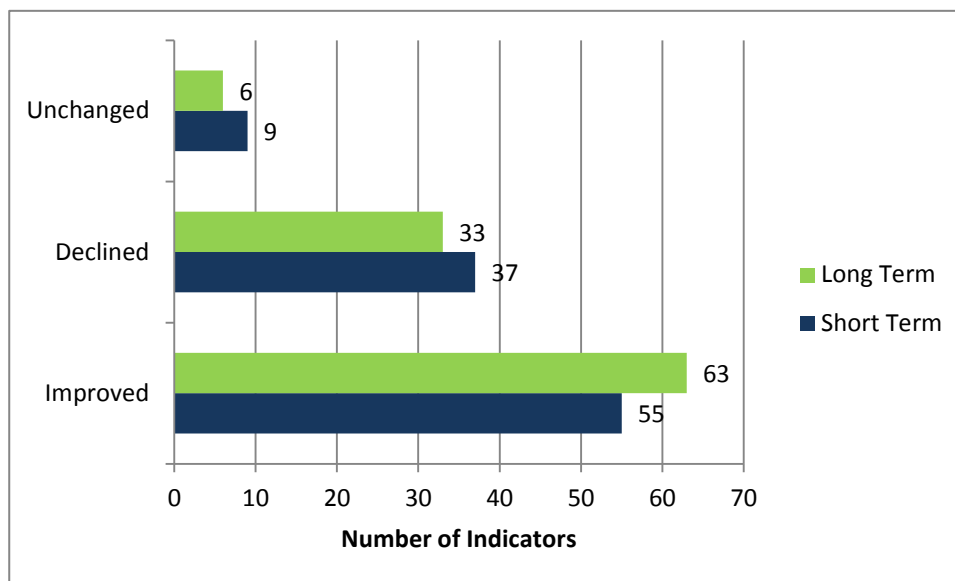
### Self-evaluation framework

127. The recently refreshed corporate Self-evaluation model is modelled on the Public Service Improvement Framework (PSIF). It is a three stage approach which culminates with an agreed improvement plan with the agreed actions then built into service planning and performance management arrangements.
128. The updated framework has been rolled out as a pilot in four support service areas, namely;
- ICT (completed August 2013)
  - Legal, Democratic and Regulatory Services (completed August 2013)
  - Finance (to be completed November 2013)
  - Community Planning Partnership (to be completed November 2013)
129. The reviews are to be extended to 'client' facing services with a review of 'Strategy and Improvement' areas within Housing, Environmental & Economic Development scheduled to be completed in October 2013

### Statutory performance indicators

130. In 2012/13, the Council were required to report against a total of 25 SPIs. These are focused on corporate management and used to demonstrate that the Council is securing Best Value in relation to areas such as revenues and service costs, employees, assets, equalities and diversity and sustainable development. In addition the Council is expected to report a range of information sufficient to demonstrate that it is securing Best Value in providing services such as benefits administration, community care, planning, education, social work, protective services, waste management and roads and lighting.
131. Exhibit 8 shows the Council's comparative performance. Short term refers to comparative information between 2011/12 and 2012/13. Long term is predominantly over a two year period but for a small number of indicators it is over three years.

## Exhibit 8: Improvement demonstrated by performance indicators



Source: West Dunbartonshire Council public performance report

132. In comparison to 2011/12 some areas where improved performance was recorded were:

- quality of housing stock
- condition of operational buildings
- accessibility of public buildings for disabled people
- percentage of highest paid 2% of earners who are women.

133. Some areas where performance declined in 2012/13 were:

- number of temporary homeless cases which needed to be reassessed within 12 months
- average time to re-let housing stock
- sickness absence (refer to paragraphs 66)
- cost of collecting council tax per dwelling.

## Transformation programme

134. The Council are progressing a major transformation programme focused on delivering efficient and effective services. In our 2011/12 *Annual Audit Report* we highlighted the need for robust project management arrangements to support the delivery of the programme. The Council have taken action to address this. A strategic programme framework and governance arrangements have been implemented which are designed to monitor significant strategic projects and ensure they are financially and operationally viable, focused on service delivery and supported by appropriate capacity and leadership commitment.

135. There are a number of projects each assigned to one of five work streams. Each work stream has a programme champion (at CMT level) and each project has a project lead who is either a member of the CMT, a head of service or manager. Each work stream has identified objectives, key activities, deliverables and allocated resources.

136. A Strategic Programme Board consisting of the CMT met in September 2013 and will meet every two months to monitor progress and ensure the programme continues to be aligned to the Council's strategic direction and priorities. Projects are required to report high level progress to the Strategic Programme Board with these reports detailing progress to date, identified risks or project changes and future action to be taken. More detailed progress management and reporting is carried out by the individual project boards / teams.
137. The work streams and champions are:

Work stream	Programme Champion
Information Management, Communication & Technology	Executive Director of Corporate Services
Development of Property & Infrastructure Assets	Executive Director of Housing, Environmental & Economic Development
Regeneration & Economic Growth	Executive Director of Housing, Environmental & Economic Development
Workforce Development & People Performance	Executive Director of Corporate Services
Customer & Service Improvement	Executive Director of Corporate Services

138. Whilst it is too early to assess the impact of these new arrangements we welcome the introduction of these formalised strategic programme management arrangements. We will continue to monitor progress against the transformation programme as part of our routine audit work.

## Action Plan 7

## Local performance reporting

139. In July 2013 we issued *Scotland's Public Finances: addressing the challenges a targeted follow-up* report. This report looked at the way that the Council is responding to the challenges of public sector budget constraints and its efforts to achieve financial sustainability.
140. Our report highlighted a number of good practices including the Council's long term financial strategy, public consultation on the draft revenue budget, consideration of finance as a key strategic risk and regular updates of strategic and corporate plans. Also, members regularly scrutinise the Council's financial position through regular budget monitoring reports.
141. We also identified a number of areas where improvements could be made although recognised these were areas of improvement to existing practices rather than material weaknesses in processes. In particular improvements in the budget setting process and cost reduction plans and improving information on the potential impact of efficiency savings and budget reductions were highlighted.

142. We have agreed an action plan of improvements with management and will monitor progress in implementing the action plan at a future date.

## National performance reporting

143. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports of direct interest in 2012/13 are outlined in Exhibit 9.

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### Exhibit 9: A selection of national performance reports 2012/13

- |   |   |
|---|---|
| • Responding to challenge and change - An overview of local government in Scotland 2013 | • Protecting consumers  |
| • Improving community planning in Scotland  | • Using cost information to improve performance - are you getting it right? |
| • Major capital investment in councils.   | • Health inequalities in Scotland   |
| • Managing performance: are you getting it right?                                       | • Reducing reoffending in Scotland.   |

Source: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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144. Audit Scotland encourages local authorities to review national reports, consider key findings and assess local, performance against them and, identify local improvement actions where appropriate. The national reports are accompanied by checklist which officers can use to carry out a self-assessment of performance. The expectation is that Audit Scotland's performance reports are presented to an audit or scrutiny committee for members to consider and hold management to account for local performance.
145. During 2012/13 intelligence was gathered in relation to the action taken by the Council and the impact of the following Audit Scotland reports:
- *Using cost information to improve performance: are you getting it right?* - The report was presented to the A&PRC in November 2012. It was agreed to note the contents of the report.
  - *Managing performance: are you getting it right?* - The report was presented to the A&PRC in November 2012. It was agreed to note the contents of the report.
  - *Health inequalities in Scotland* – The report was presented to the CHCP committee in February 2013. The Committee agreed to note the report and re-affirm its commitment to sustained local action to address the determinants of health inequalities across West Dunbartonshire.
  - *Protecting consumers* - The report was presented to the Corporate Services committee in May 2013. It was agreed to note the contents of the report.
  - *Major capital investment in councils* – The report was presented to the A&PRC in May 2013. It was agreed to note the contents of the report.

146. We are satisfied that, where appropriate, the Council present national reports to the relevant committee.

## **Assurance and improvement plan update 2013-16**

147. The Local Area Network of scrutiny partners for the Council, conducted a Shared Risk Assessment (SRA), and produced an Assurance and Improvement Plan covering the period 2013 to 2016. The AIP update summarised the changes to the LAN's risk assessment. The following paragraphs provide an update on the area which was classified as being of significant risk. This was published on Audit Scotland's website and was submitted to the Audit Committee on 24 June 2013 for information and consideration by members.

### **Housing maintenance and assets**

148. The only additional scrutiny planned was in relation to housing maintenance and assets and compliance with the SHQS which require to be met by 2015. There were concerns that the Council were reporting that 68% of housing stock did not meet the 2015 standards required
149. The Scottish Housing Regulator, with support from Audit Scotland, conducted a review in the spring of 2013. The report published in June 2013 concluded that the Council had improved its approach to bringing the housing stock up to SHQS by 2015 and that plans were in place to achieve the targets set. An improved position on compliance was noted with 38% of stock requiring remedial action.
150. Other highlights included the allocation of the first new build council homes in a generation. The report also recognised that the Council still faces a number of risks and challenges but is aware of where it needs to make improvements. The Council have continued to develop and consolidate housing plans with a new Homelessness Strategy and Strategic Investment Plan being presented to the HEED committee in August 2013.
151. The AIP update highlighted risk management, developing affordable & sustainable housing, welfare reform, financial outlook and health & wellbeing as areas where the LAN required further information. We will further assess progress made and risk areas remaining as part of the SRA process commencing in November 2013.

## **Equality Act 2010**

152. In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into public bodies' core work so that it is not a marginal activity but part and parcel of how public bodies operate. One of the key requirements of the legislation is for public bodies to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013.
153. The Council's 'Equalities Mainstreaming Report and Equality Outcomes 2013-2017' was presented to the Corporate Services Committee in February 2013. The report sets out the Council's approach to mainstreaming equality and provides details of the equality outcomes (2013-2017) identified by the Council which incorporate all the protected characteristics.

154. The Council is proactive in promoting the equality agenda and is well placed to mainstream equality within everyday work.

## Outlook

155. In response to a request from the Cabinet Secretary for Finance, Employment and Sustainable Growth the Accounts Commission has led development work, with scrutiny partners, on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships. Five councils will receive a CPP audit in 2013/14. , however there is no specific timetable for a CPP audit in West Dunbartonshire.

# Appendix A: audit reports

## External audit reports and audit opinions issued for 2012/13

Title of report or opinion	Date of issue	Date presented to relevant committee
Review of the adequacy of internal audit	27 March 2013	22 May 2013
Annual Audit Plan	14 February 2013	27 February 2013
Assurance and Improvement Plan	25 April 2013	26 June 2013
Review of governance arrangements and main financial systems	21 June 2013	25 September 2013
Scotland's Public Finances - local follow-up audit	27 August 2013	25 September 2013
Report on financial statements to those charged with governance	20 September 2013	25 September 2013
Audit opinion on the 2012/13 financial statements	20 September 2013	25 September 2013
Audit opinion on the 2012/13 Whole of Government accounts consolidation pack	TBC	N/A
Report to Members on the 2012/13 audit	October 2013	30 October 2013

# Appendix B: action plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	48	<b>Total Usable Reserves</b> The Council have an unallocated general fund balance of £5.14 million. Whilst this exceeds the policy of maintaining a reserve of 2% of net expenditure the Council's total usable reserves have decreased marginally in 2012/13. <b>Risk:</b> The Council should continue to keep its reserves position under review to ensure their appropriateness to its financial plans and risks.	The Draft Long Term Finance Strategy will be reported to Members on 30 October 2013.  In setting the budget for 2014/15 and indicative budgets for 2015/16 and 2016/17 Members will have the opportunity to budget to increase reserves.	Head of Finance & Resources  Head of Finance & Resources	30 October 2013  5 February 2014
2	52-54	<b>Capital Slippage</b> Capital slippage continues to be an area of concern with an average of 28.8% per annum since 2007/08. There was 45.3% slippage in 2012/13 amounting to £36.86 million. <b>Risk: Capital programmes and associated service improvements may not be delivered in a timely manner.</b>	Capital monitoring information is provided to Council on a regular basis.  Options for quick-spend will be considered by CMT	Head of Finance & Resources  Head of Finance & Resources	Ongoing  November 2013
3	56-60	<b>Debt Levels</b> A comparative review of the draft financial statements of all 32 local authorities highlighted that the Council has some of the highest levels of debt and interest payments as a proportion of net	The update of the Capital Plan will be presented to Council on 5 February 2014 for consideration of the cost of funding and priorities in relation to any	Head of Finance & Resources	5 February 2014



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>revenue spend.</p> <p>It is further noted that the Council's 10 year capital plan is to be financed by £179.30 million of prudential borrowing which will have further implications for future revenue budgets.</p> <p><b><i>Risk: Servicing the debt may pre-empt the best use of the council's resources.</i></b></p>	<p>revenue financial implications.</p> <p>Spend to save projects will be monitored on implementation to identify actual financial benefits compared to expected benefits and any over or underachievement will be input to the revenue budget setting process.</p>	Head of Finance & Resources	Ongoing
4	74-76	<p><b>Financial Pressure</b></p> <p>The Council currently has an assumed cumulative funding gap of £21.68 million over the period 2013/14 - 2016/17 and continues to face an increase in demand for services due to the current economic climate and changes in demography.</p> <p><b><i>Risk: The Council may not be able to generate efficiencies and savings to bridge the funding gap.</i></b></p>	<p>The Long Term Financial Strategy going to Council on 30 October 2013 asks CMT to identify efficiencies for forward planning to meet the anticipated gap.</p> <p>Updates of the Long Term Financial Strategy will be presented to Council on at least an annual basis to update the projections as new information becomes available.</p>	<p>Head of Finance &amp; Resources</p> <p>Head of Finance &amp; Resources</p>	<p>30 October 2013</p> <p>5 February 2014</p> <p>31 August 2014</p> <p>31 August 2015</p> <p>31 August 2016</p>
5	98-101	<p><b>Public Sector Network Accreditation</b></p> <p>The Council has not, as yet,</p>	A submission to the Cabinet Office seeking continued accreditation will be	Executive Director Corporate Services	30 November 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		received accreditation to remain connected to the PSN. <b><i>Risk: The Council may not be able to share data or access data held by other public sector bodies.</i></b>	submitted		
6	116	<b>Rent Arrears</b> The Council have the fifth highest gross housing rent arrears as a proportion of HRA dwelling rents in Scotland. This is likely to be further impacted by welfare reform and the rent increases required to fund the capital programme designed to meet the SHQS by 2015. <b><i>Risk: Escalation of rent arrears may lead to a significant loss of income and jeopardise delivery of the HRA capital programme.</i></b>	The position of rent collection will be monitored and reported as part of the regular budgetary control process.  The expected impact of welfare reform will be provided for within new revenue budgets for the HRA	Head of Finance & Resources  Head of Finance & Resources	Ongoing  5 February 2014 4 February 2015
7	134-138	<b>Transformation Programme</b> The Council have introduced a strategic programme framework and new governance arrangements to monitor the delivery of its transformation programme. It is too early to assess the impact of these new arrangements. <b><i>Risk: The transformation programme may not deliver the projected efficiencies.</i></b>	The Strategic Programme Board will meet on a regular basis to monitor progress	Chief Executive	Ongoing

# WEST DUNBARTONSHIRE COUNCIL

## Report by Executive Director of Corporate Services

Audit and Performance Review Committee: 11 December 2013

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### Subject: Code of Good Governance

#### 1. Purpose

- 1.1 The purpose of this report is to provide the Committee with an update on the Council's Code of Good Governance.

#### 2. Recommendations

- 2.1 It is recommended that the Committee is asked to note the contents of this report.

#### 3. Background

- 3.1 In 2004, the Independent Commission on Good Governance in Public Services published a set of common principles that it wanted all public sector organisations to adopt. The Commission, set up by CIPFA in conjunction with the office for Public Management, advised that there should be a common governance standard for public services similar to the private sector's Combined Code.
- 3.2 The Good Governance Standard for Public Services builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles that it says should underpin the governance arrangements of all bodies:
- a clear definition of the body's purpose and desired outcomes;
  - well-defined functions and responsibilities;
  - an appropriate corporate culture;
  - transparent decision making;
  - a strong governance team; and
  - real accountability to stakeholders.
- 3.3 For the purposes of developing *Delivering Good Governance in Local Government*, the six core principles from the good *Governance Standard for Public Services* have been adapted for the local authority context.
- 3.4 In order to demonstrate a commitment to sound governance, local authorities are encouraged to publish a governance statement.
- 3.5 The annual governance statement is the formal statement that recognises, records and publishes a Council's governance

arrangements as defined in the CIPFA/SOLACE Framework. The statement requires to be signed off by the most senior officer [Chief Executive] and the most senior member [Council Leader]. Clearly the signatories must be satisfied that the document is supported by reliable evidence.

- 3.6** A report was submitted to the Audit and Performance Review Committee on 22 May 2013, when Members of the Committee were asked to note that a revision of the Code of Good Governance would be undertaken and reported to a future meeting of the Audit and Performance Review Committee.

#### **4. Main Issues**

- 4.1** A local code was developed for West Dunbartonshire Council and agreed at the Audit and Performance Review Committee on 10 November 2010. This described the expectations as to what good governance is and how it can be evidenced.
- 4.2** For the first time a Governance Report was produced and provided within the Council's annual accounts for 2012/13. In order that such a report could be prepared, it was necessary to undertake a self-evaluation of compliance against the Council's Code of Good Governance. The following group of Officers met on a number of occasions to undertake the self-evaluation process.

Executive Director of Corporate Services  
Head of Finance and Resources  
Head of Legal, Democratic and Regulatory Services  
Audit and Risk Manager

The self-evaluation process established that current practice is mainly compliant against our Code of Governance, while identifying some areas for improvement – progress on these actions is shown in the attached Appendix 1.

- 4.3** Since the self-evaluation was carried out a few months ago, a review of the code has been undertaken. Attached at Appendix 2 is a summary of the process which will be followed each year to inform the Governance Statement within the Council's Annual Accounts. This will assist Officers in identifying systems, processes and documentation that provide evidence of compliance with the code.
- 4.4** The Council's approach to Good Governance will be reviewed in three years' time.

#### **5. People Implications**

- 5.1** There are no personnel issues.

## **6. Financial Implications**

**6.1** There are no financial implications.

## **7. Risk Analysis**

**7.1** There is a risk that a failure to maintain a local code and develop a framework to support the gathering and updating of the necessary evidence will leave West Dunbartonshire Council unable to produce a Governance Statement.

## **8. Equalities Impact Assessment (EIA)**

**8.1** There are no issues identified.

## **9. Consultation**

**9.1** This report has been subject to a check by Legal, Democratic & Regulatory Services.

## **10. Strategic Assessment**

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

.....  
**Angela Wilson**  
**Executive Director of Corporate Services**  
**Date: 14 November 2013**

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**Person to Contact:** Stephen West, Head of Finance and Resources  
Telephone (01389) 737191  
E-mail: [stephen.west@west-dunbarton.gov.uk](mailto:stephen.west@west-dunbarton.gov.uk)

**Appendices:** Appendix 1: Code of Governance – Improvement  
Actions

Appendix 2: West Dunbartonshire Council -  
Governance Process

**Background Papers:** Report to Audit and Performance Review Committee  
(10 November 2010) - Local Code of Good  
Governance

Report to Audit and Performance Review Committee  
(22 May 2013) - Code of Good Governance






**Wards Affected:** All Wards





# Appendix 1















## Code of Governance – Improvement Actions

Generated on: 14 November 2013

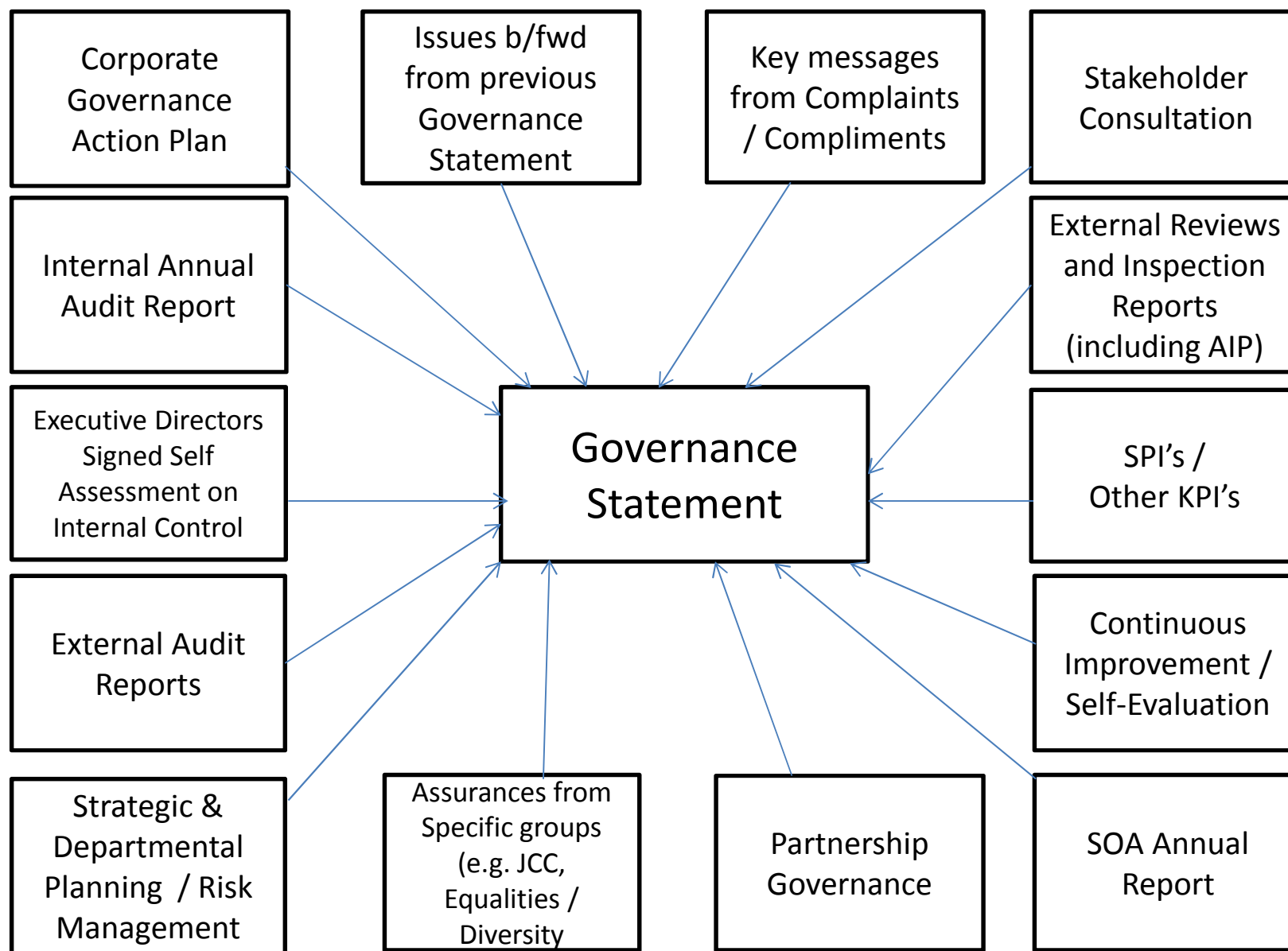


Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

Action Code	Recommendation Title	Recommendation Detail	Status	Progress Bar	Action Due Date	Assigned To	Note
CS/1314/GOV001	Code of Corporate Governance	Review Code of Good Governance and report to Audit and PR Committee at next cycle			30-Sep-2013	Angela Wilson	Reported to Audit & Performance Review Committee on 11th December 2013.
CS/1314/GOV002	Service Planning Process	Review Service Planning Process to ensure service user satisfaction information and complaints outcomes are considered			30-Nov-2013	Angela Wilson	New Planning and Performance Framework drafted and approved by the Strategic Leadership Group. This provides a consistent corporate approach to Department and service planning. Monthly complaints reports now issued to CMT with expectation that this also informs service planning.

CS/1314/GOV003	Linkages to Partners' Plans	Review linkages between Community Planning processes and Partners' Plans			30-Sep-2013	Angela Wilson	West Dunbartonshire Single Outcome Agreement (SOA) 2013/14 describes links between community planning and key partner plans and activity. This will be further strengthened in new draft of SOA 2014/17.
CS/1314/GOV004	Integrated Performance Reporting Process	Officers should ensure an integrated performance reporting process covering all areas of performance, outcomes and consultation			30-Sep-2013	Angela Wilson	Complete.
CS/1314/GOV005	Continuous Improvement Strategy	Complete a review of Continuous Improvement Strategy and implement			30-Sep-2013	Angela Wilson	A review has been done with a revised model being implemented as a pilot.
CS/1314/GOV006	Quality Standards	A corporate approach to defining quality standards to be defined and expectations regarding inclusion of standards within each			31-May-2014	Angela Wilson	A corporate model for self-evaluation has been implemented and piloted in a range of services. This is aligned to departmental tools such as 'How good is your school?' and each department now has an approach to self-evaluation in place.
CS/1314/GOV007	Scheme of Delegation	Scheme of Delegation to be reviewed on an annual basis			31-Mar-2014	Angela Wilson	On track.
CS/1314/GOV008	Risk Management	Implement full scheme of risk management in a corporate and systematic manner, including appropriate reporting mechanisms			30-Sep-2013	Angela Wilson	A revised Risk Management Strategy and Methodology was approved by the Corporate Services Committee on 13th November 2013.
CS/1314/GOV009	PDP's	PDPs to be rolled-out to all employees by 2017			31-Mar-2017	The CMT	A targeted approach has been undertaken to implement PDPs across all departments and services. An evaluation has also been completed to assess effectiveness of the process. 70% of employees now have a PDP in place.

## **Appendix 2**



### **West Dunbartonshire Council - Governance Process**



# **WEST DUNBARTONSHIRE COUNCIL**

## **Report by Executive Director of Corporate Services**

**Audit and Performance Review Committee: 11 December 2013**

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C

### **Subject: Audit Action Plans**

#### **1. Purpose**

**1.1** The purpose of this report is to advise the Committee of:

- Recently issued Internal Audit action plans; and
- Progress made against action plans previously issued contained within Internal Audit and External Audit reports.

#### **2. Recommendations**

**2.1** It is recommended that Members are asked to consider and note the contents of this report.

#### **3. Background**

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

#### **4. Main Issues**

##### Agreed Internal Audit action plans issued.

**4.1.** Internal Audit action plans recently agreed and issued are contained in the Covalent report at Appendix A.

##### Progress on implementation of recommendations

**4.2.** Appendix B details the outstanding actions on previously issued Internal Audit reports.

**4.3.** Appendix C details the outstanding actions for External Audit reports.

**4.4** Responsibility for progressing each action detailed in the appendices is assigned to individual officers.

## **5. People Implications**

**5.1** There are no personnel issues.

## **6. Financial Implications**

**6.1** There are no financial implications.

## **7. Risk Analysis**

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

**7.2** Recommendations have expected implementation timescales for completion as follows:

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

## **8. Equalities Impact Assessment (EIA)**

**8.1** There are no issues identified.

## **9. Consultation**

**9.1** This report has been subject to a check by Legal, Democratic & Regulatory Services.

## **10. Strategic Assessment**

- 10.1** This report relates to Assuring Our Success through strong financial governance and sustainable budget management.

.....  
**Angela Wilson**  
**Executive Director of Corporate Services**  
**Date: 28 November 2013**

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

**Appendices:** A - Internal Audit Reports (Recently Issued)  
B - Internal Audit Reports (Previously Issued)  
C - External Audit Reports

**Background Papers:** Internal Audit Reports  
External Audit Reports






**Wards Affected:** All Wards


## Appendix A

### Internal Audit Reports (Recently Issued)

Generated on: 28 November 2013








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

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
The annual Housing Stock adjustment should be prepared and retained in an electronic format. (Low)	Currently a scanned version of a manually prepared analysis is in use. However, a full electronic version will be prepared for future years.		<div>0%</div>	30-Sep-2014	30-Sep-2014	Catherine Lawlor	On track





## Internal Audit Reports (Previously Issued)


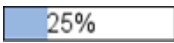

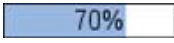


Generated on: 28 November 2013

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

### Project 17.Housing - Terminations, Transfers etc. (Report Issued March 2011)





Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>12. Office Manual</u> An Office Manual detailing the correct procedures to be used should be made available to all staff for reference purposes, thus ensuring that duties and responsibilities are operated correctly and not confused. This should include possible risks if correct procedures are not adhered to. (Low Risk)	Procedures will be updated and centralised ensuring that an Office Manual is available to all staff.			29-Apr-2011	29-Apr-2011	Janice Lockhart	Discussions are on going as to how we implement the Housing Options agenda given the impact of Welfare Reform on the Homelessness budget. All procedures are held on the X drive and audit checks are in place to ensure that staff follow agreed procedures.

**Project 24. Computer Audit - Saffron System (Report Issued August 2011)**






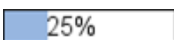

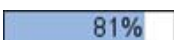


Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>1. Saffron Ownership</u> We recommend that management ensure that ownership of the Saffron system is allocated to HEED. Senior management within the department should be responsible for making key decisions regarding strategic decisions for the development and operation of the system. (Medium Risk)	Agreed – current named HEED Service Manager is Janice Lockhart, Homelessness and Allocations Manager A key element in the ICT Securitisation Project Option Appraisal is the replacement/renewal of Saffron which will be examined as an integral part of that project.			31-Mar-2014	31-Mar-2014	Helen Turley	The estimated date for knowing whether we have been allocated funding via Securitisation is March 2012 (thereafter we would specify, tender, procure and implement a replacement system - probably a 2 year project).
<u>2 (b) Procedure Manuals - Housing</u> We recommend that procedural manuals for each module of Saffron are produced in order that the use of each module is standardised within the teams managing the module. This will assist with training new staff. We also recommend that the existing procedures are subject to regular review and update to confirm that they are consistent with current working practices. (Low Risk)	The Housing and Community Safety Service will develop a comprehensive procedure manual once the housing allocations staff are co-located.			31-Mar-2012	31-Mar-2012	Janice Lockhart	Discussions are on going as to how we implement the Housing options agenda given the impact of Welfare Reform on the Homelessness budget. All current procedures are held on the X drive and audit checks are in place to ensure that staff follow agreed procedures
<u>15 (b) Saffron Continuity Planning - Homelessness</u> We recommend that management ensure business continuity plans are developed for all areas reliant on the Saffron system. The plans should	A Business Continuity Plan will be developed for the homelessness module.			31-Mar-2012	31-Mar-2012	Janice Lockhart	The development of business continuity plans continues to be discussed at the Housing Management team meetings

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
consider all scenarios which could impact on the ability of the department to perform their role. For example, loss of access to offices, loss of system access etc. We also recommend that once the plans are developed, management ensure they are subject to regular testing to confirm that they support the response to a disaster. (High Risk)							

**Project 48. Housing - Repairs & Maintenance S.020.13 (Report Issued October 2012)**

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>3. b) Contractors</u> Contractors should tender for work where applicable. (Low Risk)	We regularly review the value, volume and type of work where it is necessary to engage sub contractors. Moving forward we will endeavour to have contracts in place for all work where it is necessary to use contractors to complete.			31-Oct-2013	31-Mar-2015	Martin Feeney	Timeframe has required to be extended mainly due to availability of procurement resources. We will continue to work towards having contracts in place for all works undertaken by sub contractors. In the meantime we will limit as far as possible the use of sub contractors, where it is necessary to engage contractors officers will continue to adhere to the Council's standing orders and procedures in place when engaging sub contractors.
<u>6. Independent Check of Invoices</u> Invoices should be independently checked before being issued. (Low Risk)	Permission levels within the Agresso system are being reviewed to ensure appropriate checking is carried out.			31-Mar-2013	31-Mar-2013	Alan Young	




**Project 50. NDR Liability 2013 (Report Issued December 2012)**



Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>3. Procedures Manual</u> Management should prepare a procedures manual detailing all key tasks to be carried out by NDR staff. (Medium Risk)	A formal procedures manual will be prepared.			30-Sep-2013	31-Dec-2013	Karen Shannon	Working practices and procedures are being reviewed and developed within the section. This action is the same as CED/EAAP/054.
<u>4. Annual Report to Council of Discretionary Relief</u> Senior management should ensure compliance with the requirement to produce an annual report to members detailing the discretionary relief of rates awarded during the previous financial year. (Low Risk)	Management will review decisions undertaken at Committees and/or Council for NDR and if appropriate will ensure that the annual report to Committee and/or Council will be submitted in line with previously agreed decisions.			30-Jun-2013	17-Jan-2014	Karen Shannon	Report will be submitted to Committee/Council at Feb'14 Corporate Services Committee
<u>5. Discretionary Relief Policy</u> The Council's Discretionary Relief Policy should be reviewed including the formula used to calculate the 'sporting element'. (Medium Risk).	Management will review the policy and if deemed necessary will make recommendations to the appropriate Committee, Council or CMT for consideration.			30-Jun-2013	17-Jan-2014	Karen Shannon	This has been revised to be present to Feb CSC
<u>12. Review of Reliefs</u> Management should ensure that a risk based review timetable is followed to avoid the award of reliefs to organisations or persons who are no longer eligible. (Medium Risk)	Management will consider the implications of the risks attached to reliefs not being reviewed and will put in place appropriate actions to minimise any risk.			31-Dec-2013	31-Dec-2013	Karen Shannon	The Rates relief forms have been reviewed and amended and will be issued to organisation in receipt of rates relief in next fortnight. The end date is anticipated to be achieved.
<u>13. Implementation of Electronic Data Management</u> Management should review the reasons for non implementation of the electronic data management	Management will review the workload within the section and prioritise workload accordingly to provide the best use of resources and to			30-Jun-2013	30-Aug-2014	Karen Shannon	This actions is having to be reprioritised due to other service priorities




Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
system in NDR and take appropriate action to progress the matter. (Low Risk)	minimise the risk within the section.						

**Project 54. Estates Section of Asset Management (Report Issued March 2013)**

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>2. Filing System</u> It is recommended that consideration be given to transferring to a computerised system. (Medium)	The section holds details of the property portfolio on a computerised spreadsheet that is updated on a monthly basis. Consideration is being given to a computerised filing system for all property files and emails in accordance with council policy currently being developed.		<div><div>40%</div></div>	31-Mar-2014	31-Mar-2014	Stuart Gibson	All files are either away for backscanning or have returned in digital format. EDMS to be commenced once ICT identify resource to assist.
<u>3. Commercial Property Policy</u> It is recommended that the Commercial Properties Section complete policy documents for adoption by the Council. (Medium)	Policy and procedural documentation for all functions will be developed.		<div><div>0%</div></div>	31-Mar-2014	31-Mar-2014	Stuart Gibson	
<u>4. Sales by Open Market Tender</u> It is recommended that the disposal procedures be amended to include a section that would address the situation where bids are considered unacceptable. (Medium)	Our sales particulars state that the Council is not obliged to accept the highest or any offer which covers this eventuality. An amendment will be made to the procedures document.		<div><div>40%</div></div>	31-Jul-2013	31-Mar-2014	Stuart Gibson	delay due to implementation of 4th floor pilot project




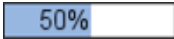


Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>6. Rent Charges</u> It is recommended that there should be a regular reconciliation between the income from the Debtors system and the anticipated income per the Estates Portfolio, which would highlight any errors. (Medium)	This has been an error – the policy and procedural document mentioned in 3 above will provide for this eventuality.		<div><div>0%</div></div>	31-Mar-2014	31-Mar-2014	Stuart Gibson	Policy under development by Asset Management
<u>14. Expiry of Leases</u> It is recommended that the surveyors complete a standard form to confirm that: · the property has been visited · whether or not it has been left in satisfactory condition · utility meter readings have been taken · any repairs required · the property has been vacated and the keys returned. (Medium)	This will be dealt with under the policy and procedural document to be produced under 3 above.		<div><div>0%</div></div>	31-Mar-2014	31-Mar-2014	Stuart Gibson	Policy under development by Asset Management.


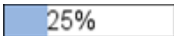
#### Project 56. Council Tax Billing (Report Issued March 2013)

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>2. Data Back-Up Tape security</u> It is recommended that back-up is held in fireproof containers. (Low)	Discussions are currently taking place with East Dunbartonshire Council regarding reciprocal arrangements for data storage. Storage will be in properly secure and fireproof containers.		<div><div>33%</div></div>	31-Mar-2014	31-Mar-2014	Damien Lynn	Modernisation Project may still impact this (disk to disk storage?). Alternative options have also been passed to Patricia Marshall for her consideration, see <a href="http://www.thesafeshop.co.uk/products/phoenix-fire-ranger-1514e.html">http://www.thesafeshop.co.uk/products/phoenix-fire-ranger-1514e.html</a> for example of type of solution



Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
							being proposed for both Rosebery Place and Bridge Street. Patricia has now asked if we could look into sharing existing safes across the councils if possible too.



**Project 57. Main Accounting 12/13 (Report Issued June 2013)**

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>2(b) Cash Receipting Suspense Account Reconciliation</u> It is essential that the Cash Receipting Suspense Account reconciliation is done for WDC and the Leisure Trust separately, in order that compensating errors between the two are identified and rectified. Medium Risk	Action will be taken to complete the WDC/Leisure trust reconciliations separately from 31/3/13.			01-Sep-2013	31-Dec-2013	Gillian McNeilly; Karen Shannon	The backdating of this reconciliation is ongoing. Linked action CS/IAAP/248 (which required external support) was completed slightly later than scheduled which has had a knock on effect with the separation of this reconciliation. Revised deadline 31 December 2013.
<u>7(c) Financial Regulations and Written Procedures</u> Agresso staff should be properly trained regarding their use of Agresso. Medium Risk.	A survey of Agresso users will be undertaken to identify Agresso training needs and appropriate training will be provided.			31-Dec-2013	31-Jan-2014	Adrian Gray; Gillian McNeilly; Arun Menon	Following the survey results, the training is being developed based upon identified needs and timing of the training will be based upon service requirements and availability (commence in January 2014)
<u>11(b) Webuy rejections from Agresso</u> Management should investigate the reasons for the rejections and take appropriate action to avoid the need for manual processing. Low Risk.	The reasons for the rejections will be investigated with the aim of identifying solutions which will stop the rejections occurring.			31-Dec-2013	31-Dec-2013	Arun Menon	Most Webuy rejections are due to CIS, Webuy has not been set up to calculate CIS so when the feeder is taken into Agresso the transactions that have CIS are rejected. Procurement is working on a way to fix this and we made a

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
							<p>visit to Stirling Council who has successfully fixed it. They have given us a copy of the script which Procurement will work on. Other rejections are caused by the coding being wrong for example using revenue and capital codes together.</p> <p>To address the audit recommendations, we propose the following:</p> <p>1. All rejected transactions will be recorded on the feeder's "sheet of the count" spread sheet (type of feeder log)</p> <p>2. We will also record details of the batches sent to Head of FARS for authorisation recording what was in the batch the batch total and the date you returned the batch to creditors.</p> <p>3. We will also record what date we contacted the approver to inform them why their transaction was rejected i.e. advised them they used the wrong codes and provide them with the correct codes.</p>
<p><u>14. Procedure Manual</u></p> <p>The procedures for the operation of the ledger should include details of how the ledger is controlled, ledger input, reconciliations and staff responsible. Low Risk.</p>	The procedures manual will include overview information.			31-Dec-2013	31-Dec-2013	Adrian Gray; Gillian McNeilly	this overview to the procedures manual will be completed by the due date

**Project 58. Contract Requirements - Schools (Report Issued July 2013)**

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<p><u>2. Malicious Damages - Price Checks</u> A system of agreeing and verifying prices charged by the contractor for malicious damage should be introduced in order to comply with the Financial Regulations and ensure that best value is obtained. Medium Risk.</p>	<p>Clause 83 Malicious Damage of the Project Agreement outlines contractually the responsibilities of both parties. Clause 83.2 Contractor's Obligations and 83.2.1 states that contractually the contractor will repair all plant, furniture and equipment or the fabric of areas. Clause 83.3 Authority's Obligations, determines that the Authority will pay for this work.</p> <ul style="list-style-type: none"> <li>PMO will implement a check on works undertaken by the contractor at regular intervals, collating evidence of works undertaken by the contractor/sub-contractor, method statements, materials used and hours invoiced for. Sample checks will be passed to WDC's HEED's Consultancy Services to undertake a Value for Money exercise.</li> </ul>		<div>0%</div>	30-Nov-2013	30-Nov-2013	Stephen Ross	
<p><u>6. Increase to Janitors' Pension Contributions</u> The PPP Schools Monitoring Officer should ensure that pension contribution reconciliations between</p>	<ul style="list-style-type: none"> <li>PMO will confirm formally with BAM FM that no reconciliation payment had been due to the Authority since 27th June 2011.</li> </ul>		<div>0%</div>	31-Aug-2013	31-Aug-2013	Stephen Ross	<p>Reconciliation Statement has been requested from BAM FM, and PMO still awaiting a response.</p> <p>A full scheme valuation is carried out every 3 years and</p>

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
notional and actual employer's contributions are obtained from the contractor in respect of the contract years since 27 June 2011 and that the appropriate financial adjustments are made. Medium Risk.	<ul style="list-style-type: none"> <li>Formally request a response from BAM FM annually at the end of each Contract Period end, regarding any such reconciliation payment due from each party.</li> </ul>						the last was carried out November 2011. The next full valuation is March 2014, and details released November 2014.
<u>7. Checking of deductions</u> The PPP Schools Monitoring Officer should formalise the checking procedure carried out to ensure that the Council receives credit for all service failures which occur in terms of the Project Agreement. Medium Risk.	PMO will continue to monitor deduction checks as detailed. Additionally cross checks/signing off of reported deductions as reported will be carried out.		<div>0%</div>	24-Dec-2013	24-Dec-2013	Stephen Ross	
<u>9. Utilities Reconciliation Statement</u> The PPP Schools Monitoring Officer should remind the contractor of their responsibility to provide a Utilities Reconciliation Statement to the Council within 30 business days of the end of the contract year (31 March) and ensure that it is received as soon as possible. In addition, he should ensure that any monies due to or by the Council in respect of achievement or non achievement of agreed consumption targets are settled in accordance with the Project Agreement. Medium Risk.	<ul style="list-style-type: none"> <li>Contractually a reconciliation exercise should have been undertaken April 2013, covering the period from utilities normalisation exercise ending to the end of the Contract Year. Supplied 'benchmarking' figures from the contractor were not submitted to the Authority until April 2013. Confirmation of these figures checked by the Authority's Energy Officers was agreed June 2013. Formal acceptance of the figures to the contractor June 2013.</li> <li>PMO will formally request a reconciliation statement covering the period November 2012 to March 31st 2013 from</li> </ul>		<div>75%</div>	31-Aug-2013	31-Aug-2013	Stephen Ross	Reconciliation Statement requested from BAM FM. PMO still awaiting a response. Utilities usage/KPI's are set and determined on a full years data/meter readings. The anniversary of this occurs at the end of November 2013. BAM FM will then collate the figures and issue results, with a determination of any reconciliation payment due.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	BAM PPP.						

# External Audit Reports






**Report Type:** Actions Report

**Report Author:** Jim Leitch



**Generated on:** 28 November 2013

**Report Layout:** Internal Audit action status with latest note-2013 (Version 2)








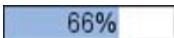
Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

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

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




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



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

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

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

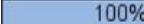








Risk Identified	Action Status Progress Bar	Original Due Date of Action	Actual Due Date of Action	Sub-Action Code	Planned Management Action	Sub-Action Progress Bar	Sub-Action Status Icon	Sub-Action Due Date	Sub-Action Assigned To	Sub-Action Latest Note
<p><b>2. Capital Management:</b> Capital slippage has been an area of concern for a number of years with an average of 25.5% per annum since 2007/08. We further note that the Council do not currently have a long term capital plan in place.</p> <p><b>Risk: Future capital programmes and</b></p>	<div>73%</div>	30-Sep-2013	30-Sep-2013	CS/EAAP/090a	HEED has recently generated a procurement programme for HRA Capital projects to generate framework contracts for a range of capital works to support the implementation of works to attain Scottish Housing Quality Standard.	<div>0%</div>		30-Jun-2013	Richard Cairns	

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

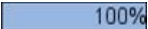

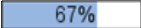
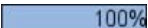

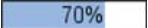

<p><i>associated service improvements may not be delivered in a timely manner. Furthermore projects may not align with available Council resources.</i></p>					and considered by management.					
				CS/EAAP/090b	The HRA has in place an agreed and costed capital investment plan covering the next 25 years.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




review at regular intervals.




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

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







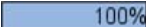

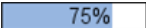

from the elements of the 100% housing stock condition surveys that are being carried out. This review includes consideration of the

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



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




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

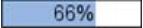




**Project 15. Annual Report on the 2012/13 Audit**

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



<p><b>Risk: Capital programmes and associated service improvements may not be delivered in a timely manner.</b></p> <p><b>3. Debt Levels:</b> A comparative review of the draft financial statements of all 32 local authorities highlighted that the Council has some of the highest levels of debt and interest payments as a proportion of net revenue spend. It is further noted that the Council's 10 year capital plan is to be financed by £179.30 million of prudential borrowing which will have further implications for future revenue budgets.</p> <p><b>Risk: Servicing the debt may pre-empt the best use of the council's resources.</b></p>										to CMT in early December to consider for 2013/14.
				CS/EAAP/116a	The update of the Capital Plan will be presented to Council on 6 February 2014 for consideration of the cost of funding and priorities in relation to any revenue financial implications.	<div><div>50%</div></div>		05-Feb-2014	Stephen West	Options for addition to the capital plan have been gathered and preparation of an update report to CMT has commenced.
	<div><div>50%</div></div>	05-Feb-2014	05-Feb-2014	CS/EAAP/116b	Spend to save projects will be monitored on implementation to identify actual financial benefits compared to expected benefits and any over or underachievement will be input to the revenue budget setting process.	<div><div>50%</div></div>		30-Nov-2013	Stephen West	The spend on Spend to Save projects is being monitored and reported via CMT and Council/Service Committees. The savings will be monitored and reviewed post-project implementation

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

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

# **WEST DUNBARTONSHIRE COUNCIL**

## **Report by Executive Director of Corporate Services**

**Audit and Performance Review Committee: 11 December 2013**

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### **Subject: Internal Audit Progress Report to 30 September 2013**

#### **1. Purpose**

- 1.1** The purpose of this report is to advise Members of the work undertaken by the Internal Audit Section against the Audit Plan 2013/14.

#### **2. Recommendation**

- 2.1** It is recommended that the Committee note the contents of this report.

#### **3. Background**

- 3.1** In accordance with the Annual Audit Plan, Internal Audit report to Members on the work completed by the Section on a quarterly basis. The progress report to 30 September 2013 is attached at Appendix A, and explanations of significant variances are provided below.

#### **4. Main Issues**

- 4.1** There are variances from the planned programme of work reported at this stage but it is anticipated that this will not have an adverse effect on the overall programme of risk based audits for 2013/14.
- 4.2** A new member of staff was recruited 11 weeks after the temporary Internal Auditor left which accounts for the staff turnover adverse variance of 55 days. A number of large investigations have been undertaken in the first six months of the year, resulting in an adverse variance of 42 days. The adverse variance in Administration / Staffing is mainly due to moving office.
- 4.3** Service Development is mainly planned for the second half of the year.
- 4.4** Appendix B shows that 34% of the system plan has been completed as at 30 September 2013. Slippage has occurred in Risk Based Audit but it is anticipated these will be satisfactorily addressed in the second half of the year and this is supported by the completion level as at 31 October increasing to 54%

#### **5. Personnel Implications**

- 5.1** There are no personnel issues.

## **6. Financial Implications**

**6.1** There are no financial implications.

## **7. Risk Analysis**

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

## **8. Equalities, Health & Human Rights Impact Assessment**

**8.1** There are no issues.

## **9. Consultation**

**9.1** This report has been subject to a check by Legal, Democratic & Regulatory Services.

## **10. Strategic Assessment**

**10.1** This report relates to "Assuring Our Success through strong financial governance and sustainable budget management".

.....  
**Angela Wilson**  
**Executive Director of Corporate Services**  
**Date: 29 November 2013**

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

**Appendices:** A – Internal Audit Quarterly Report to 30 September 2013  
B – Percentage of Risk based System Audit Plan complete as at 30 September 2013.

**Background Papers:** Audit & Performance Review Committee – 27<sup>th</sup> February 2013. Internal Audit Plan 2013/14.

**Wards Affected:** N/A

**WEST DUNBARTONSHIRE COUNCIL****APPENDIX A****INTERNAL AUDIT SECTION****PROGRESS REPORT FOR THE PERIOD 1ST APRIL 2013 TO 30 SEPTEMBER 2013**

<b>CATEGORY</b>	<b>PLANNED TIME (DAYS)</b>	<b>ACTUAL TIME (DAYS)</b>	<b>VARIANCE (DAYS)</b>
<b>Risk Based Audit</b>	<b>188</b>	<b>144</b>	<b>44 F</b>
<b>Contract / Procurement</b>	<b>40</b>	<b>12</b>	<b>28 F</b>
<b>Computer Audit</b>	<b>33</b>	<b>17</b>	<b>16 F</b>
<b>Development</b>	<b>35</b>	<b>8</b>	<b>27 F</b>
<b>Investigations</b>	<b>135</b>	<b>177</b>	<b>42 A</b>
<b>CRSA/Regularity</b>	<b>63</b>	<b>75</b>	<b>12 A</b>
<b>Corporate Governance</b>	<b>41</b>	<b>19</b>	<b>22 F</b>
<b>Follow Up</b>	<b>18</b>	<b>18</b>	<b>0</b>
<b>Year-End Procedures</b>	<b>10</b>	<b>2</b>	<b>8 F</b>
<b>Performance Indicators</b>	<b>30</b>	<b>15</b>	<b>15 F</b>
<b>Financial Services/Grant Claims</b>	<b>10</b>	<b>14</b>	<b>4 A</b>
<b>Pub.Int.Disc/Contingency/NFI Admin/FOI</b>	<b>38</b>	<b>14</b>	<b>24 F</b>
<b>Administration / Staffing</b>	<b>45</b>	<b>128</b>	<b>83 A</b>
<b>Management &amp; Planning</b>	<b>33</b>	<b>23</b>	<b>10 F</b>
<b>Training</b>	<b>26</b>	<b>21</b>	<b>5 F</b>
<b>Leave</b>	<b>171</b>	<b>167</b>	<b>4 F</b>
<b>Secondment</b>		<b>7</b>	<b>7 A</b>
<b>Staff Turnover</b>		<b>55</b>	<b>55 A</b>
<b>TOTAL</b>	<b>916</b>	<b>916</b>	<b>0</b>

**A= Adverse = Actual Days more than Planned Days**

**F= Favourable + Actual Days less than Planned Days**

## Appendix B

<b>Audit Plan 2013/14</b>	<b>Budget Days</b>	<b>Estimated Complete</b>
<b>To 30 September 2013</b>		
<u>2013/14 Planned Work</u>		
Contract Requirements - Schools	30	100%
CHCP Carefirst	40	0%
Budgetary Controls	30	0%
Council Tax Recovery & Enforcement	30	5%
Housing Benefit Performance	30	30%
NDR Billing	40	0%
Treasury Management	30	3%
Housing - Insurance	20	35%
Housing - Tenancy Allocations & Lettings	40	60%
Protocol-Appointment of Consultants	20	0%
Procurement-Controls & countermeasures	30	40%
Procurement-Scheme of Delegation	30	0%
	<hr/> 370 <hr/>	
<u>2012/13 Planned Work</u>		
Registration	28	100%
School & CHCP Trips	23	98%
Main Accounting	14	100%
	<hr/> 65 <hr/>	
<b>Total</b>	<hr/> 435 <hr/>	
<b>Estimated Percentage Complete</b>	<b>34%</b>	

# **WEST DUNBARTONSHIRE COUNCIL**

## **Report by Executive Director of Corporate Services**

**Audit and Performance Review Committee: 11 December 2013**

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### **Subject: National Fraud Initiative 2012/13 - Progress Report**

#### **1. Purpose**

- 1.1** The purpose of this report is to advise Members of the progress being made in investigating matched datasets provided to the Council as a result of the National Fraud Initiative 2012/13.

#### **2. Recommendations**

- 2.1** It is recommended that the committee note the contents of this progress report and that a final report will be provide to a future meeting of this Committee.

#### **3. Background**

- 3.1** The National Fraud Initiative ("NFI") in Scotland is Audit Scotland's data matching exercise that takes place every two years in line with the Audit Commission's NFI timetable. The NFI is designed to help participating bodies identify possible cases of fraud or error and detect and correct any consequential overpayments from the public purse.
- 3.2** West Dunbartonshire Council's "Strategy for Investigation of Matched Datasets" is attached in Appendix A to this report.

#### **4. Main Issues**

- 4.1** Filtering facilities within the database allow the number of cases to be reduced according to a pre-determined set of criteria. This is known as the "recommended filter". The "Summary of All Reports" contained at the back of the strategy document shows that a total of 6,945 matched items was provided to WDC for investigation, with 1,299 (18.7%) of these items being classified as "recommended filter matches".
- 4.2** The WDC approach to investigating these datasets has been to:
- Initially investigate all individual cases listed through using the "recommended filter" feature; and
  - Review other cases, in order to determine if there is anything else of note, particularly where the amounts reported are relatively high.

The investigation of matched datasets by WDC is shared between Internal Audit and the Benefit Investigation Team.



- 4.3** A summary of progress as at of 31<sup>st</sup> October 2013 on the examination of individual matches is as follows:

Matches cleared with no further action	1,567
Matches where fraud discovered	2
Matches where overpayment discovered	15
Matches where Investigations are in progress	<u>30</u>
Total	<u>1,614</u>

- 4.4** Included in the total at 4.4 are 976 matches (75%) of the 1,299 recommended filter matches and 638 non recommended filter matches. Work will continue to investigate the remaining 323 recommended filter matches.
- 4.5** Overall progress on the examination of filtered and other matches is detailed on the attached Appendix B. This shows progress on all matches on which it has been decided to investigate; and progress against the 1,299 recommended matches. The number of cases identified for investigation may increase as audit work progresses and a final report on the process will be provided to a future meeting of this Committee.
- 4.6** The value of the matches involving fraud is £7,509.57 and relates to Benefit Fraud.
- 4.7** The amount of £68,655.23 is being recovered for overpayments discovered. £5,215.61 relates to 3 cases involving benefit overpayments and £63,439.62 involves 12 cases of overpayments to creditors. The creditor's data submitted covered a 4 year period 09/10 to 12/13. A report is being prepared by Internal Audit in relation to the incidence of overpayments in the creditors system including recommended actions to reduce the likelihood of this recurring.
- 4.8** Action has been taken to recover all overpayments involving fraud and error.
- 4.9** It should be noted that the full resolution of the individual cases selected for examination is often dependent on information being provided by other bodies, e.g. other local authorities, health boards, pension bodies and the DWP. Some of the information requested has yet to be received by WDC staff.

## **5. People Implications**

- 5.1** There are no personnel implications with this report.

## **6 Financial Implications**

- 6.1** There are no financial implications other than those identified above.

## **7. Risk Analysis**

- 7.1** If matched dataset cases are not investigated sufficiently, particularly the “recommended filter” matches (see Section 4 above), there is a risk that instances of error and fraud may not be detected.

## **8. Equalities Impact Assessment (EIA)**

- 8.1** EIA is not appropriate.

## **9. Consultation**

- 9.1** Consultation has taken place with Finance Services and Legal, Democratic and Regulatory Services and neither have reported any issues with this report.

## **10. Strategic Assessment**

- 10.1** Participation with the National Fraud Initiative Exercise contributes to Council's strategic priorities by identifying and taking action to stop, reduce and recover fraud and error.

.....  
**Angela Wilson**  
**Executive Director of Corporate Services**  
**Date: November 2013**

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**Person to Contact:** **Colin McDougall, Audit and Risk Manager,**  
**Council Offices, Garshake Road, Dumbarton**  
**Telephone (01389-737436).**  
**Email: colin.mcdougall@west-dunbarton.gov.uk**

**Appendices:** **Appendix A:** National Fraud Initiative 2012/13:  
Strategy for Investigation of Matched Datasets  
  
**Appendix B:** Overall progress on the examination of  
Matched Datasets

**Background Papers:** None

**Wards Affected:** All Wards

## Appendix A



National Fraud Initiative 2012/13

Strategy for Investigation of Matched Datasets

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## **1. Background Information**

- 1.1** The National Fraud Initiative ("NFI") in Scotland is Audit Scotland's data matching exercise that takes place every two years in line with the Audit Commission's NFI timetable. The NFI is designed to help participating bodies identify possible cases of fraud and detect and correct any consequential under or overpayments from the public purse.
- 1.2** West Dunbartonshire Council ("WDC") is participating in this initiative.
- 1.3** On 8<sup>th</sup> October 2012, WDC extracted data covering the following datasets:
- Payroll
  - Housing Tenants
  - Right to Buy
  - Private care home residents
  - Taxi licences
  - Blue Badge Holders
  - Market Traders
  - Personal Alcohol Licence
  - Creditors

It should be noted that Housing Benefits data extracts were provided by the Department for Work and Pensions ("DWP") and Insurance data was provided by the Council's insurance provider, Gallagher Bassett.

- 1.4** Processing and matching of data extracts were thereafter carried out by Synetics Solutions, contractors engaged by the Audit Commission and on 29<sup>th</sup> January 2013 and 14<sup>th</sup> February 2013 matched datasets were made available to all participating bodies via a secure website.
- 1.5** Within WDC, the NFI exercise has been co-ordinated by Internal Audit and both Internal Audit and Revenues & Benefits are involved in the investigation of matched data.
- 1.6** Progress on the investigation of matched data can be monitored remotely by the WDC Key Contact, Audit Scotland and the Audit Commission. There is an expectation that organisations who are participating in the process will allocate appropriate resources so that matched datasets will be properly investigated.
- 1.7** The NFI Coordinators at the Audit Commission and also Audit Scotland are able to access WDC's data, i.e. they are super users. Therefore, they will know the level of work undertaken by all participating bodies and, for example, if particular reports have not been accessed or have not been investigated to any great extent.

## **2. Investigation of Matched Datasets**

- 2.1** Matched datasets were made available via a secure website to participating bodies on 29<sup>th</sup> January 2013 with additional matches being provided on 14<sup>th</sup> February 2013.

- 2.2** An analysis of these matched dataset reports is included at Appendix A (page 6) to this document.
- 2.3** As can be seen from Appendix A, there is a total of 6945 individual cases from 78 matched data set reports. There are also filtering facilities within the database which allow the number of cases to be reduced according to a pre-determined set of criteria. This is known as the recommended filter. Of these 6945 cases, after the “recommended filter” is applied, 1299 cases are shown (18.7%).
- 2.4** It is proposed that the WDC approach to investigating these datasets will be to:
- Initially investigate all individual cases listed through using the “recommended filter” feature; and
  - Review other cases, in order to determine if there is anything else of note, particularly where the amounts reported are relatively high
- 2.5** When reviewing other cases, consideration should be given to:
- Those which are deemed to be high risk; and also; and
  - Those which may be low risk but have a large number of matches within a specific report, in order to gain an understanding of why there has been a high level of matches.

In reviewing these other cases, the approach should focus on carrying out the work on a sample basis, extending the sample where errors are found or if a consistent error is occurring. This could be reviewed to determine if it is likely to impact all matches within a specific report and therefore potentially used to close out all those cases. Sample sizes would vary depending on the number of matches within each report, but in general, a sample size of 30 should be used.

- 2.6** It is not expected that every match out of the 6945 reported should be looked at in detail. As mentioned above, the main emphasis of the work will be on the cases listed through using the “recommended filter” feature.
- 2.7** WDC staff within Internal Audit and Revenues & Benefits, who are working on the NFI exercise, should provide appropriate assistance in relation to requests for information received from other participating bodies. It is also anticipated that WDC staff will receive reciprocal assistance when making enquiries with other participating bodies.

#### Cases involving Council employees

- 2.8** Where individual cases within the matched datasets being investigated by the Housing Benefit Investigation Team involve employees of West Dunbartonshire Council, Internal Audit must be advised in order to consider whether any further investigatory work or other action is required. This will depend on the nature and extent of any circumstances arising from the investigating of such cases.

**2.9** Cases within the matched datasets being investigated by Internal Audit which involve employees of West Dunbartonshire Council will similarly be assessed as to whether any further investigatory work or other action is required.

**2.10** The Benefit Investigation Team is also used to investigate matched datasets

### **3. Reporting Timetable**

**3.1** As outcomes for participating bodies are being recorded in real time through the on-line access facility, the NFI Team and external auditors can run outcomes reports at any point during the exercise. Effectively, the web software collates data for each body at individual report level and in detail across all reports. Participating bodies can also make use of this feature at any time.

**3.2** WDC has set some internal milestones for the progress of the NFI work

- 31 May 2013: Matches selected for investigation in principle
- 30 September 2013. Investigation of cases completed, subject to more complex cases requiring further investigation or information from other bodies or indeed prosecution
- 31 March 2014: Final reporting of results

**3.3** The NFI Coordinators will be taking a final position statement in March 2014 so that the national report can be made ready for publication for May 2014 publication. With this in mind, it is important that WDC staff involved in the investigation of matched datasets consider interesting cases that it would be appropriate to have published. These should be highlighted within the web application.

**3.4** It should be noted that the external auditors of participating bodies are likely to make comment on the NFI in terms of the extent of the commitment made and the follow up of matches.

**3.5** It is envisaged that Internal Audit will provide a report on the overall process once the investigation work has been completed. Further reports to Audit & Performance Review Committee will be provided as deemed appropriate.

## NFI Matches Summary

## Appendix A

report	Priority	Summary Title	Total Matches	Rec Filter Total Matches	Investigation to be led by
2	High	Housing Benefit Claimants to Student Loans	80	70	Benefit Investigation Team
4	Medium	Housing Benefit Claimants to Student Loans	1	1	Benefit Investigation Team
13	High	Housing Benefit Claimants to Payroll	96	3	Benefit Investigation Team
14	High	Housing Benefit Claimants to Payroll	50	4	Benefit Investigation Team
14.1	High	Housing Benefit Claimants to Pensions	1008	20	Benefit Investigation Team
16	Medium	Housing Benefit Claimants to Payroll	2	1	Benefit Investigation Team
16.1	Medium	Housing Benefit Claimants to Pensions	6	0	Benefit Investigation Team
17	Address	Housing Benefit Claimants to Payroll	155	51	Benefit Investigation Team
18	Address	Housing Benefit Claimants to Payroll	143	50	Benefit Investigation Team
18.1	Address	Housing Benefit Claimants to Pensions	189	74	Benefit Investigation Team
26	High	Housing Benefit Claimants to Housing Benefit Claimants	11	1	Benefit Investigation Team
27	High	Housing Benefit Claimants to Housing Benefit Claimants	28	5	Benefit Investigation Team
29	Medium	Housing Benefit Claimants to Housing Benefit Claimants	2	2	Benefit Investigation Team
30	High	Housing Benefit Claimants to Housing Tenants	17	10	Benefit Investigation Team
31	High	Housing Benefit Claimants to Housing Tenants	12	5	Benefit Investigation Team
32	Medium	Housing Benefit Claimants to Housing Tenants	21	7	Benefit Investigation Team
33	Medium	Housing Benefit Claimants to Housing Tenants	8	6	Benefit Investigation Team
34	High	Housing Benefit Claimants to Right to Buy	15	1	Benefit Investigation Team
36	Medium	Housing Benefit Claimants to Right to Buy	2	1	Benefit Investigation Team
37	Medium	Housing Benefit Claimants to Right to Buy	1	0	Benefit Investigation Team
45.5	Address	Housing Benefit Claimants to Insurance Claimants	5	5	Benefit Investigation Team
45.6	Address	Housing Benefit Claimants to Insurance Claimants	1	0	Benefit Investigation Team
46.1	High	Housing Benefit Claimants to Market Traders	3	1	Benefit Investigation Team
46.4	Medium	Housing Benefit Claimants to Market Traders	1	0	Benefit Investigation Team
46.5	Address	Housing Benefit Claimants to Market Traders	2	1	Benefit Investigation Team
46.6	Address	Housing Benefit Claimants to Market Traders	1	1	Benefit Investigation Team
47.1	High	Housing Benefit Claimants to Taxi Drivers	26	8	Benefit Investigation Team
47.2	High	Housing Benefit Claimants to Taxi Drivers	8	1	Benefit Investigation Team
47.4	Medium	Housing Benefit Claimants to Taxi Drivers	1	0	Benefit Investigation Team
47.5	Address	Housing Benefit Claimants to Taxi Drivers	31	11	Benefit Investigation Team
47.6	Address	Housing Benefit Claimants to Taxi Drivers	22	7	Benefit Investigation Team
48.1	High	Housing Benefit Claimants to Personal alcohol licences	38	12	Benefit Investigation Team
48.2	High	Housing Benefit Claimants to Personal alcohol licences	2	1	Benefit Investigation Team
48.3	Medium	Housing Benefit Claimants to Personal alcohol licences	1	0	Benefit Investigation Team
48.4	Medium	Housing Benefit Claimants to Personal alcohol licences	1	0	Benefit Investigation Team
48.5	Address	Housing Benefit Claimants to Personal alcohol licences	43	11	Benefit Investigation Team
48.6	Address	Housing Benefit Claimants to Personal alcohol licences	3	0	Benefit Investigation Team
65	High	Payroll to Payroll	3	0	Internal Audit
66	High	Payroll to Payroll	76	3	Internal Audit
68	Medium	Payroll to Payroll	1	0	Internal Audit
75	High	Payroll to Housing Benefit Claimants	1	0	Internal Audit



78	Information Only	Payroll to Pensions	8	0	Internal Audit
80	High	Payroll to Creditors	225	35	Internal Audit
81	Address	Payroll to Creditors	76	41	Internal Audit
91	High	Housing Benefit Claimants to Waiting List	2	0	Benefit Investigation Team
93	Medium	Housing Benefit Claimants to Waiting List	1	0	Benefit Investigation Team
100	High	Housing Tenants to Housing Tenants	4	2	Internal Audit
101	High	Housing Tenants to Housing Tenants	8	3	Internal Audit
102	Medium	Housing Tenants to Housing Tenants	14	3	Internal Audit
103	Medium	Housing Tenants to Housing Tenants	23	18	Internal Audit
108	Medium	Housing Tenants to UK Visas	2	0	Internal Audit
111	High	Housing Tenants to Housing Benefit Claimants	5	3	Benefit Investigation Team
113	Medium	Housing Tenants to Housing Benefit Claimants	43	31	Benefit Investigation Team
117	Medium	Housing Tenants to Right to Buy	1	0	Internal Audit
148	High	Right to Buy to Housing Tenants	3	0	Internal Audit
150	Medium	Right to Buy to Housing Tenants	3	0	Internal Audit
151	Medium	Right to Buy to Housing Tenants	2	1	Internal Audit
156	High	Right to Buy to Housing Benefit Claimants	15	9	Benefit Investigation Team
157	High	Right to Buy to Housing Benefit Claimants	1	0	Benefit Investigation Team
158	Medium	Right to Buy to Housing Benefit Claimants	2	0	Benefit Investigation Team
159	Medium	Right to Buy to Housing Benefit Claimants	4	1	Benefit Investigation Team
170	High	Blue Badge Parking Permit to Blue Badge Parking Permit	4	1	Internal Audit
170.1	Medium	Blue Badge Parking Permit to Blue Badge Parking Permit	1	1	Internal Audit
172.1	High	Blue Badge Parking Permit to DWP Deceased	226	216	Internal Audit
173	High	Private Residential Care Homes to DWP Deceased	36	4	Internal Audit
180.2	High	Insurance Claimants to Insurance Claimants	2	2	Internal Audit
180.3	Medium	Insurance Claimants to Insurance Claimants	4	2	Internal Audit
180.5	Address	Insurance Claimants to Insurance Claimants	881	253	Internal Audit
180.6	Address	Insurance Claimants to Insurance Claimants	5	4	Internal Audit
701	High	Duplicate creditors by creditor name	341	0	Internal Audit
702	High	Duplicate creditors by address detail	212	0	Internal Audit
703	High	Duplicate creditors by bank account number	44	0	Internal Audit
707	High	Duplicate records by reference, amount and creditor reference	181	12	Internal Audit
708	High	Duplicate records by amount and creditor reference	2050	267	Internal Audit
710	High	Duplicate records by name, invoice number and amount but different creditor reference	16	3	Internal Audit
711	High	Duplicate records by invoice number and amount but different creditor reference and name	344	7	Internal Audit
712	High	Duplicate records by postcode, invoice date and amount but different creditor reference and invoice number	3	0	Internal Audit
713	High	Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	36	6	Internal Audit
Total			<b>6945</b>	<b>1299</b>	
Number to be investigated by Benefit Investigation Team			2110	415	
Number of matches to be investigated by Internal Audit			4835	884	
Total			<b>6945</b>	<b>1299</b>	



NFI Matches Progress Summary							Appendix B		
		Recommended filtered matches					Other Matches (not recommended filter matches)		
Report	Summary Title	Total	Opened	Processed	Under investigation	O/S	Total	Processed	Under investigation
2	Housing Benefit Claimants to Student Loans	70	66	55	11	4	10	3	0
4	Housing Benefit Claimants to Student Loans	1	0	0	0	1	0	0	0
13	Housing Benefit Claimants to Payroll	3	0	0	0	3	93	2	0
14	Housing Benefit Claimants to Payroll	4	0	0	0	4	46	0	0
14.1	Housing Benefit Claimants to Pensions	20	12	11	1	8	988	1	0
16	Housing Benefit Claimants to Payroll	1	0	0	0	1	1	0	0
16.1	Housing Benefit Claimants to Pensions	0	0	0	0	0	6	0	0
17	Housing Benefit Claimants to Payroll	51	0	0	0	51	104	0	0
18	Housing Benefit Claimants to Payroll	50	0	0	0	50	93	0	0
18.1	Housing Benefit Claimants to Pensions	74	0	0	0	74	115	0	0
26	Housing Benefit Claimants to Housing Benefit Claimants	1	1	1	0	0	10	0	0
27	Housing Benefit Claimants to Housing Benefit Claimants	5	3	3	0	2	23	0	0
29	Housing Benefit Claimants to Housing Benefit Claimants	2	0	0	0	2	0	0	0
30	Housing Benefit Claimants to Housing Tenants	10	5	5	0	5	7	3	0
31	Housing Benefit Claimants to Housing Tenants	5	1	1	0	4	7	1	0
32	Housing Benefit Claimants to Housing Tenants	7	0	0	0	7	14	0	0
33	Housing Benefit Claimants to Housing Tenants	6	0	0	0	6	2	0	0
34	Housing Benefit Claimants to Right to Buy	1	0	0	0	1	14	0	0
36	Housing Benefit Claimants to Right to Buy	1	0	0	0	1	1	0	0
37	Housing Benefit Claimants to Right to Buy	0	0	0	0	0	1	0	0
45.5	Housing Benefit Claimants to Insurance Claimants	5	0	0	0	5	0	0	0
45.6	Housing Benefit Claimants to Insurance Claimants	0	0	0	0	0	1	0	0
46.1	Housing Benefit Claimants to Market Traders	1	1	1	0	0	2	0	0
46.4	Housing Benefit Claimants to Market Traders	0	0	0	0	0	1	0	0
46.5	Housing Benefit Claimants to Market Traders	1	0	0	0	1	1	0	0
46.6	Housing Benefit Claimants to Market Traders	1	0	0	0	1	0	0	0
47.1	Housing Benefit Claimants to Taxi Drivers	8	4	1	3	4	18	0	0
47.2	Housing Benefit Claimants to Taxi Drivers	1	0	0	0	1	7	0	0
47.4	Housing Benefit Claimants to Taxi Drivers	0	0	0	0	0	1	0	0
47.5	Housing Benefit Claimants to Taxi Drivers	11	0	0	0	11	20	0	0
47.6	Housing Benefit Claimants to Taxi Drivers	7	0	0	0	7	15	0	0

		Recommended filtered matches						All Matches		
Report	Summary Title	Total	Opened	Processed	Under investigation	O/S		Total	Processed	Under investigation
48.1	Housing Benefit Claimants to Personal alcohol licences	12	0	0	0	12		26	1	0
48.2	Housing Benefit Claimants to Personal alcohol licences	1	0	0	0	1		1	0	0
48.3	Housing Benefit Claimants to Personal alcohol licences	0	0	0	0	0		1	0	0
48.4	Housing Benefit Claimants to Personal alcohol licences	0	0	0	0	0		1	0	0
48.5	Housing Benefit Claimants to Personal alcohol licences	11	0	0	0	11		32	1	0
48.6	Housing Benefit Claimants to Personal alcohol licences	0	0	0	0	0		3	0	0
65	Payroll to Payroll	0	0	0	0	0		3	3	0
66	Payroll to Payroll	3	3	3	0	0		73	0	0
68	Payroll to Payroll	0	0	0	0	0		1	1	0
75	Payroll to Housing Benefit Claimants	0	0	0	0	0		1	0	0
78	Payroll to Pensions	0	0	0	0	0		8	0	0
80	Payroll to Creditors	35	35	35	0	0		190	0	0
81	Payroll to Creditors	41	41	41	0	0		35	24	0
91	Housing Benefit Claimants to Waiting List	0	0	0	0	0		2	0	0
93	Housing Benefit Claimants to Waiting List	0	0	0	0	0		1	0	0
100	Housing Tenants to Housing Tenants	2	2	2	0	0		2	0	0
101	Housing Tenants to Housing Tenants	3	3	3	0	0		5	5	0
102	Housing Tenants to Housing Tenants	3	3	3	0	0		11	11	0
103	Housing Tenants to Housing Tenants	18	18	18	0	0		5	5	0
108	Housing Tenants to UK Visas	0	0	0	0	0		2	0	0
111	Housing Tenants to Housing Benefit Claimants	3	0	0	0	3		2	0	0
113	Housing Tenants to Housing Benefit Claimants	31	0	0	0	31		12	0	0
117	Housing Tenants to Right to Buy	0	0	0	0	0		1	1	0
148	Right to Buy to Housing Tenants	0	0	0	0	0		3	0	0
150	Right to Buy to Housing Tenants	0	0	0	0	0		3	0	0
151	Right to Buy to Housing Tenants	1	0	0	0	1		1	0	0
156	Right to Buy to Housing Benefit Claimants	9	0	0	0	9		6	0	0
157	Right to Buy to Housing Benefit Claimants	0	0	0	0	0		1	0	0
158	Right to Buy to Housing Benefit Claimants	0	0	0	0	0		2	0	0
159	Right to Buy to Housing Benefit Claimants	1	0	0	0	1		3	0	0
170	Blue Badge Parking Permit to Blue Badge Parking Permit	1	1	1	0	0		3	3	0
170.1	Blue Badge Parking Permit to Blue Badge Parking Permit	1	1	1	0	0		0	0	0
172.1	Blue Badge Parking Permit to DWP Deceased	216	216	216	0	0		10	10	0

		Recommended filtered matches						All Matches		
Report	Summary Title	Total	Opened	Processed	Under investigation	O/S		Total	Processed	Under investigation
173	Private Residential Care Homes to DWP Deceased	4	4	4	0	0		32	32	0
180.2	Insurance Claimants to Insurance Claimants	2	2	2	0	0		0	0	0
180.3	Insurance Claimants to Insurance Claimants	2	2	2	0	0		2	0	0
180.5	Insurance Claimants to Insurance Claimants	253	253	253	0	0		628	0	0
180.6	Insurance Claimants to Insurance Claimants	4	4	3	1	0		1	0	0
701	Duplicate creditors by creditor name	0	0	0	0	0		341	233	0
702	Duplicate creditors by address detail	0	0	0	0	0		212	25	5
703	Duplicate creditors by bank account number	0	0	0	0	0		44	0	3
707	Duplicate records by reference, amount and creditor reference	12	12	12	0	0		169	169	0
708	Duplicate records by amount and creditor reference	267	267	267	0	0		1783	64	3
710	Duplicate records by name, invoice number and amount but different creditor reference	3	3	3	0	0		13	13	0
711	Duplicate records by invoice number and amount but different creditor reference and name	7	7	7	0	0		337	10	3
712	Duplicate records by postcode, invoice date and amount but different creditor reference and invoice number	0	0	0	0	0		3	3	0
713	Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	6	6	6	0	0		30	0	0
		1299	976	960	16	323		5646	624	14
	Benefit Investigation Team	415	93	78	15	322				
	Internal Audit	884	883	882	1	1				
		1299	976	960	16	323				

# **WEST DUNBARTONSHIRE COUNCIL**

## **Report by Executive Director Corporate Services**

**Audit and PR Committee: 11 December 2013**

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### **Subject: Scottish Public Sector Ombudsman Complaints Report 2012/13**

#### **1. Purpose**

- 1.1** The purpose of this report is to present the Scottish Public Sector Ombudsman (SPSO) report 2012/13 on complaints handling by West Dunbartonshire Council.

#### **2. Recommendations**

- 2.1** It is recommended that Committee notes the content of the report.

#### **3. Background**

- 3.1** From 1 April 2013, West Dunbartonshire Council adopted the SPSO complaint handling policy. It impacts on all Council services with the exception of Community Health & Care Partnership, where the SPSO is reviewing Social Work complaint management on a national basis. In addition statutory appeals and reviews, such as education appeals on exam results are directed to the relevant decision making body and not processed through the SPSO office.
- 3.2** Complaints are now progressed through a two stage process with a centralised point of contact to provide early and local resolution. Complaint Management is founded on a culture that welcomes and values complaints, providing valuable information that can be used to improve processes, service planning and customer satisfaction.
- 3.3** Stage 1 is a front line resolution stage and should be resolved within 5 days. Stage 2 allows for complex complaints that require further investigation and these should be resolved within 20 days. At this point, the customer can access the services of the SPSO should they remain dissatisfied with the outcome of their complaint. SPSO is committed to providing annual reports for each Scottish local authority.

#### **4. Main Issues**

- 4.1** The SPSO provides an annual overview for each local authority of complaints reported to its office. Appendix 1 shows a breakdown of complaints received by the SPSO regarding West Dunbartonshire Council. Appendix 2 is a summary breakdown of complaints received by West Dunbartonshire Council in 2012/13.

- 4.2** The SPSO received 33 complaints regarding West Dunbartonshire Council in 2012/13. Of the 33 complaints, 18 were deemed as premature, terminology used by the SPSO when the complaint has not exhausted the Council's process. Of the remaining SPSO complaints, 1 complaint reached the investigation stage to be partially upheld and 1 complaint was not upheld. All other complaints were considered to be matters out with the jurisdiction of the SPSO or closed as no outcome was achievable for the customer or the Council. The largest reason for West Dunbartonshire customers contacting the SPSO was in relation to Housing matters.
- 4.3** As outlined in Appendix 2, the Council handled 413 complaints in 2012/13. Over half of the total number of complaints received were resolved within 5 days. The preferred method for customers to contact us with a complaint is by telephone and email.
- 5. People Implications**
- 5.1** There are no people implications arising from this report.
- 6. Financial Implications**
- 6.1** There are no financial implications arising from this report.
- 7. Risk Analysis**
- 7.1** There is a reputational risk of not responding to complaints within defined time periods within the new two stage process. Escalation to SPSO and thereafter Audit Scotland would be the customer's next stage of complaint if we fail to deliver on the timescales for responding to complaints.
- 8. Equalities Impact Assessment (EIA)**
- 8.1** The new two stage process has been equality impact assessed at a National level. Locally, all aspects have been considered and assistance to navigate the complaints process is available for all customers.
- 9. Consultation**
- 9.1** Not applicable to this report.
- 10. Strategic Assessment**
- 10.1** Effective complaints handling contributes to all five Council strategic priorities.

*Electronic Signature* (see notes)

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Angela Wilson  
Executive Director  
Corporate Services

**Person to Contact:** Peter Barry  
Head of Customer and Community Services  
Council Offices, Garshake Rd, Dumbarton  
01389 737573  
[Peter.barry@west-dunbarton.gov.uk](mailto:Peter.barry@west-dunbarton.gov.uk)

**Appendices:** Appendix 1 - SPSO Data  
Appendix 2 - Summary of Council Complaints 2012/13

**Background Papers:** None

**Wards Affected:** All Wards



Mrs Joyce White  
Chief Executive  
West Dunbartonshire Council  
Garshake Road  
DUMBARTON  
G82 3PU

4 September 2013

Dear Mrs White

**Annual letter 2012/13**

This year, for the first time, we are publishing sectoral complaints reports. A copy of the local government report is enclosed with this letter, and I have also provided statistics about complaints to SPSO about your authority in 2012/13.

As I highlight in the complaints report introduction, the most significant change in complaints handling last year was the standardised model complaints handling procedure (CHP) that has now been implemented across all councils. I also record my gratitude to local authorities for their partnership with us and acknowledge the hard work that has made this important change possible. I am confident that the new procedures will benefit the public and authorities alike.

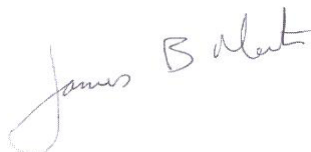
The model CHP lays the groundwork for future continuous improvement. It requires authorities to publish complaints information and monitor progress against performance indicators that have been agreed. It is now the responsibility of individual authorities to fulfil these requirements and publish the information, which Audit Scotland will use to inform the Shared Risk Assessment process and the Annual Audit Report for each authority.

To support you in this work, our Complaints Standards Authority (CSA) continues to provide guidance in good complaints handling. The CSA website ([www.valuingcomplaints.org.uk](http://www.valuingcomplaints.org.uk)) hosts a forum for discussing complaints handling issues. It also hosts our training centre, including e-learning modules in good complaints handling tailored for council frontline staff. In 2012/13, the CSA established a local authority complaints handlers network which is now led by the sector.

The complaints statistics about your authority that we enclose should now form part of a much more detailed and responsive picture of complaints that your authority is responsible for gathering and making available under the model CHP. This demonstration of transparency and learning is a key part of the new ownership approach that underpins the model CHP.

I look forward to continuing to work with you to improve the quality of complaints handling across public services in Scotland.

Yours sincerely



Jim Martin  
Ombudsman

In light of feedback received last year, we have expanded our explanations and answered some frequently asked questions. If you have any further queries, please contact our Casework Knowledge Manager, Annie Shanahan, at [ashanahan@spsso.org.uk](mailto:ashanahan@spsso.org.uk), or by calling 0131 240 8843.

### **Statistics**

The following tables show the complaints we handled about your organisation in 2012/13. **Table 1** shows complaints **received** by main subject area, both about your organisation and overall in your sector, for the past two years. **Table 2** shows the **outcomes** of the complaints we handled about your organisation for the same period. It also highlights the rate of premature and fully/partly upheld complaints and overall rates for your sector over the past two years.

As a result of last year's feedback, we have amended the table showing complaints received. For 2012/13, these are shown ranked from the most received to the least. For comparison, we have added each subject's ranking in 2011/12 to that year's table.

### **Subjects of complaint and outcomes**

The feedback included a number of questions about comparing tables 1 and 2, and we want to make it clear that they provide statistics for two quite different stages of our work. **Table 1** describes the subjects about which we **received** complaints between 1 April 2012 and 30 March 2013, while **Table 2** shows information about the **outcomes** of the complaints that we handled over the same period. The two figures are unlikely to tally, especially where complaints numbers are relatively large. This is because at the end of each business year we are still working on some of the complaints received at the end of the previous year.

### **Frequently asked questions**

#### **What are complaints that are 'fit for SPSO'?**

These are complaints that were valid for us to investigate. This normally means that they have gone through the complaints process of your organisation, and are about something that the law allows us to look at.

#### **What does 'determined' mean?**

Determined complaints are those that we have looked at and for which we have closed our file. We will either have given the person a decision by letter or public report, or told them that we can't investigate their complaint.

#### **What are 'upheld' complaints?**

Upheld and partly upheld complaints are ones where we investigated, and found that something had gone wrong. In all cases, the complaint was fit for SPSO, and we gave a decision at the Early Resolution (ER2) or Investigation (INV1 or 2) stages of our process. (ER2 and INV1 cases are investigations that end with us sending a decision letter to you and to the complainant). In the majority of these cases we also publish a short summary of the complaint and its outcome on our website. INV 2 are cases that meet our public interest criteria and are published in full.)

#### **How do you define a premature complaint?**

It's a complaint that's been sent to us too early - i.e. before it has completed your complaints process.

**Would you ever take a complaint before it completes our process?**

Yes, but only where we think the circumstances are appropriate. The most likely examples would be where we conclude that you have delayed unreasonably in responding, or where the person who's complained appears to be particularly vulnerable. But this only happens in a very small number of cases. We normally expect people to complete your complaints process to allow you to respond to the matters raised, and we will normally tell them to contact you if they haven't.

**I don't seem to know about all of the complaints that you've counted as premature. Why?**

There are several possible reasons. We don't write to you about all the premature cases we receive (see the next question for more information about this). When we refer someone back to the complaints process, you may resolve the matter to the person's satisfaction without necessarily knowing that it came to us first.

Alternatively, the person may, after we've told them they need to go through your process, decide not to take it further. People often bring us issues that are premature, but that are also outwith our jurisdiction, or where they're asking for an outcome that we can't achieve. When we reply, we'll tell them that we're not looking at it because it's premature, but we also explain that even if they go back through your process, it's unlikely we'd take the complaint up because of the other issue. For example, if they're asking us to change a planning decision or if it's a personnel-related matter we'd explain that we couldn't do that at all, whether or not they went through your process. It's then for the complainant to decide what to do next.

**When do you tell us about premature complaints?**

We determine many of these very quickly (within one or two days of receiving them). This normally happens where the complaint has clearly come to us too early and there's little or no information with it. We record these on our computer system, but don't open a file. In most cases we simply return the letter explaining that they've sent us the complaint too soon and that they need to complain to you. We don't normally tell you about these, and we usually have only minimal information about the complaint ourselves.

In cases where the person has sent us information, but the complainant doesn't appear to have completed your complaints process, we'll open a paper file. We'd normally then write to you explaining that the matter has come to us too soon, and we've told the person to take the complaint back to you. We then close our file, which we can reopen if the person completes your process and brings the complaint back to us.

**Can you provide a more detailed breakdown of the premature complaints received for my organisation?**

We can provide numbers and general categories of complaints received prematurely. These are broken down into two areas – complaints that do not appear to have been made to you at all, and those that have started but not completed your process. (We don't record which point in your process they've reached – usually we don't know this.) We can usually identify the department and the subject matter involved, but at this early stage categorisation may not be accurate because of the lack of detailed information.

**The categories of complaints on your letter don't match those in our records - does this mean that our statistics are wrong?**

We have our own method of categorising the complaints we receive, which is not based on those of any particular organisation. If you would like an explanation of a particular category, please contact us.

### Complaints Received by Subject 2012-13

Subject Group	West Dunbartonshire Council	Rank	Complaints as % of total	Sector Total	Rank	Complaints as % of total
Housing	13	1	39%	361	1	24%
Social Work	5	2	15%	183	3	12%
Finance	2	3=	6%	85	4	6%
Building Control	2	3=	6%	26	10	2%
Planning	1	5=	3%	197	2	13%
Education	1	5=	3%	76	5	5%
Legal & Admin	1	5=	3%	48	8	3%
Land & Property	1	5=	3%	28	9	2%
Recreation & Leisure	1	5=	3%	20	11	1%
Roads & Transport	0	-	0%	73	6	5%
Environmental Health & Cleansing	0	-	0%	60	7	4%
Other	0	-	0%	10	12	1%
Consumer Protection	0	-	0%	9	13	1%
Personnel	0	-	0%	7	14	0%
Valuation Joint Boards	0	-	0%	6	15	0%
Fire & Police Boards	0	-	0%	2	16	0%
Economic Development	0	-	0%	1	17	0%
Out Of Jurisdiction	0	-	0%	20	-	1%
Subject Unknown	6	-	18%	293	-	19%
<b>Total</b>	<b>33</b>		<b>100%</b>	<b>1,505</b>		<b>100%</b>

Complaints as % of Sector

2.2%

100%

### Complaints Received by Subject 2011-12

Subject Group	West Dunbartonshire Council	Rank	Complaints as % of total	Sector Total	Rank	Complaints as % of total
Housing	9	1	39%	341	1	22%
Finance	2	2=	9%	73	6	5%
Legal & Admin	2	2=	9%	44	7	3%
Planning	1	4=	4%	210	2	14%
Social Work	1	4=	4%	182	3	12%
Roads & Transport	1	4=	4%	96	4	6%
Land & Property	1	4=	4%	30	10	2%
Other	1	4=	4%	12	12	1%
Education	0	-	0%	77	5	5%
Building Control	0	-	0%	42	8	3%
Environmental Health & Cleansing	0	-	0%	40	9	3%
Recreation & Leisure	0	-	0%	23	11	2%
Personnel	0	-	0%	11	13	1%
Consumer Protection	0	-	0%	10	14	1%
Valuation Joint Boards	0	-	0%	9	15	1%
Fire & Police Boards	0	-	0%	1	16=	0%
National Park Authorities	0	-	0%	1	16=	0%
Subject Unknown or Out Of Jurisdiction	5	-	22%	325	-	21%
<b>Total</b>	<b>23</b>		<b>100%</b>	<b>1,527</b>		<b>100%</b>

Complaints as % of sector

1.5%

100%

### Complaints Determined by Outcome 2012-13

Stage	Outcome Group	West Dunbartonshire Council	Sector Total
Advice	Matter out of jurisdiction (discretionary)	1	19
	Matter out of jurisdiction (non-discretionary)	1	40
	No decision reached	5	239
	Outcome not achievable	0	13
	Premature	17	704
	<b>Total</b>	<b>24</b>	<b>1,015</b>
Early Resolution 1	Matter out of jurisdiction (discretionary)	0	40
	Matter out of jurisdiction (non-discretionary)	4	99
	No decision reached	0	38
	Outcome not achievable	3	26
	Premature	1	46
	<b>Total</b>	<b>8</b>	<b>249</b>
Early Resolution 2	Fully upheld	0	10
	Partly upheld	0	19
	Not upheld	1	48
	No decision reached	0	4
	<b>Total</b>	<b>1</b>	<b>81</b>
Investigation 1	Fully upheld	0	16
	Partly upheld	1	63
	Not upheld	0	75
	No decision reached	0	2
	<b>Total</b>	<b>1</b>	<b>156</b>
Investigation 2	Fully upheld	0	3
	Partly upheld	0	3
	<b>Total</b>	<b>0</b>	<b>6</b>
<b>Total Complaints</b>		<b>34</b>	<b>1,507</b>

Total Premature Complaints	18	750
Premature Rate	52.9%	49.8%

Fit for SPSO Total (ER2, Inv1 & Inv2)	2	243
Total Cases Upheld / Partly Upheld	1	114
Uphold Rate (total upheld / total fit for SPSO)	50.0%	46.9%

NOTE : 'No decision reached' includes complaints not duly made, withdrawn and resolved

### Complaints Determined by Outcome 2011-12

Stage	Outcome Group	West Dunbartonshire Council	Sector Total
Advice	Matter out of jurisdiction (discretionary)	1	18
	Matter out of jurisdiction (non-discretionary)	0	20
	No decision reached	3	258
	Outcome not achievable	0	10
	Premature	16	729
	<b>Advice Total</b>	<b>20</b>	<b>1,035</b>
Early Resolution 1	Matter out of jurisdiction (discretionary)	0	53
	Matter out of jurisdiction (non-discretionary)	0	43
	No decision reached	2	52
	Outcome not achievable	0	28
	Premature	0	51
	<b>Early Resolution 1 Total</b>	<b>2</b>	<b>227</b>
Early Resolution 2	Fully Upheld	0	10
	No decision reached	0	3
	Not upheld	1	78
	Partly Upheld	0	14
	<b>Early Resolution 2 Total</b>	<b>1</b>	<b>105</b>
Investigation 1	Fully Upheld	0	6
	No decision reached	0	12
	Not upheld	0	63
	Partly Upheld	0	38
	<b>Investigation 1 Total</b>	<b>0</b>	<b>119</b>
Investigation 2	Fully Upheld	0	6
	No decision reached	0	2
	Not upheld	0	2
	Partly Upheld	0	1
	<b>Investigation 2 Total</b>	<b>0</b>	<b>11</b>
<b>Total Complaints</b>		<b>23</b>	<b>1,497</b>

Total Premature Complaints	16	780
Premature Rate	69.6%	52.1%

Fit for SPSO Total (ER2, Inv1 & Inv2)	1	235
Total Cases Upheld / Partly Upheld	0	75
Uphold Rate (total upheld / total fit for SPSO)	0.0%	31.9%

## West Dunbartonshire Council - Complaints Report

### Summary of Complaints received

From 1/04/2012 To 31/03/2013

	Complaints Recieved	Complaints resolved within 5 days	Complaints resolved between 5 to 20 days	Complaints resolved outwith 20 days
Chief Executive	0	0	0	0
Corporate Services	64	37	21	6
HEEDS	343	174	85	84
Education	6	6	0	0
Totals	413	217	106	90

\* Please note Education and CHCP complaints are passed onto the department