

Agenda



Audit & Performance Review Committee

Date: Wednesday, 9 March 2016

Time: 14:00

Venue: Council Chamber,
Clydebank Town Hall, Dumbarton Road, Clydebank

Contact: Craig Stewart, Committee Officer
Tel: 01389 737251 craig.stewart@west-dunbarton.gov.uk

Dear Member

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

Yours faithfully

JOYCE WHITE

Chief Executive

Distribution:

Councillor J McColl (Chair)
Councillor G Black
Councillor J Brown
Councillor P McGlinchey
Councillor I Murray (Vice Chair)
Councillor T Rainey
Councillor G Robertson
Councillor M Rooney
Mr SJ Doogan

All other Councillors for information

Chief Executive
Executive Director of Corporate Services
Executive Director of Infrastructure and Regeneration
Chief Officer of West Dunbartonshire Health & Social Care Partnership

Date of issue: 26 February 2016

AUDIT & PERFORMANCE REVIEW COMMITTEE

WEDNESDAY, 9 MARCH 2016

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 7 - 10

Submit for approval as a correct record, the Minutes of Meeting of the Audit & Performance Review Committee held on 9 December 2015.

**4. INTERNAL AUDIT PLAN 2015/16 PROGRESS REPORT TO 11 - 18
31 JANUARY 2016**

Submit report by the Executive Director of Corporate Services advising on the work undertaken by the Internal Audit Section against the Audit Plan 2015/16.

**5. AUDIT ACTION PLANS 19 - 22
**Appendices
To Follow****

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

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

6. /

6. INTERNAL AUDIT CHARTER – UPDATE 23 - 40

Submit report by the Executive Director of Corporate Services providing the Committee with an updated version of the Audit Charter previously submitted to the meeting on 11 March 2015.

7. AUDIT SCOTLAND – REVIEW OF ADEQUACY OF INTERNAL AUDIT ARRANGEMENTS 41 - 48

Submit report by the Executive Director of Corporate Services advising of the External Auditor's assessment of the adequacy of the Council's Internal Audit arrangements.

8. AUDIT SCOTLAND ANNUAL AUDIT PLAN 2015/16 To Follow

Submit report by the Executive Director of Corporate Services presenting for information Audit Scotland's Audit Plan for the audit of financial year 2015/16.

9. INTERNAL AUDIT PLAN 2016/17 49 - 66

Submit report by the Executive Director of Corporate Services advising on the planned programme of work for the Internal Audit Section for the year 2016/17.

10. PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAs) – EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT AT WDC 67 - 94

Submit report by the Executive Director of Corporate Services presenting the External Quality Assurance of Internal Audit at West Dunbartonshire Council.

11. COUNTER FRAUD PROGRESS REPORT 95 - 100

Submit report by the Executive Director of Corporate Services advising on the results from investigating matched datasets provided to the Council through participation in the National Fraud Initiative and other work taking place within the Corporate Fraud team.

12. PUBLIC INTEREST DISCLOSURES FOR THE PERIOD 1 JULY 2015 TO 31 DECEMBER 2015 **101 - 104**

Submit report by the Executive Director of Corporate Services advising on public interest disclosures received during the period 1 July 2015 to 31 December 2015.

13. PRUDENTIAL INDICATORS 2015/16 TO 2025/26 AND TREASURY MANAGEMENT STRATEGY 2016/17 TO 2025/26 **105 - 136**

Submit report by the Executive Director of Corporate Services providing an update on:-

- (a) the proposed Prudential Indicators for 2015/16 to 2018/19;
- (b) Treasury Management Strategy (including the Investment Strategy) for 2016/17 to 2018/19; and
- (c) the indicative prudential indicators for the period from 2019/20 to 2025/26.

NB: For Members' information, this report was approved at the Council Meeting held on 24 February 2016.

14. LOCAL GOVERNMENT BENCHMARKING FRAMEWORK 2014/15 **137 - 176**

Submit report by the Executive Director of Corporate Services providing the Committee with the West Dunbartonshire position in the recently published Local Government Benchmarking Overview report for 2014/15.

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, 9 December 2015 at 2.06 p.m.

Present: Councillors George Black, Jim Brown, Jonathan McColl, Ian Murray, Tommy Rainey, Gail Robertson, Martin Rooney and Mr Stevie J. Doogan.

Attending: Angela Wilson, Executive Director of Corporate Services; Richard Cairns, Executive Director of Infrastructure and Regeneration; Terry Lanagan, Executive Director of Educational Services; Stephen West, Head of Finance and Resources; Gillian McNeilly, Finance Manager; Colin McDougall, Audit and Risk Manager; Stephen Daly, Section Head, Customer Services; and Craig Stewart, Committee Officer, Legal, Democratic and Regulatory Services.

Also Attending: Mr David McConnell, Assistant Director and Mr Laurence Slavin, Senior Auditor, Audit Scotland.

Apologies: An apology for absence was intimated on behalf of Councillor Patrick McGlinchey. An apology was also intimated on behalf of Joyce White, Chief Executive.

Councillor Jonathan McColl in the Chair

CHAIR'S REMARKS

Prior to commencing with the business of the meeting, Councillor McColl, Chair, advised that Mr Edward Haynes had resigned as a Lay Member on the Committee. In this respect, Councillor McColl advised the Committee that he had written to Mr Haynes thanking him for his service on the Committee.

Following discussion, it was agreed that a recommendation be brought to the December Council meeting, that recruitment of 1 Lay Member be commenced to fill the vacancy left by Mr Haynes, and that Standing Orders be changed to reflect the Committee's decision that there should be 2 Lay Members on the Committee and not 4.

The Chair then brought in Mr David McConnell, Audit Scotland, who informed the Committee that Ms Elaine Boyd, Senior Audit Manager, had moved to an enhanced role within Audit Scotland, and her new position would not involve attending the Committee in the future. On behalf of the Committee, Councillor McColl, Chair, passed on thanks and appreciation for all the excellent help and advice that Ms Boyd had provided over the years, and wished her well in the future. Members warmly concurred.

DECLARATIONS 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 MEETING

The Minutes of Meeting of the Audit & Performance Review Committee held on 23 September 2015 were submitted and approved as a correct record.

TREASURY MANAGEMENT MID-YEAR REPORT 2015/16

A report was submitted by the Executive Director of Corporate Services providing an update on treasury management and prudential indicators during 2015/16.

After discussion, the Committee agreed to note that the Council approved the 2015/16 revised estimates of treasury and prudential indicators, as advised within the report (Tables A, B, C, D, E, F, H, M and N refer), at its meeting on 28 October 2015.

REGISTERED CHARITABLE TRUSTS

A report was submitted by the Executive Director of Corporate Services providing an update regarding the recent audit report on the Charitable Trusts and specifically concerning the ongoing work in relation to updating the Trusts' governance documentation to allow a more pro-active management of the Trusts.

After discussion and having heard the Head of Finance and Resources and Mr Slavin, Senior Auditor, Audit Scotland in answer to Members' questions, the Committee agreed:-

- (1) to note that a report would be considered at the meeting of Council on 16 December 2015 for approval on the revised governance documentation, prior to formally applying to Office of Scottish Charity Regulator (OSCR) for approval; and
- (2) otherwise to note the current position on this matter.

AUDIT ACTION PLANS

A report was submitted by the Executive Director of Corporate Services advising of recently issued Internal Audit action plans and progress made against action plans previously issued contained within Internal Audit and External Audit reports.

After discussion and having heard the Executive Director of Corporate Services and relevant officers in further explanation and in answer to a Member's questions, the Committee agreed to note the contents of the report.

INTERNAL AUDIT PLAN 2015/16 PROGRESS REPORT TO 31 OCTOBER 2015

A report was submitted by the Executive Director of Corporate Services advising of progress against the Audit Plan 2015/16.

After discussion and having heard the Audit and Risk Manager in answer to a Member's question, the Committee agreed to note the contents of the report.

AUDIT SCOTLAND REPORT: REVIEW OF ACTIVITY TO REDUCE FRAUD AND ERROR IN HOUSING BENEFIT

A report was submitted by the Executive Director of Corporate Services providing information on a report recently published by Audit Scotland which provides a set of key messages for councils to consider.

After discussion and having heard Mr Slavin, Senior Auditor, Audit Scotland and the Executive Director of Corporate Services in further explanation, the Committee agreed:-

- (1) to note the report and the set of key messages detailed within the report; and
- (2) having heard the Chair, to thank officers for their significant achievements in this area, which had been recognised as good practice at a national level.

STRATEGIC RISK AND RESILIENCE

A report was submitted by the Executive Director of Corporate Services providing the Committee with the outcome of the latest six monthly assessment of Strategic Risks and an update on progress in relation to resilience planning.

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

SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINTS REPORT 2014/15

A report was submitted by the Executive Director of Corporate Services presenting the Scottish Public Services Ombudsman (SPSO) report on complaints handling by West Dunbartonshire Council for the year 1 March 2014 - 31 March 2015.

After discussion and having heard the Executive Director of Corporate Services and the Section Head, Customer Services in further explanation, the Committee agreed to note the contents of the report.

The meeting closed at 3.02 p.m.

DRAFT

WEST DUNBARTONSHIRE COUNCIL**Report by Executive Director of Corporate Services****Audit and Performance Review Committee: 9 March 2016**

Subject: Internal Audit Plan 2015/16 Progress Report to 31 January 2016**1. Purpose**

- 1.1 The purpose of this report is to advise Members of progress against the Audit Plan 2015/16.

2. Recommendation

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

3. Background

- 3.1 The annual audit plan for 2015/16 was approved by Audit & Performance Review Committee on 11 March 2015. This report provides information on the progress in implementing the plan for the period to 31 January 2016. Appendices A and B provide a summary of progress.

4. Main IssuesInternal Audit

- 4.1 There are variances from the planned programme of work reported at this stage per Appendix A, which also includes a projected outturn for the full year. It is anticipated that the current adverse variance of 83 days for staff turnover, which was the result of an unexpected retirement of a member of the team, is not going to adversely impact on the completion of the key risk based audit plan for 2015/16.

Corporate Fraud

- 4.2 The Benefits Fraud Team transferred to join Internal Audit from 1 April 2015, thereby enabling a joined-up approach to fraud investigation and detection. Variances from the planned programme of work are outlined at Appendix B and this also includes a projected outturn for the full year. It is anticipated that these variances are not going to impact on the achievement of savings targets for the year.

5. Personnel Implications

- 5.1 There are no personnel implications.

6. Financial and Procurement Implications

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

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.

7.2 As can be noted from the projected outturn column in Appendix A, it is anticipated that the planned risk based systems audits will be completed on time.

8. Equalities Impact Assessment (EIA)

8.1 A screening has been carried out and found no issues relevant to equalities duties.

9. Consultation

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

10. Strategic Assessment

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

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Angela Wilson
Executive Director of Corporate Services
Date: 15 February 2016

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

Appendices: A – Internal Audit Report for the ten months to 31st January 2016
B – Corporate Fraud Report for the ten months to 31st January 2016

Background Papers: Audit & Performance Review Committee – 11th March
2015: Internal Audit Plan 2015/16

EIA Screening

Wards Affected: N/A

APPENDIX A

WEST DUNBARTONSHIRE COUNCIL

INTERNAL AUDIT SECTION

PROGRESS REPORT FOR THE PERIOD 1st APRIL 2015 TO 31st JANUARY 2016

CATEGORY	Actual for ten months to 31st January 2016			Projected Outturn for twelve months to 31st March 2016		
	PLANNED TIME (DAYS)	ACTUAL TIME (DAYS)	VARIANCE (DAYS)	AUDIT PLAN 2015/16 (DAYS)	PROJECTED OUTTURN (DAYS)	VARIANCE (DAYS)
Risk Based Audit	332	360	-28 A	400	440	-40 A
Computer Audit	92	100	-8 A	110	120	-10 A
Development	42	22	20 F	50	25	25 F
Investigations / Public Interest Disclosure / NFI	134	117	17 F	161	140	21 F
CRSA/Regularity	58	34	24 F	70	40	30 F
Annual Assurance / Governance	13	10	3 F	15	15	0 -
Follow Up	17	8	9 F	20	20	0 -
Year-End Procedures	4	4	0 -	5	5	0 -
Performance Indicators	25	3	22 F	30	22	8 F
Financial Services/Grant Claims	13	10	3 F	15	15	0 F
Contingency	33	8	25 F	40	10	30 F
Review	44	29	15 F	53	35	18 F
Total Operational Days	807	705	102 F	969	887	82 F
Administration	31	28	3 F	37	30	7 F
Management & Planning	51	50	1 F	61	55	6 F
Training / Staff Development	47	60	-13 A	56	72	-16 A
Leave	255	265	-10 A	306	315	-9 A
Staff Turnover	0	83	-83 A	0	70	-70 A
Total Non-Operational Days	384	486	-102 A	460	542	-82 A
TOTAL	1191	1191	0	1429	1429	0

APPENDIX B

WEST DUNBARTONSHIRE COUNCIL

CORPORATE FRAUD SECTION

PROGRESS REPORT FOR THE PERIOD 1st APRIL 2015 TO 31st JANUARY 2016

CATEGORY	PLANNED TIME (DAYS)	Actual Ten months to 31st January 2016		Projected Outturn for twelve months to 31st March 2016		
		ACTUAL TIME (DAYS)	VARIANCE (DAYS)	AUDIT PLAN 2015/16 (DAYS)	PROJECTED OUTTURN (DAYS)	VARIANCE (DAYS)
Work carried out on behalf of DWP	117	68	49 F	140	85	55 F
National Fraud Initiative	100	116	-16 A	120	125	-5 A
Corporate Fraud	175	223	-48 A	210	251	-41 A
Development	54	54	0 -	65	60	5 F
Research	62	103	-41 A	75	130	-55 A
Contingency	80	0	80 F	96	10	86 F
Review	33	35	-2 A	40	40	0 -
Total Operational Days	621	599	22 F	746	701	45 F
Administration	19	25	-6 A	23	35	-12 A
Management & Planning	29	22	7 F	35	30	5 F
Training / Staff Development	17	27	-10 A	20	30	-10 A
Leave	187	178	9 F	224	230	-6 A
Staff Turnover	0	22	-22 A	0	22	-22 A
Total Non-Operational Days	252	274	-22 A	302	347	-45 A
TOTAL	873	873	0	1048	1048	0

WEST DUNBARTONSHIRE COUNCIL**Report by Executive Director of Corporate Services****Audit and Performance Review Committee: 9 March 2016**

Subject: Audit Action Plans**1. Purpose**

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

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

2. Recommendations

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

3. Background

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

4. Main Issues

4.1 The Appendices to this report will be run in the days leading up to the committee meeting so as to provide as up to date a position as possible in the progress of actions. Appendix A contains Internal Audit action plans recently agreed and issued. Appendix B details the outstanding actions on previously issued Internal Audit reports. Appendix C details the outstanding actions for External Audit reports, including the Local Scrutiny Plan for 2015/16.

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

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

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

5. People Implications

- 5.1 There are no personnel issues with this report.

6. Financial and Procurement Implications

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

7. Risk Analysis

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

8. Equalities Impact Assessment (EIA)

- 8.1 A screening has been carried out and found no issues relevant to equalities duties.

9. Consultation

9.1 This report has been subject to a check by Finance and Legal, Democratic & Regulatory Services. In addition, departments have been consulted in the update of action plans.

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: 11 February 2016

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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
EIA Screening

Wards Affected: All Wards

WEST DUNBARTONSHIRE COUNCIL**Report by Executive Director of Corporate Services****Audit and Performance Review Committee: 9 March 2016**

Subject: Internal Audit Charter - Update**1. Purpose**

- 1.1 The purpose of this report is to provide the Committee with an updated version of the Audit Charter previously submitted to the meeting on 11 March 2015.

2. Recommendations

- 2.1 It is recommended that Members approve the revised Internal Audit Charter.

3. Background

- 3.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2013, the Council should formally define the terms of reference for the purpose, authority and responsibility of the internal audit activity in an Internal Audit Charter. The PSIAS requires that the Audit Charter be reviewed by the Chief Internal Auditor on an annual basis, with any changes advised to the CMT and approved by the Audit and Performance Review Committee.
- 3.2 The previous version of Internal Audit Charter was approved by the Audit and Performance Review Committee on 11 March 2015.

4. Main Issues

- 4.1 The authority for the operation of the Internal Audit Section is contained within the Council's Financial Regulations. The Internal Audit Charter provides further information on the detailed arrangements on how Internal Audit effectively discharges its role and provides the necessary annual assurance assessment to Council.
- 4.2 The updated Internal Audit Charter reflects the requirements of the PSIAS with adjustments made to reflect changes to the role of the Council's Chief Internal Auditor and to ensure full adherence to the self-assessment checklist for compliance with the PSIAS as prepared by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG).

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 aim of the Internal Audit Section is to help the Council discharge its responsibilities and achieve its objectives by systematically reviewing how well it manages its risks and operates internal control and governance procedures. Compliance with the PSIAS, including the preparation of an updated Internal Audit Charter, reduces the risk that Internal Audit may be diverted from its key purposes as the Charter clearly identifies the role and objectives, authority, scope, responsibility, resources and reporting function of Internal Audit.

8. Equalities Impact Assessment (EIA)

8.1 A screening has been carried out and found no issues relevant to equalities duties.

9. Consultation

9.1 This report has been subject to consultation with Finance Services and Legal, Democratic & Regulatory Services.

10. Strategic Assessment

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

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Angela Wilson
Executive Director of Corporate Services
Date: 9 February 2016

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Appendices: A – Internal Audit Charter

Background Papers: Report to Audit and Performance Review
Committee on 11 March 2015 (Internal Audit
Charter and PSIAS Update)

Public Sector Internal Audit Standards

EIA Screening

Wards Affected: All Wards



INTERNAL AUDIT CHARTER

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1. **INTRODUCTION**

1.1 This Charter identifies the role and objectives, authority, scope, responsibility, resources and reporting function of Internal Audit. The main determinant of the effectiveness of the Internal Audit function within the Council is that it is seen to be independent. To ensure this, Internal Audit will operate within a framework that allows:

- Unrestricted access to senior management and elected members;
- Reporting in its own name; and
- Segregation from line operations.

1.2 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1st April 2013. These standards are mandatory and provide a clear specification for the arrangements that should be put in place for an internal audit service. The PSIAS are based on the International Standards of Internal Auditing and developed and issued by CIPFA, the Chartered Institute of Internal Auditors UK (CIIA) and HM Treasury. They provide a coherent and consistent internal audit framework for the whole of the public sector. The PSIAS apply to all internal audit service providers, whether in-house, shared service or outsourced.

1.3 In terms of the PSIAS, *“the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter”*.

1.4 The authority for Internal Audit to operate in West Dunbartonshire Council is contained in the Council’s Financial Regulations. This Internal Audit Charter expands upon that framework by defining the detailed arrangements and sets out the Audit and Risk Manager’s (hereinafter in this document referred to as the Chief Internal Auditor) strategy for discharging his role and providing the necessary annual assurance opinions.

1.5 The PSIAS defines Internal Auditing as follows:

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

2. ROLE AND OBJECTIVES OF INTERNAL AUDIT

2.1 As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources and the management of risk. In addition, the other objectives of the function are to:

- Support the Strategic Lead - Resources to discharge his duties as Proper Officer (Section 95, Local Government Scotland Act 1973);
- Contribute to and support the Resources Service's objective of ensuring the provision of, and promoting the need for, sound financial systems;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets; and
- Conduct special assignment and investigations into any matter or activity affecting the probity, interest and operating efficiency of the Council.

2.2 Internal Audit will have regard to the possibility of malpractice, fraud and other illegal acts, and will seek to identify serious defects in the internal control system which may permit such irregularities. The Council's Business Irregularity Procedures will be used to deal with any irregularities identified.

3. AUTHORITY OF INTERNAL AUDIT

3.1 All Internal Audit activity is carried out in accordance with the Council's Financial Regulations to the effect that a continuous internal audit, under the independent control and direction of the Strategic Lead - Resources, shall be undertaken (per Financial Regulations, paragraph I1).

3.2 In accordance with paragraph I2 of the Financial Regulations, the Strategic Lead - Resources (Section 95 Officer) or his authorised representatives shall have authority to:

- Enter at all reasonable times any Council premises or land;
- Have access to all records, documents and correspondence relating to financial and other transactions of the Council;
- Require and receive such explanations as are necessary concerning any matter under examination;
- Require any employee of the Council to produce cash, stores, or any other Council property under his/her control.

3.3 Internal Audit staff will as necessary be provided with a separate log-in to any computer system within the Council and have full access to any system, personal computer or other devices being used for Council business purposes.

4. **POSITION OF INTERNAL AUDIT WITHIN THE ORGANISATION**

4.1 Internal Audit is an independent review activity. It is not an extension of, or a substitute for, the functions of line management and must remain free from any undue influence or other pressure affecting its actions and reporting.

4.2 In accordance with paragraph 11 of the Financial Regulations:

A continuous internal audit, under the independent control and direction of the Head of Finance and Resources, as described in the Council's Internal Audit Charter and in accordance with the Public Sector Internal Audit Standards (PSIAS), shall be undertaken.*

* now Strategic Lead -Resources

4.3 Management's responsibilities in relation to governance and control include:

- Maintaining proper internal controls in all processes for which they have responsibility to ensure probity in systems and operations;
- The prevention, detection and resolution of fraud and irregularities;
- Co-operating fully with Internal Audit and ensuring that Internal Audit can properly fulfill their role; and
- Considering and acting upon Internal Audit findings and recommendations or accepting responsibility for any resultant risk from not doing so.

4.4 The status of Internal Audit should enable it to function effectively, with recognition of the independence of Internal Audit fundamental to its effectiveness. The Chief Internal Auditor should have sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with senior management of the organisation.

4.5 Within West Dunbartonshire Council, the Chief Internal Auditor reports on an administrative basis to the Strategic Lead - Resources who is the Council's nominated Section 95 Officer. However the Chief Internal Auditor also has unrestricted access to those charged with governance, specifically: Elected Members; the Chief Executive; Strategic Directors;

and to the Strategic Lead - Regulatory who is the Council's Monitoring Officer as well as all other Strategic Leads.

The Chief Internal Auditor has direct access to the Chair of the Audit and Performance Review Committee to discuss any matters the committee or auditors believe should be raised privately. One of the functions of the Audit and Performance Review Committee is to ensure that no unjustified restrictions and limitations are made to the scope and activities of Internal Audit. Additionally, unrestricted access to all Officers of the Council is afforded to all members of the Internal Audit service.

4.6 Within the PSIAS and the associated Local Government Application Note (LGAN), widespread use is made of the term "board". For the purposes of overseeing the activities of the Council's internal audit function, the "board" is defined as the Audit and Performance Review Committee. In terms of accountability and independence, the Chief Internal Auditor reports functionally to the Audit and Performance Review Committee. In this context functional reporting means the Audit and Performance Review Committee will be asked to:

- Approve the preparation of the Internal Audit Charter;
- Approve the preparation of the Annual Audit Plan;
- Receive regular reports from the Chief Internal Auditor on Internal Audit activity, including action plans on work carried out; and
- Make appropriate enquiries of management to ensure that Internal Audit is adequately resourced to meet assurance and other key responsibilities.

4.7 The Internal Audit Section uses a risk based methodology to determine the key elements of the annual audit plan. Within the PSIAS and the associated LGAN, widespread use is made of the term "senior management". For the purposes of overseeing the activities of the Council's internal audit function, "senior management" is defined as the Council's Corporate Management Team (CMT), otherwise known as the Performance and Monitoring Group, (i.e. the Chief Executive, the three Strategic Directors and all Strategic Leads). On an annual basis, each member of the CMT individually provides the Chief Internal Auditor with an assurance statement in relation to the adequacy and effectiveness of his / her department's internal financial control system. In recognition of the responsibility of the Chief Executive, Strategic Directors and Strategic Leads to provide an assurance statement, the annual audit plan is prepared in consultation with the CMT.

4.8 In addition to managing the work of the Internal Audit function, the Chief Internal Auditor also has management responsibility for:

- Corporate Fraud; and
- ICT Security.

4.9 A structure chart showing access available for Internal Audit to those charged with governance is included at Appendix 1.

5. SCOPE OF INTERNAL AUDIT

5.1 The scope of Internal Audit allows for unrestricted coverage of the authority's activities and unrestricted access to all records and assets deemed necessary in the course of the audit.

5.2 The overall remit of Internal Audit covers the activities of:

- West Dunbartonshire Council;
- WD Leisure (West Dunbartonshire's Leisure Trust);
- Dunbartonshire and Argyll & Bute Valuation Joint Board;
- Argyll, Bute and Dunbartonshire Criminal Justice Social Work Partnership; and
- Such other related bodies as the Strategic Lead - Resources may from time to time determine as being appropriate.

5.3 Internal Audit will seek to foster good working relationships with Elected Members, Council management, External Audit and other agencies as appropriate.

5.4 In liaising with External Audit the main objectives will be to:

- Minimise the incidence of duplication of effort;
- Ensure appropriate sharing of information; and
- Ensure co-ordination of the overall audit effort.

5.5 The existence of Internal Audit does not diminish the responsibility of management to exercise sound systems of internal control. It is clearly and solely a management responsibility to ensure that activities are conducted in a secure, well-ordered manner and finances are safeguarded and used to maximum effect. This includes identifying and managing risks.

6. INTERNAL AUDIT RESPONSIBILITY

6.1 The main areas of Internal Audit responsibility within the Council are to:

1. Review, appraise and report on:
 - The extent to which the assets and interests are accounted for and safeguarded from loss;
 - The soundness, adequacy and application of internal controls;
 - The suitability and reliability of financial and other management data, including aspects of performance measurement.
2. Investigate frauds and irregularities (as detailed in the Council's Business Irregularity Procedures and Strategy for the Prevention and Detection of Fraud). See further paragraph 6.2 below
3. Advise on internal control implications of new systems; and
4. Conduct VFM studies.

6.2 In accordance with the Council's Business Irregularity Procedures, only the Strategic Lead - Resources or the Strategic Lead - People & Technology can approve the commencement of an investigation. This authority will be exercised on behalf of the Strategic Lead - Resources or the Strategic Lead - People & Technology by Internal Audit Staff or nominated Investigation Officer.

6.3 The Chief Internal Auditor will prepare and maintain an annual audit plan in consultation with departmental senior management and with reference to the Council's risk register. The annual audit plan will be ratified by the Strategic Lead - Resources and presented to the Audit and Performance Review Committee for approval.

6.4 The Chief Internal Auditor will establish a framework to assess the Council's system of internal control. An annual assurance statement will be provided to the Strategic Lead - Resources and Elected Members.

6.5 Internal Audit will fulfill its responsibilities in accordance with:

- Relevant codes of ethics standards and guidelines issued by the professional institutes;
- Relevant corporate governance documents, standards, policies and procedures; and
- Its own Audit Manual and other internal standards, which will be adhered to by its entire staff including any contracted external specialists where appropriate.

6.6 Internal Audit adheres to the Public Sector Internal Audit Standards issued by the Internal Audit Standards Advisory Board in 2013 which as from

1 April 2013 have superseded the previously issued CIPFA Code of Practice for Internal Audit in Local Government (2006) and will sit alongside the CIPFA Role of the Head of Internal Audit document.

7. AUDIT RESOURCES

- 7.1** The staffing structure of the Internal Audit Section will comprise a mix of qualified and technician posts with a mix of professional specialists to reflect the varied functions of the Section.
- 7.2** As far as is practicable, Internal Audit staff will not participate in the day-to-day operation of any systems of internal financial control. However, there are occasions when internal audit staff may have to contribute to a Departmental or Corporate initiative. In these circumstances audit personnel may be called upon to carry out non-audit work on a short life basis only.
- 7.3** Members of the Internal Audit Section may be expected to contribute to the general management and conduct of Council business through membership of working groups and participation in ad hoc exercises.
- 7.4** Individual Auditors will not be assigned to review or be involved in any activity where they have previously had any operational or other involvement, usually within a period of one year.
- 7.5** In order to avoid conflicts of interest, the Council's the Code of Conduct provides guidance for employees on the nature and type of interests that should be declared, including paid employment outside the Council and interests in the work of the Council. Members of the Internal Audit team must declare any such interests in accordance with the Code of Conduct. In addition, Internal Audit staff are required to disclose any potential conflicts of interest which may affect their audit work, for example previous employment with the Council, relatives employed with the Council, etc. Such information is updated / reviewed on an annual basis and is recorded in a register, even in the case of a nil return.
- 7.6** The Chief Internal Auditor may request from the CMT that appropriate specialists should be made available to Internal Audit to assist in any audit work which requires specialist knowledge and expertise.
- 7.7** The Chief Internal Auditor will carry out an annual review of the development and training needs of all audit personnel and will arrange appropriate training, as allocated budgets will permit.

8. AUDIT REPORTING

- 8.1 Internal Audit has a protocol for reporting findings. This protocol covers both formal written reports and verbal communications, as appropriate.
- 8.2 Audit reports will explain the scope and objectives of the audit and give an assessment of the risks identified. The report will present findings and conclusions in an objective manner and make appropriate recommendations.
- 8.3 Internal Audit will provide departmental management with a draft report to provide an opportunity to agree the factual accuracy of the content before the final report is issued with an action plan.
- 8.4 In accordance with the reporting protocol, departmental management will be required to provide a formal response to the action plan contained in the final audit report.
- 8.5 Findings and recommendations are categorised and have expected implementation timescales for completion as follows:

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

- 8.6** Internal Audit will provide the Audit and Performance Review Committee with regular reports on the implementation by departmental management of agreed action plans for both Internal Audit and External Audit reports. In addition, Internal Audit will also undertake appropriate follow-up on assignment findings and recommendations derived from its own work.
- 8.7** The Chief Internal Auditor will periodically report to the CMT and the Audit and Performance Review Committee on the Internal Audit function's purpose, authority and responsibility as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by the CMT and the Audit and Performance Review Committee.
- 8.8** In addition, the Chief Internal Auditor will inform the CMT and the Audit and Performance Review Committee on the internal audit function's quality assurance and continuous improvement programme, including results of ongoing internal self-assessments and external assessments conducted at least every five years.

9. CONSULTANCY WORK

- 9.1** Internal Audit, using its systematic and disciplined approach, plays an important role for the Council within its business transformation programme and performance improvement framework through the provision of advice and consultancy services to:
- advise on cost effective controls for new systems and activities to balance risk and control;
 - highlight opportunities to reduce costs through greater economy and efficiency within systems and activities as part of strategic and service reviews;
 - provide quality assurance on projects involving major change and systems development; and
 - provide an independent and objective assessment of the evidence on progress with implementing action plans to demonstrate continuous improvement.
- 9.2** Increasingly departmental management have engaged Internal Audit at an early stage in new developments and business transformation programmes and projects to conduct consultancy work. Acceptance of the assignment will be dependant on available resources, the nature of the assignment and any potential impact on assurances.

9.3 The role of Internal Audit in a consultancy assignment is to provide advice, facilitation and support to departmental management who retain the responsibility for the ultimate decisions taken within the area under review.

10. STANDARDS

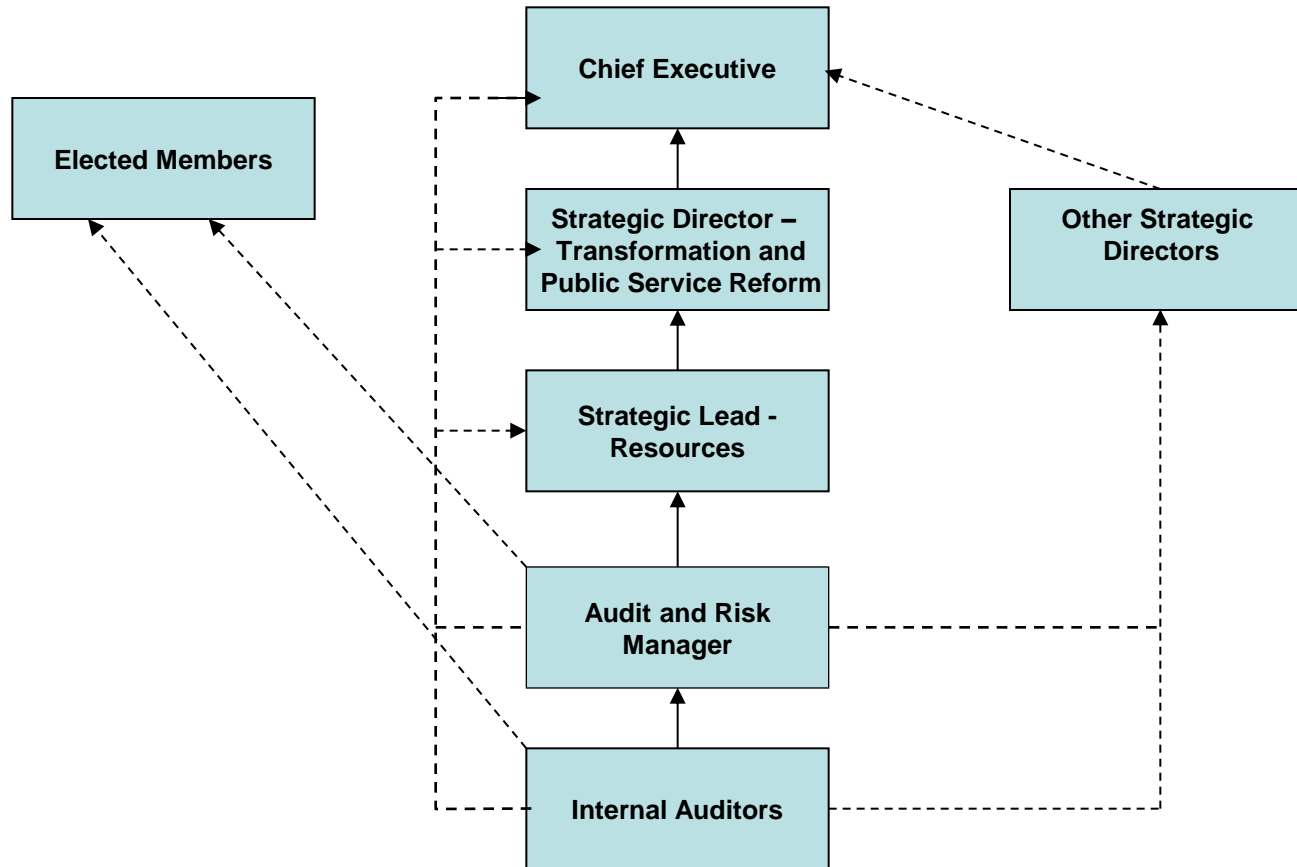
10.1 Internal Audit standards will be consistent with the Public Sector Internal Audit Standards (PSIAS).

11. FINANCIAL ADVICE

11.1 Internal Audit is often asked to provide financial advice. Wherever possible assistance will be provided to clients, however the Chief Internal Auditor is alert to the potential for conflicts of interest to arise and considers each request on its merits.

February 2016

Internal Audit Access to those charged with Governance



WEST DUNBARTONSHIRE COUNCIL**Report by Executive Director of Corporate Services****Audit and Performance Review Committee: 9 March 2016**

Subject: Audit Scotland - Review of Adequacy of Internal Audit Arrangements**1. Purpose**

- 1.1** The purpose of this report is to advise the Committee of the External Auditor's assessment of the adequacy of the Council's Internal Audit arrangements.

2. Recommendations

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

3. Background

- 3.1** Audit Scotland's Code of Audit Practice sets out the wider dimension of public sector audit and requires the external auditor to undertake an annual assessment of the adequacy, strengths and weaknesses of the internal audit function. In addition, based on this assessment, areas are outlined where Audit Scotland, in their capacity as the Council's External Auditors, plan to place formal reliance on the work of Internal Audit.

4. Main Issues

- 4.1** Audit Scotland has issued a letter (see Appendix A) which sets out the nature of the review and raises a number of points. The Council's response to these points is included at Appendix B.
- 4.2** As is noted in Appendix A, External Audit intends to place reliance on the work of Internal Audit in the following areas:
- Treasury management
 - Council tax billing
 - Non domestic rates billing and collection
 - Review of key reconciliations
 - Dunbartonshire and Argyll & Bute Valuation Joint Board – Governance structure
- 4.3** In addition, External Audit will also consider the findings of a further five areas of work carried out by Internal Audit which focus on wider governance and performance aspects, i.e.:
- Statutory performance indicators

- Overtime
- Sickness absence
- Self directed support
- Senior officers governance and controls

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 Failure to ensure that adequate Internal Audit arrangements are in place may result in External Audit being unable to place reliance on the work performed within individual Internal Audit assignments.

8. Equalities Impact Assessment (EIA)

8.1 A screening has been carried out and found no issues relevant to equalities duties.

9. Consultation

9.1 This report has been subject to a check by Finance Services and 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: 27 January 2016

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

Appendices: A – Audit Scotland Letter - Review of Adequacy of Internal Audit Arrangements

B – Council response to Audit Scotland’s letter

Background Papers: EIA Screening

Wards Affected: All Wards

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Angela Wilson
Executive Director of Corporate Services
West Dunbartonshire Council
Garshake Road
Dumbarton
G82 3PU

14 December 2015

Dear Angela

**West Dunbartonshire Council
Review of Adequacy of Internal Audit Arrangements**

Audit Scotland's Code of Audit Practice (the 'Code') sets out the wider dimension of public sector audit and requires the external auditor to undertake an annual assessment of the adequacy, strengths and weaknesses of the internal audit (IA) function. In addition, based on this assessment, we outline the areas where we plan to place formal reliance on the work of internal audit.

Our review covered the following:

- Organisational status – specific status of internal auditing within the council and the effect this has on the degree to which it can be objective.
- Technical competency – whether internal audit is performed by persons with adequate technical training and proficiency as internal auditors.
- Nature of assignments – the scope and coverage of the internal audit function.
- Standard of audit work – whether internal audit's work is properly planned, supervised, reviewed and documented.

Evidence to support findings was drawn from discussions with relevant council officers.

We will perform a review of the internal audit files for the areas which we are proposing to place reliance on once those areas of work have been completed.

Annual Review of Arrangements

We earlier completed a preliminary assessment of the adequacy of internal audit for 2015/16, in conjunction with our risk assessment process and concluded that internal audit have adequate documentation, standards and reporting procedures. This evaluation allows us to review and place reliance on a number of aspects of their work during 2015/16, this will therefore avoid duplication of audit coverage.

We would, however, wish to raise the following points:

WD Health & Social Care Partnership (HSCP)

The council's Chief Internal Auditor (CIA) now has the additional role of CIA of the West Dunbartonshire HSCP which was established on 1 July 2015. This will require a degree of time commitment by the CIA and will commit a degree of the council's internal audit resource to the delivery of the HSCP internal audit plan. It is not yet clear whether this will have a detrimental impact on the delivery of the council's internal audit plans beyond 2015/16. We would recommend the council

monitor this to ensure the additional workload is managed appropriately and assess whether the additional responsibility is impacting on the quality of the internal audit function.

Good Practice

The 2015/16 Internal Audit plan includes areas of focus not traditionally included in the council's 'audit universe.' This includes focusing on areas of concern which have either been raised by us as the council's external auditors, or through discussions with senior officers. Some examples of these are the reviews of sickness absence, key reconciliations, overtime and self-directed support. This provides evidence that the council's internal audit team are taking cognisance of pertinent and topical areas of concern when devising their annual plan.

Continuous Improvement

This is the final year of our appointment as the council's external auditors. Over the duration of the appointment we have reviewed the council's internal audit department on an annual basis and reported our conclusions to the Audit & Performance Review Committee. Throughout this period we have noted a commitment to continuous improvement by the Chief Internal Auditor, and internal audit team, and we feel this is reflected in the improvements that have been implemented by the council.

Reliance on Internal Audit

We plan to place formal reliance on internal audit's work, in terms of International Statement of Auditing 610 (Considering the Work of Internal Audit), for our financial statements audit work, in the following areas:

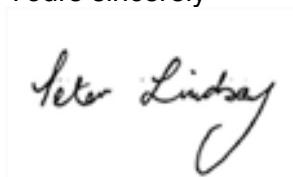
- Treasury management
- Council tax billing
- Non domestic rates billing and collection
- Review of key reconciliations
- Dunbartonshire and Argyll & Bute Valuation Joint Board – Governance structure

In respect of our wider governance and performance audit work we also plan to review the findings and consider other areas of internal audit work including:

- Statutory performance indicators
- Overtime
- Sickness absence
- Self directed support
- Senior officers governance and controls

If you have any queries regarding any of the points raised here, or would like to discuss these in more detail you can contact either myself or Laurence Slavin at the above telephone number.

Yours sincerely



Peter Lindsay
Senior Audit Manager

cc Colin McDougall, Audit & Risk Manager

Our Ref: AW/CM
Date: 20th January 2016

Council Offices
Garshake Road
Dumbarton
G82 3PU

Audit Scotland

Dear Peter

**Subject: West Dunbartonshire Council
Review of Adequacy of Internal Audit Arrangements**

I refer to your letter of 14 December 2015 regarding the above subject. I am pleased to be advised that your team once again can place reliance on the internal audit team thereby avoiding duplication of audit coverage. I note the points you make and would offer the following in responses:

WD Health and Social Care Partnership (HSCP)

You note in your letter that the Council's Chief Internal Auditor (CIA) now has the additional role of CIA of the West Dunbartonshire HSCP which was established on 1 July 2015. In recognition of the resource impact that this change is likely to have on the role of the CIA and the Internal Audit team, following a senior management restructure, the CIA will no longer have management responsibility for Resilience, Health & Safety, Insurance and Risk Management. This will allow him to focus more on Internal Audit, Corporate Fraud and ICT Security activity. The Council's Internal Audit Charter will be updated, and reported to the Audit and Performance Review Committee, to reflect the new management structure and change in responsibilities.

As a result of the new structure, notwithstanding the impact on Council audit work of the changes relating to the HSCP and LLTNP, it is anticipated that the CIA will now be able to devote a greater proportion of his time to Internal Audit duties than in recent years and so, if anything, the quality of the Internal Audit function will consequently be enhanced.

Good Practice

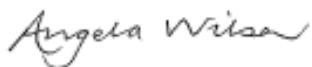
Your positive comments on the change in focus of Internal Audit work are welcomed. This approach will continue during 2016/17 and beyond, thereby enhancing the level of assurance that the work of Internal Audit provides. I note that, for 2015/16, this will allow you to place reliance on five Internal Audit assignments for your financial statement work and in addition consider the findings of a further five areas of work carried out by Internal Audit which focus on wider governance and performance aspects.

Continuous Improvement

Your positive comments on the commitment by the CIA to continuous improvement in the delivery of work by the Internal Audit Team are also welcomed. This practice will continue in the coming years, initially demonstrated by the implementation of any improvement actions arising from the Public Sector Internal Audit Standard (PSIAS) external review which has recently been completed. The WDC Internal Audit team has been amongst the first few local authority audit teams in Scotland to undergo this external review process.

I trust this response is sufficient, however I would be happy to clarify any points should this be required.

Yours sincerely

A handwritten signature in cursive script that reads "Angela Wilson".

Angela Wilson

Executive Director Corporate Services

WEST DUNBARTONSHIRE COUNCIL**Report by Executive Director of Corporate Services****Audit & Performance Review Committee: 9 March 2016**

Subject: Internal Audit Plan 2016/17**1. Purpose**

- 1.1 The purpose of this report is to advise members of the planned programme of work for the Internal Audit Section for the year 2016/17.

2. Recommendations

- 2.1 It is recommended that the Committee approve the Audit Plan for 2016/17.

3. Background

- 3.1 The Audit Plan was compiled using a risk based approach through a review of the Audit Universe which includes all significant activities and systems that contribute to the achievement of the Council's priorities and objectives.

4. Main Issues

- 4.1 The audit planning process has taken into account the following factors:
- A risk based audit needs assessment identifying all potential audit areas;
 - Consultations with senior management;
 - The plans of External Audit and other inspection agencies;
 - The Council's strategic priorities and risks;
 - Departmental objectives;
 - Current issues and changes in computer systems; and
 - Resources available.
- 4.2 Internal Audit monitors delivery of the plan continuously during the year using a number of performance indicators. Progress is reported to members on a regular basis.
- 4.3 The Annual Report on Internal Audit will compare the work actually undertaken against the work planned and summarise performance against targets. It will also provide an opinion on the adequacy and effectiveness of the Council's control environment. Work done underpins the Statement of Internal Financial Control / Annual Governance Statement which will be published with the Abstract of Accounts.

- 4.4** From 1 April 2015, the Benefits Fraud Team transferred to join Internal Audit to form a Corporate Fraud Team. This has enabled a joined-up approach to fraud detection and will gradually see the WDC fraud team shift focus more onto corporate fraud areas. The Audit Plan also now includes a section showing the planned activity of the newly formed Corporate Fraud Team.
- 4.5** The draft Audit Plan is included at Appendix A. There are sufficient resources to deliver the planned programme of audit assignments detailed in Appendix A and that there are no significant threats to the independence of the internal audit activity, such as inappropriate scope or resource limitations.
- 4.6** It is recognised that the governance process for the West Dunbartonshire Health and Social Care Partnership is still under development and elements of the attached plan may be included within the Integrated Joint Board (IJB) Audit Plan for 2016/17.

5. Personnel Implications

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

6. Financial Implications

- 6.1** There are no financial implications with this report.

7. Risk Analysis

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

8. Equalities Impact Assessment (EIA)

- 8.1** A screening has been carried out and found no issues relevant to equalities duties.

9. Consultation

- 9.1** This report has been subject to a check by Finance Services and Legal, Democratic & Regulatory Services with no issues identified.

10. Strategic Assessment

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

Angela Wilson
Executive Director of Corporate Services
24 February 2016

Person to contact Stephen West, Head of Finance and Resources,
Council Offices, Garshake Road, Dumbarton,
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Appendix A: Draft Internal Audit Plan 2016/17

Background Papers: EIA Screening

Wards Affected: All wards



WEST DUNBARTONSHIRE COUNCIL

**INTERNAL AUDIT PLAN
2016-17**

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1 Introduction

1.1 Definition of Internal Audit

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

Public Sector Internal Audit Standards

The Standards (applying the Institute of Internal Auditors International Standards to the UK Public Sector) have been agreed to be adopted from the 1st April 2013 by the relevant public sector Internal Audit Standard setters. Elements of the Standards are based on the Chartered Institute of Internal Auditors International Professional Practices Framework. Standard setters are; HM Treasury; Scottish Government; Department of Finance and Personnel Northern Ireland; Welsh Government; Department of Health; and the Chartered Institute of Public Finance and Accountancy.

In accordance with the Standards an Audit Charter is in place which defines the internal audit activity's purpose, authority and responsibility.

1.2 Authority

All Local Authorities in Scotland are subject to Section 95 of the Local Government Act (Scotland) 1973, and should make provision for Internal Audit, in accordance with the Public Sector Internal Audit Standards issued 2013 (The Standards).

1.3 Audit Planning

Internal Audit complies with the requirements of The Standards, per Section 2010 (Planning):

'The chief audit executive (WDC – Audit and Risk Manager) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'

2 The Audit Planning Process

2.1 Risk Assessment

A risk-based audit needs assessment has been carried out by Internal Audit staff in which a review of the “audit universe” has been carried out. The audit universe includes all significant activities and systems that contribute to the achievement of the Council’s priorities and objectives.

This assessment of needs identifies all operations, resources, services and responsibilities, and prioritises key systems being operated, and key services provided. Senior management have been consulted on priority areas for review, while cognisance has been taken of the plans of External Audit and other statutory agencies, in order to avoid duplication, and increase potential for cross reliance. The audit needs assessment is based upon a matrix taking account of scores for each potential audit area in respect of:-

- Control risk
- Materiality
- Sensitivity
- Management concerns

The matrix gives an overall “score” for each area that is used to prioritise the audit reviews.

The risk process recognises the materiality of core financial systems by applying a weighting based on transaction value. In addition, the process ensures that major systems will be covered over a rolling programme by applying a weighting factor based on the date of the previous audit.

This process ensures that Internal Audit independence is maintained in the formation of the plan.

2.2 Systems Based Auditing

The systems based audit approach developed by the Chartered Institute of Public and Finance and Accountancy (CIPFA) will continue to form the basis for testing controls within each system, in line with good practice.

2.3 Strategic Risks

The Strategic Risk Register records the Council’s own assessment of the most potentially damaging risks and their likelihood of occurrence. This document is used to inform the Audit Plan.

2.4 Strategic Plan 2012/17

As well as considering risk when formulating the plan, considerable attention has been paid to the strategic priorities and success factors contained in the Council’s Strategic Plan 2012/17 in order to ensure there is a spread of audit coverage across these key areas. The contribution of the work included in the Audit Plan to the Council’s strategic priorities and success factors is shown in italics in the appropriate schedules of this document.

2.5 Other Issues

Other factors which influence the plan are discussions with Senior Management, consideration of current issues arising, major computer systems being introduced, and recommendations from recently completed audits.

2.6 Irregularity

Allowance has been made for matters arising requiring investigation, and ad-hoc work, based upon levels experienced in the past.

3 Resourcing the Plan

Internal Audit

The Internal Audit Section has a core establishment of 4.6 FTE including three professionally qualified members of staff. Computer Audit will be carried out alongside systems reviews and also by the ICT Security Officer who will contribute 96 operational days to the Audit Plan. Available Audit Days have been calculated as 1,120 days, following the deduction of Administration, Management and Planning, Training and Leave. Within this overall resource, 130 days has been included for the Audit and Risk Manager's time to reflect the contribution he makes to the activities of the Internal Audit Section. The Audit and Risk Manager is professionally qualified to fulfil an audit role.

Through an assessment of the mix of knowledge, skills and experience of the Audit Team, it is considered that the available resources are sufficient to achieve the work outlined in the plan.

The Council's External Auditors work in conjunction with Internal Audit so that resources are optimised in providing overall assurance on the financial statements and the adequacy of the internal control environment. Towards the end of 2016/17, External Audit will advise on which areas of Internal Audit work it will place reliance upon for the year as outlined in its annual "Review of Adequacy of Internal Audit Arrangements" letter.

As described in Paragraph 2.1 above, a risk based audit needs assessment was carried out. The available staffing resources, in terms of Available Audit Days are matched to this and in 2016/17 in order to determine the areas of work to be included in the Audit Plan.

Internal Audit Plan 2016-17

Planned Internal Audit Activity

The allocation of time to each audit category is shown in the table below.

Category	2016/17	
	Planned Days	% of Operational Time
Risk Based Audit	485	43.2
Computer Audit	100	8.9
Development	60	5.4
Investigations	125	11.2
Regularity / CRSA	60	5.4
Governance and Assurance	45	4.0
Follow up	24	2.1
Year-end procedures	6	0.5
Performance Indicators	30	2.7
Advise and Guidance / Grant Claims	50	4.5
Review	40	3.6
Health and Social Care Partnership	35	3.1
Other Bodies	60	5.4
Operational Time	1,120	100%
Administration	34	-
Management and Planning	56	-
Training / Staff Development	33	-
Leave	356	-
Non-Operational Time	470	-
Overall Total	1,590	-

Corporate Fraud

The Council's Benefits Fraud Team has joined Internal Audit within the Audit and Risk Section to form a Corporate Fraud Team. This will enable a joined-up approach to fraud detection and will gradually see the WDC fraud team shift focus more onto corporate fraud areas. The Audit Plan also now includes a section showing the planned activity of the newly formed Corporate Fraud Team.

The Corporate Fraud Team has an establishment of 4 FTE. Available days have been calculated as 739 operational days, following the deduction of Administration, Management and Planning, Training and Leave. Through an assessment of the mix of knowledge, skills and experience of the Corporate Fraud Team, it is considered that the available resources are sufficient to achieve the work outlined in the plan. The Corporate Fraud Team Leader reports to the Audit and Risk Manager.

Planned Corporate Fraud Activity

The allocation of time to each category of work is shown in the table below.

Category	2016/17	
	Planned Days	% of Operational Time
Work carried out on behalf of DWP	110	14.9
National Fraud Initiative	120	16.2
Corporate Fraud	277	37.5
Development	87	11.8
Research	105	14.2
Review	40	5.4
Operational Time	739	100%
Administration	23	-
Management and Planning	45	-
Training / Staff Development	20	-
Leave	216	-
Non-Operational Time	304	-
Overall Total	1043	-

The Corporate Fraud Team have been set targets to make savings to the Council over a three year period as follows:

- 2015/2016: £50,000
- 2016/2017: £100,000
- 2017/2018: £150,000

It is important that the pro-active work of the Corporate Fraud Team is structured to ensure the information obtained in any data match is current and that there are sufficient resources to deal with the output of the matches.

A large part of the work of the team will remain reactive as they respond to referrals made from members of the public, internal departments, outside agencies and the Joint Working Pilot and cognisance has to be taken of this commitment when planning proactive work.

With this in mind it is prudent to consider a few areas of fraud at a time, so that the focus initially is planned to be on Tenancy Fraud and Employee

4 Monitoring the Plan

Internal Audit reports performance to the Audit and Performance Review Committee on a quarterly basis:-

- Completion of Risk Based Audits
- Action Plans issued during the quarter
- Progress on implementation of audit recommendations

Internal Audit recommendations are shown in Covalent, the Council's risk and performance management system. This enables both departmental management and Internal Audit to monitor and report on the implementation of recommendations more efficiently and has greatly reduced outstanding audit recommendations.

For the Corporate Fraud Team, a half-yearly Counter Fraud Update report will be submitted to the Audit and Performance Review Committee.

5. Annual Report

Section 2450 of the Standards states that:

'The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to form its governance statement.'

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

This work underpins the Statement of Internal Financial Control / Annual Governance Statement, which will be published with the Abstract of Accounts, and subject to the scrutiny of External Audit.

6 Quality Assurance and Improvement Programme

Sections 1310 to 1312 of the Standards refer to the need for a quality assurance and improvement plan to be developed to include both internal and external assessments.

Internal assessments must include ongoing monitoring of Internal Audit performance and periodic assessments by other persons within the organisation with sufficient knowledge of the work of Internal Audit. It is proposed that Finance Section Accountants will fulfil this role.

External assessments must be conducted at least every five years by a qualified independent assessor. The Scottish Local Government Chief Internal Auditors' Group (SLACIAG) has developed a framework for external assessments to be undertaken by member authorities of SLACIAG on a broadly reciprocal arrangement utilising a peer review option. The Council's Internal Audit Section has participated in this framework and an external validation of its own self-assessment took place during 2015/16.

In the Development Schedule, time has been allocated within the Audit Plan for 2016/17 to implement any actions arising from the external review and to act as the reviewing function for an another Council's self-assessment.

7 Delivering the Plan

The plan has been developed in line with the approved Internal Audit Charter and will be delivered in accordance with:

- The Standards;
- Relevant codes of ethics standards and guidelines issued by the professional institutes;
- Relevant corporate governance documents, standards, policies and procedures; and
- The Internal Audit Section's own Audit Manual and other internal standards, which will be adhered to by its entire staff including any contracted external specialists where appropriate.

8 Schedule of Risk Based Audits

Audit	Days	Objectives / key tasks
Cash and Bank <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> • Policies and procedures • Cash receipting • Cheque control • Segregation of duties • Security and banking • Income reconciliations • Bank reconciliations
Payroll <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> • Starters • Leavers • Transfers • Additional payments • Deductions • Amendments to existing employees
Debtors <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> • Ensure debtor procedures comply with legislation and WDC policies & procedures. • Check there is documentary evidence to support all transactions. • Determine if all debtor invoices provide sufficient information of debt, all relevant records and accounts are updated and all transactions are processed. • Check that sums due are calculated correctly, transactions are posted to correct financial codes and debts are monitored. • Ensure transactions are initiated and recorded timeously and debt recovery is undertaken promptly. • Ensure that adequate controls and segregation of duties are in place for processing and write-off of debt. • Assess if adequate controls are in place to protect information and data from unauthorised access.

Internal Audit Plan 2016-17

Audit	Days	Objectives / key tasks
Capital expenditure / capital programme <i>Strong financial governance and sustainable budget management</i>	20	<ul style="list-style-type: none"> • Process for determining the capital budget • Process for assessing proposed capital projects • Controls over allocating costs into the correct periods
Scottish Social Services Council Registration <i>Improve the wellbeing of communities and protect the welfare of vulnerable people</i>	20	<ul style="list-style-type: none"> • Registration and renewal process • Qualifications • Timescales for staff • Awareness of individual responsibilities • Post registration training learning
Central Repairs <i>Strong financial governance and sustainable budget management</i>	20	<ul style="list-style-type: none"> • Review process for the central repairs budget, including the classification between capital and revenue
School Estates Strategy <i>Fit-for-purpose estate and facilities</i>	20	<ul style="list-style-type: none"> • Rebuilding programme / strategy • Procurement and contract arrangements • Financial monitoring / reporting • Value for money
Stocks and Stores <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> • Physical security of stores • Receipts and issues • Write offs • Stock Checks
Employee Licences / Vehicle Checks <i>Strong financial governance and sustainable budget management</i>	20	<ul style="list-style-type: none"> • Compliance with Council procedures • Adherence to legislation
Leisure Trust <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> • Income and charges • Facilities utilisation
Register of Gifts and Hospitality (Elected Members / Officers) <i>Strong financial governance and sustainable budget management</i>	20	<ul style="list-style-type: none"> • Compliance with Council Policies and Procedures • Review of Register

Internal Audit Plan 2016-17

Audit	Days	Objectives / key tasks
<p>Employment Support (Social Work initiative for vulnerable people)</p> <p style="text-align: center;"><i>Improve the wellbeing of communities and protect the welfare of vulnerable people</i></p>	15	<ul style="list-style-type: none"> • Determination of suitability of clients • General cash controls • Recording of income and expenditure process • Stock control • General compliance with Council policies regarding fire assessments, health and safety training etc.
<p>Emergency Payments</p> <p style="text-align: center;"><i>Improve the wellbeing of communities and protect the welfare</i></p>	20	<ul style="list-style-type: none"> • Grant award decisions • Financial controls • Reconciliations • Web based system integrity
<p>Economic Development</p> <p style="text-align: center;"><i>Improve economic growth and employability</i></p>	20	<ul style="list-style-type: none"> • Strategic objectives • Expenditure / budget monitoring • Benefits derived
<p>European Grants Programme</p> <p style="text-align: center;"><i>Strong financial governance and sustainable budget management</i></p>	20	<ul style="list-style-type: none"> • Compliance procedures • Eligibility checks • Financial guidance • Document retention processes
<p>Home Care</p> <p style="text-align: center;"><i>Improve care for and promote independence with older people</i></p>	20	<ul style="list-style-type: none"> • Policies and procedures • Proof of fulfilment of service • Quality assurance processes and monitoring • Use of technology to enhance service delivery • PVG checks • Contract monitoring and payment of external provision
<p>Purchasing Cards</p> <p style="text-align: center;"><i>Strong financial governance and sustainable budget management</i></p>	20	<ul style="list-style-type: none"> • Controls over card issues, amendments and terminations • Supporting documentation for transactions • Authoriser review process • Monthly routines
<p>Housing - Tenancy, Allocations & Lettings</p> <p style="text-align: center;">Improve local housing and environmentally sustainable infrastructure</p>	20	<ul style="list-style-type: none"> • Development of new system and new control procedures • Procedures are operated in accordance with housing and landlord legislation and the organisation's agreed written policy • Adequacy of documentary evidence to support all applications and lettings • Tenancy allocation and letting of all properties is legitimate and appropriate

Internal Audit Plan 2016-17

Audit	Days	Objectives / key tasks
City Deal <i>Improve economic growth and employability</i>	20	<ul style="list-style-type: none"> • Governance framework • Procurement policy and processes • Capital project management and monitoring processes
Fostering and adoption payments / allowances <i>Improve the wellbeing of communities and protect the welfare of vulnerable people</i>	25	<ul style="list-style-type: none"> • Foster carers / adoption agreements • PVG checks • Payment processing and verification • Insurance arrangements • Security of data • Monitoring and review of cases
Valuation Joint Board – Electoral Registration <i>Strong financial governance and sustainable budget management</i>	20	<ul style="list-style-type: none"> • Individual Registration, adherence of procedures to new legislation • Absent voters • Annual Canvas
Total	445	
Completion of 2015/16 risk based audits	40	n/a
Overall Total	485	

9. Schedule of Computer Audits

Audit	Days	Objectives / key tasks
Disaster Recovery (DR) and Business Continuity (BC) Controls <i>Innovative use of Information Technology</i>	25	<ul style="list-style-type: none"> • Identify Critical sites and redundant communications links between them for both voice and data • Identify and prioritise key applications and services • Identify dependencies between key communications and applications • Ensure Services understand their DR and BC plans
Education Services IT Arrangements <i>Innovative use of Information Technology</i>	25	<ul style="list-style-type: none"> • Ensure Education services have appropriate governance arrangements in place for the use of ICT • Ensure Education services have appropriate protective measures in place both for the handling of sensitive data, and filtering inappropriate content when using council ICT
ICT Risk Register <i>Innovative use of Information Technology</i>	20	<p>Ensure ICT have identified and prioritised risk around;</p> <ul style="list-style-type: none"> • Key communications links and there potential failure • Key Infrastructure components • Key directory and messaging systems • Key Virtual Desktop Infrastructure (VDI) platforms • Key service applications

Internal Audit Plan 2016-17

Public access to Council IT Systems <i>Innovative use of Information Technology</i>	20	<ul style="list-style-type: none"> • Identify measures in place to ensure the appropriate use of ICT in public access areas • Identify measures in place to separate public access areas from corporate areas of ICT • Ensure appropriate protective measures are in place to stop the abuse of computer systems in public access areas • Ensure appropriate governance measures are in place for the public use of ICT on council premises
Total	90	
Included within risk based audits	10	n/a
Overall Total	100	

10. Schedule of Development Work

Audit	Days	Objectives / key tasks
Audit programmes	10	Development of audit programmes
PSIAS	40	Implementation of action plan resulting from PSIAS External Review Annual self-assessment and internal review process Review work for other local authority
TeamMate Development	10	Upgrades, audit programme uploads and layout modifications as appropriate
Total	60	

WEST DUNBARTONSHIRE COUNCIL**Report by Executive Director of Corporate Services****Audit & Performance Review Committee: 9 March 2016**

Subject: Public Sector Internal Audit Standards (PSIAS) – External Quality Assessment of Internal Audit at West Dunbartonshire Council**1. Purpose**

- 1.1 The purpose of this report is to present the Audit Committee with the External Quality Assessment of Internal Audit at West Dunbartonshire Council.

2. Recommendations

- 2.1 It is recommended that the Committee note the reported provided at Appendix 1, including an action plan, which once implemented will ensure the Council's Internal Audit Service is fully compliant with PSIAS.

3. Background

- 3.1 The Public Sector Internal Audit Standards (PSIAS) became effective from 1 April 2013. A key component of the PSIAS is that an External Quality Assessment (EQA) is performed at least every five years. This report presents the results of the EQA and confirms that Council's Internal Audit Service generally conforms with the requirements of the PSIAS.

4. Main Issues

- 4.1 Members will recall from previous reports to Committee that a new set of professional standards based on the mandatory elements of the Institute of Internal Auditors (IIA) International Practices framework came into force on 1 April 2013. These are called the Public Sector Internal Audit Standards (PSIAS).
- 4.2 As previously reported, West Dunbartonshire Council Internal Audit Service substantially complies with these standards. The Scottish Local Authority Chief Internal Auditors Group (SLACIAG) has developed a framework for an external assessment process that will provide internal audit sections within Scottish Councils the opportunity to carry out a self-assessment which will subsequently be externally validated by the internal audit section of another Council. In order to ensure compliance with PSIAS, an external review needs to be undertaken on a five yearly basis.
- 4.3 An external review of the Council's Internal Audit Service was undertaken between September and December 2015 on behalf of SLACIAG by the Chief Internal Auditor from South Lanarkshire Council's Internal Audit Section,

Yvonne Douglas and her team. The report produced as a result of this external review is included at Appendix 1. This report confirms that West Dunbartonshire Council Internal Audit Service generally conforms to the standards.

- 4.4 As can be seen from Appendix A of the report, for the 13 assessment areas, the Council's Internal Audit Service fully conforms in six areas and generally conforms in seven areas. The recommendations from the report are all accepted and their implementation will ensure that during 2016/17 the Council's Internal Audit Service will be able to work towards full compliance with PSIAS.
- 4.5 The Audit and Fraud Manager would also like to put on record his appreciation for the professional manner in which this review was undertaken by Yvonne Douglas and her team and also record his thanks to all Council staff and Elected Members who contributed to this process.

5. Personnel Implications

- 5.1 There are no personnel issues with this report.

6. Financial Implications

- 6.1 There are no financial implications with this report.

7. Risk Analysis

- 7.1 Failure to comply with PSIAS would invite adverse comment on the Council's Internal Audit Service. The undertaking of this review and implementation of the recommendations in the action plan will mitigate this risk.

8. Equalities Impact Assessment (EIA)

- 8.1 A screening has been carried out and found no issues relevant to equalities duties.

9. Consultation

- 9.1 This report has been subject to a check by Finance Services and Legal, Democratic & Regulatory Services with no issues identified.

10. Strategic Assessment

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

Angela Wilson
Executive Director of Corporate Services
24 February 2016

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Appendices: Appendix 1: West Dunbartonshire Council: External
Quality Assessment of the Internal Audit Service

Background Papers: EIA Screening

Wards Affected: All wards

West Dunbartonshire Council



EXTERNAL QUALITY ASSESSMENT

OF THE

INTERNAL AUDIT SERVICE

Final Report

22 February 2016

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Date of Visit	August – December 2015
Draft Report Issued	1 February 2016
Management Response Received	8 February 2016
Final Report Issued	22 February 2016

Issued to:	
Joyce White	Chief Executive
Angela Wilson	Executive Director of Corporate Services
Stephen West	Head of Finance and Resources
Colin McDougall	Chief Internal Auditor
CIr Jonathan McColl	Chair of Audit and Performance Review Committee

1. EXECUTIVE SUMMARY

1.1 Background

Introduction

- 1.1.1 This report has been prepared following a review of compliance with the Public Sector Internal Audit Standards (PSIAS) 2013 and the International Professional Practices Framework (IPPF) on which PSIAS has been based. The purpose of this report is to provide an overview of West Dunbartonshire Council's (WDC) arrangements for the operation and management of its Internal Audit service.
- 1.1.2 PSIAS applies to all internal audit service providers, whether in-house, shared services or outsourced. Indeed, it should be acknowledged upfront that this particular review is very timely, given that internal audit within public bodies in Scotland became a statutory function on 10 October 2014, which brings Scotland into line with the rest of the United Kingdom. PSIAS defines internal audit as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".
- 1.1.3 PSIAS requires, as outlined in Standard 1300 "Quality Assurance and Improvement Programme", that:
- 1.1.4 "External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation".
- 1.1.5 To meet this requirement, a reciprocal arrangement to complete a programme of inspections has been developed by the Chief Internal Auditor's Group (SLACIAG) within Scotland. This has identified South Lanarkshire Council as the Authority to undertake the independent review of WDC's Internal Audit function's level of compliance with PSIAS.
- 1.1.6 This report details the findings from the External Quality Assessment (EQA) undertaken in the period August to December 2015 by the Chief Internal Auditor of South Lanarkshire Council.

1.2 Scope

- 1.2.1 The purpose of this EQA is to provide an independent assessment of the extent to which the Internal Audit Service within WDC complies with PSIAS.
- 1.2.2 The methodology for this EQA, takes the form of a validated self assessment. As such, we have undertaken the following work in arriving at our opinion:
- A review of the latest self assessment and supporting evidence provided by the Chief Audit Executive (CAE);
 - canvassed the opinions of key stakeholders such as Chair of the Audit Committee, Directorate, and Chief Executive;
 - completed a series of tests using a standard checklist; and
 - completed a review of guidance and process documents and a sample of files (See Appendix B).

- 1.2.3 As part of our review of the internal audit service, we issued questionnaires to a sample of key stakeholders using the service. This included the Chair of the Audit and Performance Review Committee (APRC). The confidential responses were sent to the review team. A sample questionnaire can be seen at Appendix C of the report.
- 1.2.4 The majority of questionnaires were returned and provided extremely positive feedback in relation to the Internal Audit function within WDC. Any responses which were marginally tempered were in relation to more strategic areas. Feedback in relation to operational areas is addressed below.

Limitations

- 1.2.5 We have not undertaken any specific work to assess the effectiveness of the Council's Audit Committee as this was not required to assess the function's level of compliance with PSIAS. Our view as to the extent of compliance with PSIAS cannot be taken as any assurance on the strength of the control environment. It should also be noted that this report does not include detailed findings from the sample file reviews undertaken but these findings have been used to support our recommendations for improvements.

1.3 Areas of Good Practice Identified

- 1.3.1 Fully qualified Chief Internal Auditor with extensive local authority experience;
- 1.3.2 Internal Audit staff who are experienced and able to provide a professional service;
- 1.3.3 A receptive culture in the organisation that embraces the output of the internal audit function;
- 1.3.4 A robust planning methodology in evidence on which the annual Audit Plan is based;
- 1.3.5 Regular and comprehensive reporting of activity to the APRC;
- 1.3.6 Substantial compliance with PSIAS and IPPF.

1.4 Conclusion and Main Findings

- 1.4.1 The overall conclusion is arrived at following completion of the comprehensive EQA Checklist and, based on the work we have undertaken, it is our opinion that the Internal Audit Service, within WDC, **generally conforms** with the PSIAS. As detailed at Appendix A there are however many areas within the Standards where the function can demonstrate that it is fully compliant with the requirements of PSIAS.
- 1.4.2 Verbal enquiries have confirmed that, as an internal audit function, significant consulting engagements are not routinely undertaken. Areas within the assessment, in relation to such activity, were therefore not assessed.
- 1.4.3 Aside from an overall compliance with PSIAS, our review has nonetheless highlighted areas where improvements could be made. Some of the issues identified for improvement were minor in nature, with only a few more significant areas being identified, namely:
- Development of a suite of Key Performance Indicators to measure service delivery
 - Development of a formal assurance mapping process to support the overall Statement of Assurance at the financial year-end
 - Review of the 'risk and control' focus of engagements to ensure assignments address the risks specific to each audit area
 - Amending the annual report to include a number of key statements required by PSIAS

These are detailed in full at Section 3 (Action Plan).

- 1.4.4 Whilst the recommendations are made for the Chief Internal Auditor to consider and action, Council senior management and the Audit Committee needs to recognise that to deliver these, they will have a role to play, especially in relation to the support they can give regarding resource allocations to the Internal Audit Service and their expectations of the number of days required as they support and facilitate Internal Audit in the improvement actions detailed.

2. FEEDBACK AND EQA FINDINGS

The findings are detailed below under each heading within the checklist.

2.1 Section A: Definition of Internal Auditing

- 2.1.1 The internal audit function within WDC is considered to **fully conform** with the definition detailed at 1.1.2.

2.2 Section B: Code of Ethics

- 2.2.1 Within this area there was strong evidence of a culture that supports internal auditors to perform work with honesty, diligence, responsibility and objectivity. Only one minor point regarding the re-brief of the Standards of Public Life's Seven Principles of Public Life was highlighted (see Action Plan – point 1).
- 2.2.2 Aside from this, the internal audit function within WDC is considered to **fully conform** with the Code of Ethics.

2.3 Section C: Attribute Standards

1000 Purpose, Authority and Responsibility

The standard sets out that the purpose, authority and responsibility of the internal audit activity must be defined in an Internal Audit Charter. It should define the nature of assurance services and consulting activities as well as internal audit's position in the organisation and relationships between the Chief Audit Executive and the Board.

- 2.3.1 The Internal Audit Charter is clear, concise and easy to follow in both its terminology and presentation. Only two minor issues were noted around the inclusion of a requirement for Internal Audit to be notified of all suspected frauds (see Action Plan – point 2) and evidence of due consideration of the potential for conflict of interest across the entire audit team. At the time of the review, operational responsibilities were acknowledged within the Internal Audit Charter in relation to the CAE. These operational responsibilities have subsequently reduced and arrangements to manage any perceived conflicts of interest are in place. The avoidance of a conflict of interest however also extends to the internal audit team and it is recommended that this is also clearly documented within the Charter (see Action Plan – point 3).
- 2.3.2 The internal audit function within WDC is considered to **generally conform** in terms of its purpose, authority and responsibility.

1100 Independence and Objectivity

The standard sets out the organisational and reporting lines expected to promote and preserve the organisational independence of the internal audit

activity. It also sets out the arrangements expected to achieve individual objectivity and for dealing with potential and actual conflicts of interest.

- 2.3.3 There is clear organisational independence of the internal audit function within WDC.
- 2.3.4 Having established this, the annual Audit Plan should confirm that there are sufficient resources to deliver the programme of audit assignments and confirm that there are no significant threats to the independence of the internal audit activity such as inappropriate scope or resource limitations, re-confirming this position as part of the Annual Report (see Action Plan – point 4).
- 2.3.5 The Standard envisages that such organisational independence is further evidenced through performance appraisals for the CAE that includes feedback from the Chief Executive and Chair of the APRC.
- 2.3.6 Arrangements are in place to manage conflicts of interest within the function together with a range of key organisational policies and documents. General discussions have highlighted an awareness of such policies but a re-briefing to the team may help to re-emphasise the contents (see Action Plan – point 5).
- 2.3.7 The internal audit function within WDC is considered to **generally conform** in terms of its independence and objectivity.

1200 Proficiency and Due Care

The standard sets out the necessary requirements to ensure that the internal audit team possesses the knowledge, skills and other competencies to effectively carry out their professional responsibilities applying due professional care.

- 2.3.8 Enquiries have established that the CAE holds a relevant professional qualification and stakeholder questionnaires have confirmed that the CAE is suitably experienced.
- 2.3.9 Processes are in place to demonstrate due professional care and job profiles exist for all employees within the function. A more formal profile should however be developed for the post of Audit Assistant in the interests of completeness and to fully evidence compliance with PSIAS (see Action Plan – point 6).
- 2.3.10 Staffing and training of small professional Internal Audit teams is an ongoing challenge and can lead to a limited pool of specialist resources.
- 2.3.11 It is therefore important that training and development of all staff, but particularly, non-qualified staff takes place. Training of staff continues to be recognised as key although more innovative ways to deliver this continues to be the focus in light of ongoing funding constraints (see Action Plan – point 7).
- 2.3.12 The internal audit function within WDC is considered to **generally conform** in terms of its proficiency and due care.

1300 Quality Assurance and Improvement Programme

The standard sets out the necessary requirements for the internal and external assessment of performance and compliance against PSIAS. The arrangements for reporting on results and disclosure of non-performance.

- 2.3.13 Arrangements are in place to monitor the performance of the internal audit function within WDC and this is in evidence throughout the audit process and the reporting of such to the APRC.

- 2.3.14 To assist in monitoring the performance of the function, it is recommended that a suite of key performance indicators is developed that can be used to formally measure delivery against material service targets. This should include a measure to review compliance with PSIAS through a self-assessment exercise on an annual basis (see Action Plan – point 8).
- 2.3.15 The Standard requires the CAE to develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the Internal Audit activity and report this at least annually to senior management and the Audit Committee. Templates for the annual report should be updated to include details of the QAIP process and the outcome of such, including progress with improvement actions as appropriate (see Action Plan – point 9).
- 2.3.16 The internal audit function within WDC is considered to **generally conform** in terms of its Quality Assurance and Improvement Programme.

2.4 Section D: Performance Standards

2000 Managing the internal audit activity

The standard sets out the necessary requirements for the overall management of the internal audit activity, the preparation of the risk based Audit Plan including delivery and reporting of the Audit Plan

- 2.4.1 A robust planning methodology was in evidence from which the annual Audit Plan was based. The only area for improvement in this area would be to develop a formal assurance mapping processes to assess the organisation's overall assurance framework and use this to inform the Plan and the overall audit opinion. PSIAS requires such an approach to be developed and that this is documented. Benefits accrue from placing reliance on output from other assurance providers by avoiding duplication of efforts (see Action Plan – point 10).
- 2.4.2 The Annual Plan is approved by the APRC but not by WDC's Corporate Management Team (CMT). To comply with PSIAS, the Plan should be communicated to and noted by the CMT and approved by the APRC and should also confirm that there are no resource limitations that have constrained the contents of the Plan (see Action Plan – point 11).
- 2.4.3 The Plan should be reviewed and be sufficiently flexible to reflect changing risk and priorities. Although this happens in practice, this process should be formally noted within reports to the APRC (see Action Plan – point 12).
- 2.4.4 The Audit Manual is broadly comprehensive and competently covers the objective and processes of the internal audit function. This document was last reviewed in March 2015 and at the point of next review, consideration should be given to including reference to the remit of the internal audit function in relation to corporate fraud activity (see Action Plan – point 13).
- 2.4.5 Regular reports are provided to the APRC that are informative and relevant. PSIAS requires that these reports highlight areas of significant risk exposures and related control issues, together with fraud risks and governance issues. Within WDC, this is communicated by way of detailed action plans that are reported to the APRC but these reports could be developed further to highlight above areas as required (see Action Plan – point 14).
- 2.4.6 The internal audit function within WDC is considered to **generally conform** in terms of managing the internal audit activity.

2100 Nature of work

The standard sets the internal audit activity that needs to be undertaken to evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

- 2.4.7 No issues to report. The internal audit function within WDC is considered to **fully conform** in terms of the nature of its work.

2200 Engagement Planning

The standard sets the requirements necessary to develop and plan for each engagement including the objectives, scope, timing and resource allocations.

- 2.4.8 Engagement planning is clearly documented within a series of standard documents. To fully comply with PSIAS these should be amended to include detail on how the specific risks are controlled relating to the individual activity's objectives. The audit remit should be amended to include details around key target dates, the resources used by Internal Audit to complete the engagement together with details of specific coverage and exclusions for the assignment (see Action Plan – point 15).
- 2.4.9 The internal audit function within WDC is considered to **generally conform** with Engagement Planning standards.

2300 Performing the Engagement

The standard sets the requirements necessary to gather, document, analyse and evaluate evidence to achieve the engagement objectives. Supervision arrangements and records management are also covered.

- 2.4.10 The requirements to gather, document, analyse and evaluate evidence to achieve the engagement objectives were confirmed verbally or through a sample review of files.
- 2.4.11 Only one point of note was in relation to controlling engagement records. The process for the approval of the release of such should be documented within the Internal Audit manual (extending also to the sharing of engagement results with external parties) (see Action Plan – point 16).
- 2.4.12 Aside from this admin issue, the internal audit function within WDC is considered to **fully conform** with Performing the Engagement standards.

2400 Communicating Results

The standard sets the requirements necessary for the communication of results for individual engagements and the overall annual opinion.

- 2.4.13 In terms of reporting output from audits, within WDC these are concise documents that summarise the outcome of audits at a high level. To comply with PSIAS, the format of such should be amended to include details on both the objective and scope of the engagement (see Action Plan – point 17).
- 2.4.14 The annual report should provide an opinion as to the overall adequacy of the effectiveness of the organisation's framework of governance, risk management and control. At present the audit opinion is limited to the control framework. To this end the Assurance Statement should be amended to detail each of these areas (see Action Plan – point 18).
- 2.4.15 The Assurance Statement should take into account the work of other assurance providers and evidence to support this reliance should be developed as part of an

assurance mapping process that, in turn, informs WDC's Governance Statement (see Action Plan – point 19).

2.4.16 To full comply with PSIAS, the annual report should also be updated to include a statement of conformance with PSIAS or the reasons for non-conformance and a summary of the performance of internal audit activity against its performance measures and targets (see Action Plan – point 20).

2.4.17 The internal audit function within WDC is considered to **generally conform** in terms of communicating results.

2500 Monitoring Progress

The standard sets out the expected arrangement for monitoring the implementation of agreed actions or the acceptance of the risk of not implementing.

2.4.18 A comprehensive process is in place for monitoring the delivery of audit actions and reporting of such to the CMT and the APRC.

2.4.19 This process aims to ensure clear communication of unacceptable levels of risk. The internal audit function within WDC is therefore considered to **fully conform** in terms of monitoring progress.

2600 Communicating the Acceptance of Risk

The standard sets out the expected arrangement for the escalation of unacceptable risk to the Board.

2.4.20 No issues to report. The internal audit function within WDC is considered to **fully conform** in terms of communicating the acceptance of risk.

We would like to thank all staff and Members of WDC for the co-operation and goodwill we received during the course of our review.

Yvonne Douglas BA CA
Chief Internal Auditor

South Lanarkshire Council
Almada Street
Hamilton
Lanarkshire
ML3 0AA

For and on behalf of
SLACIAG
February 2016

3. ACTION PLAN

Ref.No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
1 (2.2.1)	Seven Principles of Public Life should be re-briefed to the Internal Audit team.	Seven Principles of Public Life should be re-briefed to the Internal Audit team.	2	This will be included within a development session for the Internal Audit team on the outcomes of the PSIAS external review.	Colin McDougall, Audit and Risk Manager	30 April 2016
2 (2.3.1)	The Internal Audit Charter should include reference to conflicts of interest across entire internal audit team.	Internal Audit Charter to be updated to include reference to conflicts of interest across entire internal audit team.	3	This has been reflected in the updated Internal Audit Charter.	Colin McDougall, Audit and Risk Manager	Already implemented
3 (2.3.1)	Internal Audit Charter should specify that Internal Audit should be notified of all instances of suspected fraud.	Internal Audit Charter to be updated to specify that Internal Audit should be notified of all instances of suspected fraud.	3	This has been reflected in the updated Internal Audit Charter.	Colin McDougall, Audit and Risk Manager	Already implemented
4 (2.3.4)	The Annual Plan should confirm that there are sufficient resources to deliver the programme of audit assignments and that there are no significant threats to the independence of the internal audit activity such as inappropriate scope or resource limitations. This position should be re-confirmed as part of the Annual Report.	Report accompanying the Annual Plan should confirm that there are sufficient resources to deliver the programme of audit assignments and that there are no significant threats to the independence of the internal audit activity such as inappropriate scope or resource limitations. This position should be re-confirmed as part of the Annual Report.	2	The report accompanying the Annual Audit Plan for 2016/17 includes this comment. The Annual Report going forward will include a specific comment relating to there being no significant threats to the independence of the internal audit activity such as inappropriate scope or resource limitations.	Colin McDougall, Audit and Risk Manager	Already implemented 31 May 2016

Ref.No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
5 (2.3.6)	Key organisational policies should be re-briefed to the team.	Re-brief key organisational policies to the team on annual basis.	2	This will be included within a development session for the Internal Audit team on the outcomes of the PSIAS external review.	Colin McDougall, Audit and Risk Manager	30 April 2016
6(2.3.9)	Formal job profile should be developed for the post of Audit Assistant.	Review existing job profile for the post of Audit Assistant.	3	A revised Job Profile for the post of Audit Assistant will be prepared.	Colin McDougall, Audit and Risk Manager	31 May 2016
7(2.3.11)	Training of staff should remain a key priority and a formal programme of development detailed within the appraisal process.	Include a detailed and specific training plan within each team member's PDP that seeks to provide a tailored programme of development in-house, on the job or through an external provider.	2	PDP's for Internal Audit team members will be updated to reflect this requirement.	Colin McDougall, Audit and Risk Manager	31 May 2016
8(2.3.14)	A formal suite of key performance indicators should be developed to measure delivery against material service targets. This should include a measure to review compliance with PSIAS through a self-assessment exercise on an annual basis.	Develop a formal suite of key performance indicators to measure delivery against material service targets. This should include a measure to review compliance with PSIAS through a self-assessment exercise on an annual basis.	2	An appropriate suite of key performance indicators will be developed for use from 2016/17 onwards.	Colin McDougall, Audit and Risk Manager	30 April 2016

Ref.No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
9(2.3.15)	Templates for the annual report should be updated to include details of the QAIP process and the outcome of such including progress with improvement actions as appropriate.	The annual report should include details of the QAIP process and the outcome of such including progress with improvement actions as appropriate.	2	The annual report will be amended to include details of the QAIP process, including outcomes and improvement actions.	Colin McDougall, Audit and Risk Manager	31 May 2016
10(2.4.1)	A formal assurance mapping processes should be developed to assess the organisation's overall assurance framework and use this to inform the Plan and the overall audit opinion.	Develop a formal assurance mapping processes that recognises key areas of assurance received by WDC through either internal or external reviews. Gather data that records coverage and output. Use as part of the assessment of the organisation's overall assurance framework each year and use to inform the content of the Plan and the overall audit opinion.	2	A framework for a formal assurance mapping processes for use during 2016/17 will be developed.	Colin McDougall, Audit and Risk Manager	31 May 2016
11(2.4.2)	The Plan should be presented to the CMT for noting and should confirm that there are no resource limitations that have constrained the contents of the Plan.	Audit Plan to be presented to the CMT each year and should confirm to senior management that there are no resource limitations that have constrained the contents of the Plan.	2	This will be done, starting with the 2016/17 Audit Plan.	Colin McDougall, Audit and Risk Manager	Already implemented

Ref.No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
12(2.4.3)	Routine activity update reports to the APRC should confirm that the Plan continues to reflect the organisation's risks and priorities.	Undertake periodic reviews of the Audit Plan and confirm to the APRC that the Plan continues to reflect the organisation's risks and priorities.	3	This information will be included within regular progress reports to the APRC.	Colin McDougall, Audit and Risk Manager	31 May 2016
13(2.4.4)	The Audit Manual should include reference to the remit of the internal audit function in relation to corporate fraud activity.	Update the Audit Manual to include reference to the remit of the internal audit function in relation to corporate fraud activity.	3	The Audit Manual will be updated to reflect this requirement.	Colin McDougall, Audit and Risk Manager	31 May 2016
14(2.4.5)	Format of reports to APRC should be reviewed to establish if these could be amended to include further detail in relation to significant risk exposures, relevant control issues, fraud risks and governance issues.	Routine update reports to APRC to include a statement that, for significant actions, further detail will be provided (where relevant) in relation to significant risk exposures, relevant control issues, fraud risks and governance issues.	2	For significant actions, this requirement will be reflected in the findings and recommendations of audit reports.	Colin McDougall, Audit and Risk Manager	31 May 2016 and ongoing

Ref.No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
15(2.4.8)	Planning documents should be amended to fully detail how the specific risks are controlled relating to the individual activity's objectives. The audit remit should be amended to include details around key target dates, the resources used by Internal Audit to complete the engagement together with details of specific coverage and exclusions for the assignment.	The audit remit should be amended to include details of the key target dates for the assignment (start, finish, issue of draft report, agreement of findings, signing of report and issue of final), the resources used by Internal Audit to complete the engagement, details of specific coverage and exclusions for the assignment. Audit planning documents to be amended to fully detail the specific risks attached to the audit area and how these are controlled.	2	Documentation will be updated / developed to reflect these requirements.	Colin McDougall, Audit and Risk Manager	31 May 2016 and ongoing
16 (2.4.11)	The process for approval of the release of engagement documents should be documented within the Internal Audit manual (extending also to the sharing of engagement results with external parties).	Internal Audit manual to detail the process for sharing audit documentation, files and reports with external parties.	3	The Internal Audit manual will be updated to reflect this requirement.	Colin McDougall, Audit and Risk Manager	31 May 2016
17 (2.4.13)	Audit reports should be amended to include details on both the objective and scope of the engagement.	Audit reports should be amended to include details on both the objective and scope of the engagement.	2	Where relevant, audit reports will be updated to reflect this requirement	Colin McDougall, Audit and Risk Manager	31 May 2016 and ongoing














Ref.No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
18 (2.4.14)	The Annual report should provide an opinion as to the overall adequacy of the effectiveness of the organisation's framework of governance, risk management and control.	Statement in annual report to express an opinion on the overall adequacy of the effectiveness of the organisation's framework of governance, risk management and control.	2	A statement will be included within the Internal Audit annual report that expresses an opinion on the overall adequacy of the effectiveness of the organisation's framework of governance, risk management and control.	Colin McDougall, Audit and Risk Manager	31 May 2016
19 (2.4.15)	The Assurance Statement should take into account the work of other assurance providers and evidence to support this reliance should be developed as part of an assurance mapping process.	The Assurance Statement should recognise the work of other assurance providers. Evidence of output from external providers should be retained,	2	The Assurance Statement will be updated to recognise and reflect the work of other assurance providers, with evidence of output from external providers being retained within Internal Audit records.	Colin McDougall, Audit and Risk Manager	31 May 2016
20 (2.4.16)	The annual report should be updated to include a statement of conformance with PSIAS or the reasons for non-conformance and a summary of the performance of internal audit activity against its performance measures and targets.	The annual report should be updated to include a statement of conformance with PSIAS or the reasons for non-conformance. The report should also include a summary of the performance of internal audit activity against its performance measures and targets.	2	The Internal Audit annual report provided by the Chief Internal Auditor will be updated to include these requirements.	Colin McDougall, Audit and Risk Manager	31 May 2016



**Key to Grading of Recommendations
Priority:**

- 1. Critical**
- 2. Requires addressing**
- 3. Housekeeping**
- 4. Value for Money**

SUMMARY OF CONFORMANCE WITH THE PSIAS

APPENDIX A

Reference	Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Section A	Definition of Internal Auditing				
Section B	Code of Ethics				
Section C	Attribute Standards				
1000	Purpose, Authority and Responsibility				
1100	Independence and Objectivity				
1200	Proficiency and Due Professional Care				
1300	Quality Assurance and Improvement Programme				
Section D	Performance Standards				
2000	Managing the internal Audit Activity				
2100	Nature of Work				
2200	Engagement Planning				

Reference	Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
2300	Performing the Engagement				
2400	Communicating Results				
2500	Monitoring Progress				
2600	Communicating the Acceptance of Risks				

DOCUMENTATION AND RECORDS EXAMINED

APPENDIX B

Audit and Performance Review Committee agendas, minutes and reports

Internal Audit Charter

Financial Regulations

Corporate Management Team minutes

Standard audit engagement documentation

WDC policy documentation

Strategy for the Prevention and Detection of Fraud

Business Irregularity Procedures

Risk Management Strategy

Data Protection Procedure

Job profiles

Professional qualification documentation

Internal Audit Manual

Audit Plan methodology

2015/16 Internal Audit Plan

Sample of two audit assignment files

Internal Audit Annual Report to 31 March 2015

External Quality Assessment - Stakeholder Questionnaire

To ensure your Council's internal audit service conforms to the Definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards (PSIAS), external assessments must be carried out at least once every five years by a qualified, independent assessor from outside the organisation. The external assessment process supplements the periodic self-assessments carried out internally by your internal audit service. The first external assessment must be carried out by 31 March 2018.

One of the objectives of the PSIAS is to establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations. To assess whether or not this objective has been met and feed in to the external assessment process, we are requesting the opinion of key stakeholders, via this questionnaire, of the internal audit service. The questionnaire, which has been developed from the PSIAS, contains questions relating to the attribute and performance standards considered relevant for this information gathering exercise. With a view to achieving continuous improvement, your answers will also be compared against your Council's Chief Audit Executive's view of the level of service provided as well as any evidence available to support this. Your assessment team may contact you for further information.

The independent assessment team selected to review the Internal Audit Service at your organisation is from **[insert] Council**. The review will be led by **[insert Chief Audit Executive's name, job title and telephone no.]** Please complete this questionnaire and return it to [\[insert the Chief Audit Executive's e-mail address\]](#) by **[insert date]**. Your views are fundamental to the successful completion of this external assessment process and will assist, going forward, with the continuous improvement of the internal audit service within your local authority.

External Quality Assessment - Stakeholder Questionnaire

		No	Yes	Partly	No Comment
1000	Purpose, Authority and Responsibility				
	Does the Internal Audit Plan focus on areas that matter to the organisation?				
	Do internal audit findings and recommendations help the organisation achieve its objectives?				
	Are internal audit findings and recommendations valued by stakeholders?				
	Does the internal audit service have a high profile within the organisation?				
	Is the internal audit service considered to be a key strategic partner throughout the organisation?				
	The 4 key principles relevant to the internal auditing profession are integrity, objectivity, confidentiality and competency. Does the internal audit service demonstrate compliance with these?				
	Does the internal audit service also have due regard to the principles of openness, honesty, leadership, selflessness and accountability?				
	Is the internal audit service fair, impartial and unbiased?				
	Does the internal audit service protect the information it receives?				
	Have you had sight of the Internal Audit Charter?				
1100	Independence and Objectivity				
	Does the Chief Audit Executive have direct and unrestricted access to the Chief Executive and Chair of the Audit Committee (or equivalent)?				
	Are priorities for and objectives of audit engagements discussed with senior management and stakeholders as appropriate?				

	No	Yes	Partly	No Comment
1200	Proficiency and Due Professional Care			
Does the Chief Audit Executive demonstrate that he / she has sufficient knowledge and experience?				
Do you believe that members of the internal audit service collectively (whether in-house, outsourced / co-sourced or a combination) possess the knowledge, skills and other competencies required to meet audit objectives and comply with the PSIAS?				
Do you believe that all members of the internal audit service (whether in-house, outsourced / co-sourced or a combination) exercise due professional care?				
2000	Managing the Internal Audit Activity			
Do you believe that the internal audit service adds value to the organisation through the assurance and consultancy services it provides?				
Do you believe that the internal audit service contributes to the efficiency and effectiveness of the organisation's governance arrangements, including risk management and the internal control environment in general?				
Are you given the opportunity to formally feed in to the internal audit planning process? e.g. through stakeholder meetings, client feedback questionnaires, informal discussions with the Chief Audit Executive.				
As a key stakeholder, are you given the opportunity to communicate your expectations of the internal audit service to the Chief Audit Executive?				
Do you believe that the internal audit plan takes in to account the organisation's risk management framework, or where a sufficiently developed framework does not exist, the Chief Audit Executive's own assessment of risk?				
Do you believe that the assignments contained within the internal audit plan are clearly linked to the risks and priorities of the organisation?				
Is the internal audit plan flexible enough to respond timeously to changes in the organisation's risk profile?				

		No	Yes	Partly	No Comment
2400	Communicating Results				
	Do Internal Audit Reports communicate the engagement's scope and objectives as well as overall conclusions, associated risks, recommendations / action plans?				
	Are Internal Audit Reports accurate, objective, clear, concise, constructive, complete and timely?				
	Are you comfortable that Internal Audit Reports include all significant and relevant information and observations to support conclusions and recommendations?				
	Are all Internal Audit Reports, whether in full or abridged, reported to key stakeholders including the organisation's Audit Committee or equivalent?				
	Are key stakeholders advised when recommendations made are not agreed in full so that residual risks are known and can be appropriately managed?				
Overall assessment					
	In overall terms, do you believe that the internal audit service within your Council adds value to the organisation, leading to improved organisational processes and operations?				

Please enter any further comments you may have below .

Completed by	
Position held	
Date	

WEST DUNBARTONSHIRE COUNCIL**Report by Executive Director of Corporate Services****Audit and Performance Review Committee: 9 March 2016**

Subject: Counter Fraud Progress Report**1. Purpose**

- 1.1** The purpose of this report is to advise Members of the results from investigating matched datasets provided to the Council through participation in the National Fraud Initiative and other work taking place within the Corporate Fraud team.

2. Recommendations

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

3. Background

- 3.1** The Benefits Fraud Team transferred to join Internal Audit from 1 April 2015, thereby enabling a joined-up approach to fraud investigation and detection and this will gradually see the WDC fraud team shift focus more onto corporate fraud areas.
- 3.2** 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 Audit Commission processes the data for NFI in Scotland on behalf of Audit Scotland, and provides its secure website and NFI application for bodies and auditors to use in Scotland. 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. It should be noted that as of 1 April 2015, the Audit Commission's powers to conduct the National Fraud Initiative passed to the Cabinet Office and the NFI has run under Cabinet Office powers from that date.
- 3.3** Data extracts for the 2014/15 NFI exercise were submitted to the Audit Commission NFI team in October 2014 and matched datasets were made available to participating bodies for investigation from 29 January 2015.
- 3.4** Two further NFI exercises have taken place, involving the matching of Council Tax data to Electoral Register data with the principal objective being to identify instances where the Council Tax single person's discount has been incorrectly awarded.

4. Main Issues

NFI – main exercise

- 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”. For the 2014/15 exercise, a total of 5,547 matched items was provided to WDC for investigation, with 1,013 (18.18%) 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.
- 4.3 A summary of progress as at 31 December 2015 on the examination of individual matches is as follows:

<u>Details</u>	<u>Recommended Matches</u>	<u>Other Matches</u>	<u>Total</u>	<u>Values</u>
Matches cleared with no further action	950	601	1551	£0
Matches where fraud discovered	7	0	7	£66,859
Matches where error discovered	15	3	18	£17,508
Matches where Investigations are in progress	14	13	27	Not yet determined
Matches not yet examined	27	3,917	3,944	Not yet determined
TOTAL	1,013	4,534	5,547	£84,367

- 4.4 The seven fraud cases relate to Local Authority/NHS employees failing to report their employment to the agency awarding benefit or failing to report receipt of an occupational pension. Benefits over claimed include Housing Benefit, Council Tax Reduction and various Department for Works and Pension (DWP). Action is underway to recover these amounts.

Two of these cases are in the progress of being reported to the Procurator Fiscal and one individual was offered and accepted an Administrative Penalty of £1,278. An administrative penalty is a sanction offered to offenders as an alternative to prosecution which are administered by the DWP on behalf of the Local Authority for Housing Benefit cases. Any Administrative Penalty for Housing Benefit is paid directly into Council funds.

4.5 Recovery of the amounts due from the error cases is in progress.

4.6 During the NFI process the team detected 58 blue badges which were invalid and these have been cancelled.

NFI – Single Person’s Discount (SPD)

4.7 Investigation work on data provided from the matching of Council Tax data to the Electoral Register data has been carried out in the main by the Council Tax team with some involvement of the Corporate Fraud team. Of the 1,712 matched datasets provided to WDC for investigation relating to SPD, 1,476 have been cleared with no further action and 80 are still in progress. For the remaining 236 cases, invalid single person’s discount has been identified for a total value of £138,556, with revised Council Tax bills issued as a consequence. One case is in the process of being prosecuted.

4.8 Recently, a further SPD exercise has commenced which has identified 472 more cases to investigate.

Corporate Fraud Team Activity

4.9 Since the Corporate Fraud Team’s inception in April 2015, they have received 147 referrals of which 81 cases were investigated. 1,551 NFI cases have been sifted and closed with 25 cases of fraud / error identified and 27 cases still under investigation. As at 31 December 2015, the work of the team has contributed to savings for the Council of £169,600 as summarised in the table below against a target for the year of £50,000:

Category	Savings generated to 31 December 2015
NFI (see table at paragraph 4.3 above)	£84,367
SPD Exercise 1 (part of the £138,556 noted at 4.6)	£11,347
Other Fraud/Error (referrals received from members of the public and other government departments)	£64,712
Administrative Penalties (see para 4.4 above for definition)	£9,174
TOTAL	£169,600

Where any overpayment of benefit or Council Tax Reduction has been identified, recovery of this debt is made by ongoing deductions from Housing Benefit if still in payment, if no benefit is in payment an invoice is issued to the debtor for repayment.

In Council Tax Reduction cases the debtor is rebilled reflecting the amount of monies due.

- 4.10 A Corporate Fraud Management data warehouse module has now been installed and staff are currently looking at New Employees and Tenancy Fraud using the data matching technology.

5. People Implications

- 5.1 One member of staff has been reported to the Procurator Fiscal and will be subject to disciplinary procedures.

6. Financial and Procurement Implications

- 6.1 As a result of Corporate Fraud Team activity, actual recoveries, charges and rebillings of £169,600 have been identified.

- 6.2 There are no procurement implications.

7. Risk Analysis

- 7.1 If matched dataset cases are not investigated sufficiently, particularly the “recommended filter” matches (see Section 4 above) or other information brought to the attention of the Corporate Fraud Team is not investigated as appropriate, there is a risk that instances of error and fraud may not be detected. The plan is to investigate fully all remaining matches.

8. Equalities Impact Assessment (EIA)

- 8.1 A screening has been carried out and found no issues relevant to equalities duties.

9. Consultation

- 9.1 This report has been subject to consultation with Finance Services and Legal, Democratic & Regulatory Services.

10. Strategic Assessment

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

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Angela Wilson
Executive Director of Corporate Services
Date: 25 February 2016

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Appendices: None

Background Papers: None

Wards Affected: All Wards

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Audit & Performance Review Committee: 9 March 2016

Subject: Public Interest Disclosures for the period 1st July 2015 to 31st December 2015

1. Purpose

1.1 The purpose of this report is to advise Committee of public interest disclosures received during the period 1st July 2015 to 31st December 2015.

2. Recommendations

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

3. Background

3.1 A disclosure in the public interest is where a concern is raised about a danger or illegality that has a public interest aspect to it. A confidential reporting facility is managed by Internal Audit as part of the WDC Public Interest Disclosure Policy. Internal Audit maintains a central record of all concerns raised under the Public Interest Disclosure Policy.

4. Main Issues

4.1 The three cases recorded as outstanding in the previous report, submitted to committee on 23 September 2015, have been completed.

4.2 A total of eight disclosures were received during the period July 2015 to December 2015 as summarised below:

<u>Ref</u>	<u>Date Received</u>	<u>Detail</u>	<u>Date completed</u>	<u>Outcome</u>
1.	16-Jul-15	Allegation that employee running business in Council time.	28-Aug-15	Investigated – unfounded.
2.	16-Jul-15	Complaint that travellers tampering with perimeter fence at travellers site.	29-Jul-15	The boundary of the land next to it is marked by a metal fence. The perimeter fence cannot go beyond this. Unfounded.

3.	28-Jul-15	Complaint that DLO staff are allowed to take vans home at considerable cost to the Council.	31-Aug-15	Investigated – unfounded. Confirmed this is in line with agreed practice; is not at any cost to the Council.
4.	16-Sep-15	Allegation that a Council employee raised a work order for own his property with no intention of paying.	17-Sep-15	Investigated – unfounded.
5.	22-Oct-15	Allegation of inappropriate use of Council house by employee.	3-Dec-15	Investigated - unfounded.
6.	22-Oct-15	Allegation of employee selling items at desk and bulk buying items on internet from desktop PC.	4-Nov-15	Investigation; founded and remitted to Head of Service to action.
7.	20-Nov-15	Complaint that school not satisfactorily dealing with child re provision of school meals.	21-Jan-16	Investigated - unfounded.
8.	26-Dec-15	Allegation of invalid claiming of benefits.	8-Jan-16	Investigated – unfounded.

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

<u>Period</u>	<u>No. of Cases</u>
1 st January 2013 to 30 th June 2013	8
1 st July 2013 to 31 st December 2013	12
1 st January 2014 to 30 th June 2014	7
1 st July 2014 to 31 st December 2014	13
1 st January 2015 to 30 th June 2015	7
1 st July 2015 to 31 st December 2015	8

5. People Implications

5.1 There are no personnel implications with this report.

6. Financial and Procurement Implications

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

7. Risk Analysis

7.1 There are risks to the Council in financial, legal, operational and reputational terms of not providing a service to enable a disclosure in the public interest.

8. Equalities Impact Assessment (EIA)

8.1 A screening has been carried out and found no issues relevant to equalities duties.

9. Consultation

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

10. Strategic Assessment

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

Angela Wilson
Executive Director of Corporate Services
Date: 27 January 2016

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Appendices: None

Background Papers: Revised Public Interest Disclosure Policy agreed by the
Corporate Services Committee on 13th August 2014

EIA Screening

Wards Affected: All

WEST DUNBARTONSHIRE COUNCIL**Report by the Executive Director of Corporate Services****Audit and Performance Review Committee : 9 March 2016**

Subject: Prudential Indicators 2015/16 to 2025/26 and Treasury Management Strategy 2016/17 to 2025/26

1. Purpose

- 1.1** The purpose of this report is to provide Members with an update on the proposed Prudential Indicators for 2015/16 to 2018/19 and Treasury Management Strategy (including the Investment Strategy) for 2016/17 to 2018/19.
- 1.2** The report also advises Members of the indicative prudential indicators for the period from 2019/20 to 2025/26.

2. Recommendations

- 2.1** Members are requested to note that, where appropriate, Council agreed and approved the following on 24 February 2016:
- (a) Agreed the following Prudential Indicators and Limits discussed in Appendix 1 and set out within Appendix 6 for the period 2016/17 to 2018/19:
- Capital Expenditure and Capital Financing Requirements (Tables A and B);
 - Forecast and estimates of the ratio of financing costs to Net Revenue Stream (Table C);
 - Incremental impact of capital investment decisions on the Band D Council Tax (Table D); and
 - Incremental impact of capital investment decisions Housing Rent levels (Table E).
- (b) Approved the Treasury Management Strategy for 2016/17 to 2018/19 (including the Investment Strategy) contained within Appendices 2 to 6.
- (c) Agreed the following Treasury Prudential Indicators and Limits discussed in Appendix 2 and set out within Appendix 6 for the period 2016/17 to 2018/19:
- Operational Boundaries (Table G);
 - Authorised Limits (Table H);
 - Counterparty Limits (Table K); and
 - Treasury Management Limits on Activity (Table M).
- (d) Noted the draft Prudential and Treasury Management Indicators for the period 2019/20 to 2025/26 discussed in Appendices 1 and 2 and set out within Appendix 6.

- (e) Approved the statement by the Section 95 Officer regarding the gross debt level in comparison to the Capital Financing Requirement (Appendix 2 - Point 2.3).
- (f) Referred this report to the Audit and Performance Review Committee to ensure further scrutiny takes place.

3. Background

3.1 With the introduction of the Prudential Code, the Council has freedom over capital expenditure so long as it is prudent, affordable and sustainable. In order to show it is working within these limits the Council must approve, revise and monitor a range of prudential indicators covering the forthcoming three years.

3.2 The Council's treasury activities are strictly regulated by statutory requirements (*Code on the Investments of Money by Scottish Local Authorities*) and a professional code of practice (*CIPFA Treasury Management Code of Practice*). The code requires an annual strategy to be reported to Council in advance of the forthcoming year outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. Further reports are issued as follows:

- (a) Mid-year monitoring report on actual treasury activity during the year including revised indicators where appropriate; and
- (b) Year-end report on actual treasury activity for the previous year.

3.3 Section 56 of the Local Government (Scotland) Act 1973 Act permits local authorities in Scotland to discharge their functions by committees. Exceptions include setting the council tax (s56 (6) (b)) and borrowing money (s56 (6) (d)), which requires the authority, that is full Council, to discharge. The Section 56 provisions were extended to require Council to approve the Annual Investment Strategy via the *Code on the Investments of Money by Scottish Local Authorities* (issued on 1 April 2010) been issued under section 40 of the Local Government in Scotland Act 2003.

3.4 As a result of Section 56, both the Prudential Indicators and the Treasury Management Strategy (including the Investment Strategy) are required to be approved by full Council before the start of the financial year.

3.5 The CIPFA Treasury Management Code of Practice requires greater Member scrutiny of the treasury polices, increased Member training and awareness and greater frequency of information.

3.6 One of the key clauses is that a responsible body is required to ensure effective scrutiny of the treasury management strategy and polices. Within West Dunbartonshire Council the body identified to fulfil this role is the Audit and Performance Review Committee.

3.7 The proposed and draft Prudential Indicators 2015/16 to 2025/26 and Treasury Management Strategy 2016/17 to 2025/26 should be referred to the Audit and Performance Review Committee once approved by Council to ensure further scrutiny takes place.

4. Main Issues

4.1 The Local Government in Scotland Act 2003 requires Council to adopt the CIPFA Prudential Code and to produce prudential indicators. Audit Scotland produced a report on borrowing during 2015 which suggested Councils consider borrowing costs in the longer term. Appendix 6 of this report details the Council's expected year end indicators for 2015/16, revises the indicators for 2016/17 and 2017/18 and projects the indicators to 2025/26, with those for the period 2019/20 to 2025/26 being indicative at this time.

4.2 The calculation for the incremental impact on council tax and housing rents as detailed in Tables D and E have been updated in accordance with the Prudential Code.

4.3 Within this overall prudential framework there is a clear impact on the Council's treasury management activity, either through borrowing or investment activity. As a consequence the treasury management strategy (which includes details of both debt and investment) for 2016/17 to 2025/26 is included in Appendix 6 (with the period 2019/20 to 2025/26 being indicative at this time) to complement the prudential indicators relating to the treasury activity.

4.4 Details of the risks, mitigating controls and limits associated with each of the permitted investment categories are shown in Appendix 3. Credit rating type and definitions are attached as Appendix 4 and a list of approved sovereign countries for investments are attached as Appendix 5.

5. People Implications

5.1 There are no people implications arising from this report.

6. Financial and Procurement Implications

6.1 The prudential indicators detailed in Appendix 6 show the Council's likely and indicative capital financing for the period 2015/16 to 2025/26 while the treasury management indicators detailed in Appendix 6 show the likely borrowing requirement for the same period.

6.2 Table F in Appendix 6 indicates that in each year the gross borrowing requirement (which includes short term borrowing for cashflow purposes) is marginally above the capital financing requirement but does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and following two financial years (Appendix 2 – section 2.1 and 2.2).

6.3 As a key indicator of prudence this illustrates that the Council only undertakes long term borrowing for capital purposes and that over the last few years investment balances have been utilised to fund capital expenditure due to the concerns over the general economic environment and restricted counterparty lists.

6.4 There are no procurement issues arising from this report.

7. Risk Analysis

7.1 There are three main risks associated with the formulation of prudential indicators and the treasury management strategy as detailed in Appendix 1 and 2:

- (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 (Appendix 2 – section 6) 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 Legal and finance have been consulted in relation to this report and appendices

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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Date: 5 February 2016

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Appendices:

- 1 Prudential Indicators 2015/16 to 2025/26
- 2 Treasury Management Strategy 2016/17 to 2025/26
- 3 West Dunbartonshire Council and Common Good Funds Permitted Investments, Associated Controls and Limits
- 4 Counterparty Rating Explanations
- 5 Approved Countries for Investment
- 6 Prudential and Treasury Indicators

Background Papers: Treasury Management Strategy – Council 4 February 2015

Wards Affected: All wards affected.

Prudential Indicators 2015/16 to 2025/26

1. The Capital Expenditure Plans

- 1.1** The Council's gross capital expenditure plans are summarised in Table A within Appendix 6 and this forms the first of the prudential indicators. Total expenditure is partially funded by resources such as capital receipts, capital grants, etc. Any remaining expenditure which cannot be immediately funded from other resources will form a borrowing need.
- 1.2** A certain level of capital expenditure will be grant supported by the Government; anything above this level will be funded from the Council's own resources.
- 1.3** There are two main limiting factors which may impact on the Council's ability to undertake unsupported capital expenditure:
- Whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs; and
 - The Government may use a control to limit either the total of all councils' plans nationally, or in the event of an assessment by central government that local plans are unaffordable at a specific council, it may implement a local control. No such control has been implemented since the inception of the prudential code, however, HM Treasury keep this under review.
- 1.4** The summary of capital expenditure as per the capital plan refresh reported to Council on 24 February 2016 for General Services and HRA is shown in the table A in Appendix 6. The HRA capital plan refresh extends to 2020/21 with the period from 2021/22 to 2025/26 extracted from the HRA Business Plan for the purposes of PI calculations.

2. The Council's Borrowing Need (the Capital Financing Requirement)

- 2.1** The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. The net capital financing need (as indicated in Table A in Appendix 6) impacts directly on the CFR.
- 2.2** Following accounting changes the CFR includes any other long term liabilities (i.e. PPP schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £88.091m of such schemes within the CFR.
- 2.3** The CFR projections for both General Services and HRA are shown in table B in Appendix 6 and show that the CFR for both General Services and HRA is projected to increase from 2015/16 onwards.
- 2.4** The expected impact of the capital expenditure decisions above on the Council's debt and investment position are shown in the treasury strategy (Appendix 2).

3. Affordability Prudential Indicators

3.1 The previous sections cover the overall capital and control of borrowing, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These indicate the impact of the capital investment plans on the overall Council's finances. The Council is asked to approve the following indicators:

3.1.1 Actual and Estimates of the ratio of financing costs to net revenue stream

This indicator is detailed in Table C in Appendix 6, and identifies the trend in financing cost of capital (loan charges and PPP) against the net revenue stream (funding sources e.g. Scottish Government revenue support grant and council tax).

The estimates of financing costs include current commitments and the impact of capital expenditure as per Table A and this indicator shows the percentage of total council revenue expenditure that is spent on repayment of loan charges and PPP capital and interest repayments.

3.1.2 Estimates of the incremental impact of capital investment decisions on the Council Tax

This indicator is detailed in Table D in Appendix 6, and shows the projected impact of current and forecast expenditure levels contained within the GS Capital Plan Refresh (which has been extended to the year 2025/26) compared to the GS Capital Plan last approved by Members.

This indicator shows the increase or decrease for every band D equivalent resulting from the proposed changes to the capital plan based on estimated loan charges.

Taking 2015/16 and 2016/17 as an example the proposed update to the capital programme requires a lower level of prudential borrowing in 2015/16 than approved by members in February 2015 due to capital spend re-profiling into 2016/17.

3.1.3 Estimates of the incremental impact of capital investment decisions on Housing

This indicator is detailed in Table E in Appendix 6 and shows the projected impact of current and forecast expenditure levels contained within the HRA Capital Plan Refresh (which has been extended to 2020/21) compared to the HRA Capital Plan approved by members in February 2015.

For prudential indicator purposes HRA capital expenditure requires to be aligned to cover the same period as the GS Capital Plan Refresh and therefore estimates for the period 2021/22 to 2025/26 have been extracted from the updated HRA Business Plan.

This indicator is expressed as a discrete impact on weekly rent levels and will invariably include some elements which are estimated in the period to 2020/21.

Treasury Management Strategy 2016/17 – 2025/26

1. Background

- 1.1 The treasury management service is an important part of the overall financial management of the Council's affairs. Whilst the prudential indicators in Appendix 1 consider the affordability and impact of capital expenditure decisions, the treasury service covers the effective funding of these decisions. There are specific treasury prudential indicators included in this strategy which need approval.
- 1.2 The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2011). This Council adopted the revised Code of Practice on Treasury Management on 28 March 2012.
- 1.3 As a requirement of the Code the Council adopted revised Treasury Management Policy Statement and four Treasury Management clauses on 28 March 2012. These form part of the Council's financial regulations and are also a requirement of one of the prudential indicators.
- 1.4 The policy requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years, however in line with the longer capital planning process treasury management indicators have been provided (where appropriate) covering the period to 2025/26. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. Further reports are issued as follows:
- Mid year monitoring report on actual activity during the year including revised indicators where appropriate; and
 - Year-end report on actual activity for the previous year.
- 1.5 This strategy covers:
- The Council's debt and investment projections;
 - Limits to the Council's borrowing activity;
 - The economic climate and expected movement in interest rates;
 - The Council's borrowing, debt and investment strategies;
 - Treasury performance indicators; and
 - Specific limits on treasury activities.

2. The Council's debt and investment projections

- 2.1 The Council's treasury portfolio position at 31 March 2015, with forward projections are summarised in Table F in Appendix 6 and shows the gross debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any under or over borrowing.
- 2.2 Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and following two financial years. This allows some flexibility for limited early borrowing for future years, but

ensures that borrowing is not undertaken for revenue purposes. This is illustrated by comparing the estimated gross debt as at 31 March 2016 with the CFR as at 31 March 2019.

2.3 The Section 95 Officer (Head of Finance & Resources) reports that the Council has complied with this prudential indicator, and no difficulties are envisaged for the current or future years. This view takes into account the capital plan refresh reports for General Services and HRA.

3. Limits to Borrowing Activity

3.1 The Operational Boundary is detailed in Table G in Appendix 6 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.

3.2 The Authorised Limit for External Borrowing – a further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is not allowed to exceed. This needs to be set or revised by Members. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35(1) of the Local Government in Scotland Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the authorised limit detailed in Table H in Appendix 6.

3.3 Advance Borrowing - This Council will not borrow more than or earlier than required purely in order to profit from the investment return of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.3.1 Advance borrowing will only be taken for risk management purposes subject to sound justification. The Section 95 Officer (Head of Finance & Resources) may do this under delegated power where, for instance, a sharp rise in interest rates is expected and so borrowing early at fixed interest rates will be economically beneficial. A cautious approach to any such borrowing will be adopted, however where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.

3.3.2 Full consideration will be given to balancing investment risks, such as the credit and interest risk resulting from the temporary investment of the sums, against the risk of adverse interest rate movements in addition to the existing debt maturity profile over the medium term.

3.3.3 As required by The Investment Regulations (Code on the Investments of Money by Scottish Local Authorities) which came into force on 1 April 2010 the Council will appraise all risks associated with advance borrowing activity. The Council will fully document the justification for the decision prior to the activity being undertaken, with subsequent reporting either within the mid year or annual reporting mechanism.

4. Prospect for Interest Rates

4.1 The Council has appointed Capita asset services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Table I in Appendix 6 gives the Capita asset services central view.

- 4.2** UK GDP growth rate for 2015 growth rate is likely to be a leading rate in the G7, probably being second to the US. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years, driven mainly by strong consumer demand. The Inflation Report was subdued in respect of the forecasts for inflation which was expected to return to the 2% target within the 2-3 year time horizon, but is now expected to get back to around 1% in the second half of 2016 and not get to near 2% until 2017. There is considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.
- 4.3** The American economy made a strong comeback to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.1% in quarter 3. The run of strong monthly increases in nonfarm payrolls figures for growth in employment in 2015 prepared the way for the first increase in rates of 0.25% at its December meeting. However further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.
- 4.4** Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its programme of Quantitative Easing by extending its time frame and/or increasing its size in order to get inflation up from the current level of around zero towards its target of 2% and to help boost the rate of growth. This together with doubts as to whether the size of cuts and degree of reforms required by Greece can be fully implemented, and the outcome of the general elections in Portugal and Spain, results in volatility and uncertainty.
- 4.5** The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications
- Investment returns are likely to remain relatively low during 2016/17 and beyond;
 - Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenomenally low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
 - There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

5. Borrowing and Debt Strategy 2016/17 – 2025/26

- 5.1** Table F in Appendix 6 indicates that the Council is currently maintaining a marginally over-borrowed position, however the external debt figures includes short term borrowing for cashflow purposes. This indicates that the capital borrowing need (the Capital Financing Requirement) has been fully funded with external borrowing which is a mixture of short term and long term debt.
- 5.2** Against this background and the risk within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Section 95 Officer (Head of

Finance & Resources) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

- 5.3** If it was felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- 5.4** If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
- 5.5** Any decisions will be reported to Members via the Members Bulletin at the next available opportunity.

6. Investment Strategy

6.1 The Council's investment policy has regard to the Local Government Investment (Scotland) Regulations (and accompanying finance circular). The Council has also adopted both the 2011 revised Treasury Management Code of Practice and the 2013 revised Prudential Code. The day to day investment policies and practices are contained in the Council's Treasury Management Practices, which reflect the requirements of these codes. These practices are regularly reviewed.

6.2 Key Objectives – Following the economic background above, the current investment climate has one over-riding risk consideration - counterparty security risk. As a result of these underlying concerns officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy. The Council's investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

6.2.1 In accordance with the above, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, outlooks and watches published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Capita asset services ratings service banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

6.2.2 Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial

sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “Credit Default Swaps” and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Capita asset services (formerly Sector) in producing its colour codings which show the varying degrees of creditworthiness.

6.2.3 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

6.2.4 The aim of the strategy is to generate a list of highly creditworthy counterparties which will enable diversification, and thus avoidance of concentration, with the prime intention of providing security of investment and minimisation of risk.

6.3 Investment Strategy – The process for investment strategy under the regulations covers a wide range of Council investments and will be broadly managed in the following way:

- Short Term Cash – Cash relating to day to day cash flow will be maintained on a shorter term basis in cash type products with consideration to the liquidity requirements outlined above.
- Longer Term Cash – Cash relating to reserves, provisions and balances on the balance sheet may be held for longer periods of time in cash type products or in longer term bonds or funds depending on:
 - Cash flow requirements:
 - The underlying expectation for interest rates; and
 - The economic background of these investments may be held longer term.
- Service Type Investments – These types of investments will predominately be policy driven and approved by Members. Shareholdings, development opportunities, loans to third parties, equity instruments and investment properties held for rental returns) will be regularly reviewed to judge the investment performance.
- Non Service Type Investments – Investments such as Joint venture delivery companies such as Hub West Scotland and investments in regeneration partnerships and development opportunities

6.4 Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service

A development for Member reporting is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are additional new requirements to the Member reporting.

6.4.1 These benchmarks are targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

6.4.2 In the context of benchmarking, assessing security is a very subjective area to assess. Security is currently evidenced by the application of minimum quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. Table J in Appendix 6 shows average defaults for differing periods of investment grade products for each Fitch/Moody's Standard and Poors long term rating category.

6.4.3 The Council's minimum long term rating criteria is currently "A-", meaning the average expectation of default for a one year investment in a counterparty with a "A" long term rating would be 0.06% of the total investment (e.g. for a £1m investment the average loss would be £600). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

6.4.4 As required by the CIPFA Treasury Management Code of Practice The Council will "ensure that it has adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives". In respect to liquidity as defined above the Council seeks to maintain:

- Bank overdraft - £1.000m; and
- Liquid short term deposits of at least £5m available on an overnight basis.

6.4.5 Local measures of yield investment benchmarks that will be used to assess returns are:

- Internal returns above the 7 day LIBID rate;
- Internal returns above the 1 month LIBID rate for fixed investments; and
- Internal returns above the Council's instant access account.

6.5 Council Permitted Investments – The Investments Regulations (Code on the Investment of Money by Scottish Local Authorities) requires Council approval of all the types of investment to be used and set appropriate limits for the amount that can be held for each investment type. These types of investment are termed permitted investments and any investments used which have not been approved as a permitted investment will be considered ultra vires.

6.5.1 The permitted investments which may be used in the forthcoming year are noted below. Details of the risks, mitigating controls and limits associated with each of these permitted categories are shown in Appendix 3.

- **Cash Type Instruments**

- Deposits with the Debt Management Account Facility (UK Government);
- Deposits with other local authorities or public bodies;
- Money Market Funds;
- Call accounts, deposit accounts with financial institutions (banks and building societies);
- Term deposits with financial institutions (banks and building societies);
- UK Government Gilts and Treasury Bills;
- Certificates of deposits with financial institutions (banks and building societies);
- and

- Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates, etc).

- **Other Investments**

- Investment properties;
- Loans to third parties, including soft loans;
- Loans to a local authority company;
- Shareholding in a local authority company;
- Non-local authority shareholdings;
- Joint venture delivery companies such as hub West Scotland;
- Regeneration partnerships and development opportunities;
- District Heating Schemes; and
- Local Authority Mortgage Scheme (LAMS).

6.5.2 Permitted investments related to the Common Good are also shown in Appendix 3, and where applicable the same counterparty selection criteria as noted in 6.6 below will be applied.

6.6 Investment Counterparty Selection Criteria

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

6.6.1 The Section 95 Officer (Head of Finance & Resources) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria selects which counterparties the Council will choose from, rather than defining what its investments are.

6.6.2 The minimum rating criteria to be used uses the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. Credit rating type and definitions are attached as Appendix 6.

6.6.3 Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to any counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

6.6.4 The criteria for providing a pool of high quality cash type investment counterparties is:

- **Category 1 - Good Credit Quality** – the Council will only use financial institutions (including certificates of deposit and corporate bonds) which:
 - Are UK banks; and/or
 - Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AA; The UK will be excluded from any Sovereign rating criteria.
 - And have, as a minimum, the following Fitch, Moody's and Standard and Poors (S&P) credit ratings (where rated):
 - Short Term – F1 (or equivalent from Fitch, Moody's and S&P)
 - Long Term – A- (or equivalent from Fitch, Moody's and S&P)

The difference between the ratings will be reflected in the money limits as noted in Table K in Appendix 6.

- **Category 2 – Part nationalised UK banks** – Lloyds Bank Group and Royal Bank of Scotland Group. These banks can be included if they continue to be part nationalised or they meet the ratings in Category 1 above.
- **Category 3- The Council's own banker** for transactional purposes if the bank falls below the above criteria specified in category 1, although in this case balances will be minimised in both monetary size and time.
- **Category 4 - Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined in category 1.
- **Category 5 - Building Societies** – the Council will use all Societies which meet the ratings for banks outlined in category 1.
- **Category 6 - Money Market Funds** – the Council will use money market funds that are AAA rated (by at least one of the 3 rating agencies).
- **Category 7 - UK Government** (including gilts, treasury bills and the DMADF)
- **Category 8 - Local Authorities, etc**

6.6.5 Due to the uncertainty in the financial markets it is recommended that the Investment Strategy is approved which will provide officers with the flexibility to deal with any unexpected occurrences. Officers can restrict the pool of available counterparties from these criteria to safer instruments and institutions.

6.6.6 The time limits for institutions on the Council's cash type counterparty list are as noted in Table K in Appendix 6.

6.6.7 The Council's bankers are currently the Clydesdale Bank Plc which falls within Category 3. It is recognised that the money limit of £5million may be breached for purely operational purposes on a temporary overnight basis only. The Head of Finance & Resources will endeavour to avoid this scenario but this allows for circumstances that are outwith the Council's control where funds may be deposited unexpectedly or at short notice into the Council's accounts after the dealing deadline for the day has passed. In such a circumstance the funds will require to be kept on an overnight basis in the Council's bank account until appropriate arrangements can be made for investment.

6.6.8 Table K does not include a monetary limit for category 7 which are funds deposited with the UK Government namely the Debt Management Account Deposit Facility (DMADF). This facility allows local authorities to deposit surplus cash on flexible terms and receive a market related rate of interest. Funds are held by the Bank of England and the scheme carries the Government's own sovereign credit rating offering the highest available security and therefore no maximum monetary limit has been set.

6.6.9 Country and sector considerations - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above and the list of approved countries for investments are detailed in Appendix 5. In addition:

- No more than 25% will be placed with any country outside of the UK at any time;
- Limits in place above will apply to Group companies; and
- Sector limits will be monitored regularly for appropriateness.

6.6.10 Use of additional information other than credit ratings – Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

6.6.11 Economic Investment Considerations - Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise in March 2015. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

6.6.12 There is an operational difficulty arising from the current banking crisis. There is currently little value investing longer term unless credit quality is reduced. Whilst some selective options do provide additional yield uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security.

6.6.13 The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Section 95 Officer (Head of Finance & Resources) may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

6.6.14 Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds and strongly rated. The credit criteria have been amended to reflect these facilities.

6.7 Sensitivity to Interest Rate Movements - Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. Table L in Appendix 6 highlights the estimated impact of a 1% increase/decrease in all interest

rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

7. Treasury Management Limits on Activity

7.1 There are four further treasury activity limits, which were previously prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs.

- *Upper limits on variable interest rate exposure* – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments
- *Upper limits on fixed interest rate exposure* – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- *Maturity structures of borrowing* – These limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- *Total principal funds invested for greater than 364 days* - These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The proposed indicators are shown within Table M in Appendix 6.

7.2 The upper limit applies to the maturity structure of fixed interest rate borrowing in Table M. The level has been set to take account of the way that local authorities have to record certain market loans where the maturity date is deemed to be the next call date rather than the eventual repayment date.

8. Performance Indicators

8.1 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Borrowing - Average rate of borrowing for the year compared to average available;
- Debt – Average rate movement year on year; and
- Investments – Internal returns above the 7 day LIBID rate.

8.2 The results of these indicators will be reported in the Treasury Annual Report for 2015/16.

9. Treasury Management Advisors

9.1 The Council uses Capita asset services as its treasury management advisors. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;

- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments; and
- Credit ratings/market information service comprising the three main credit rating agencies.

- 9.2** The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not place upon external service providers.
- 9.3** The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value is assessed are properly agreed and documented, and subjected to regular review.
- 9.4** Whilst the advisers provide support to the internal treasury function the final decision on treasury matters remains with the Council.

10. The Monitoring of Investment Counterparties

- 10.1** The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita asset services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Executive Director of Corporate Services and, if required, new counterparties which meet the criteria will be added to the list.

**West Dunbartonshire Council and Common Good Funds Permitted Investments,
Associated Controls and Limits**

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Cash Type Instruments			
Deposits with the Debt Management Account Facility (UK Government) (Very low risk)	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	As shown in the counterparty section criteria 6.6.6 above.
Deposits with other local authorities or public bodies (Very low risk)	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	As shown in the counterparty section criteria 6.6.6 above.
Money Market Funds (MMFs) (Very low risk)	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs are Constant Net Asset Value (CNAV), and the fund has a "AAA" rated status from either Fitch, Moody's or Standard & Pools.	As shown in the counterparty section criteria 6.6.6 above
Call account deposit accounts with financial institutions (banks and building societies) (Low risk depending on credit rating)	These tend to be low risk investments, but will exhibit higher risks than the first three categories above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria 6.6.6 above

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Term deposits with financial institutions (banks and building societies) (Low to medium risk depending on period & credit rating)	These tend to be low risk investments, but will exhibit higher risks than the first three categories above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria 6.6.6 above.
Government Gilts and Treasury Bills (Very low risk)	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	As shown in the counterparty section criteria 6.6.6 above.
Certificates of deposits with financial institutions (Low risk)	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than the first three categories above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria 6.6.6 above.
Structured deposit facilities with banks and building societies (escalating / de-escalating rates, etc.) (Low to medium risk depending on period & credit rating)	These tend to be medium to low risk investments, but will exhibit higher risks than the first three categories above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria 6.6.6 above.

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Corporate Bonds (Medium to high risk depending on period & credit rating)	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures. Corporate bonds will be restricted to those meeting the base criteria. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria 6.6.6 above.
Other Types of Investments			
Investment properties	These are properties that are not used to facilitate service delivery but are held solely to earn rentals or for capital appreciation or both. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.	Services will determine monetary and time limits managing risk accordingly.
Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	Services will determine monetary and time limits managing risk accordingly.
Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	Services will determine monetary and time limits managing risk accordingly.
Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	Services will determine monetary and time limits managing risk accordingly.

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by rational behind the service the investment and the likelihood of loss.	Services will determine monetary and time limits managing risk accordingly.
Joint venture delivery companies such as hub West Scotland	<p>Public sector organisations across a hub territory will work in partnership with each other, and a private sector delivery partner, in a joint venture delivery company called hub West Scotland.</p> <p>The hub company will take a strategic, long-term planning approach of its infrastructure requirements to support the delivery of community services. Hub will provide a mechanism for delivering and managing assets more effectively, with continuous improvement leading to better value for money, which will be measured through detailed key performance indicators.</p>	Any investment in hub West Scotland requires approval from the Section 95 Officer (Head of Finance & Resources) and the Chief Executive in consultation with the Leader of the Council and the Leader of the Opposition and each application will be supported by the service rational behind the investment and the likelihood of loss.	The Section 95 Officer (Head of Finance & Resources) will determine monetary and time limits managing risk accordingly.
Regeneration partnerships and development opportunities	Investments undertaken with the prime intention of local area regeneration.	Any investment in a regeneration partnership / development opportunity requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	Services will determine monetary and time limits managing risk accordingly.
Investment in Projects procured and managed by third parties e.g. District Heating Schemes	Investments undertaken to assist in facilitating third party projects where the Council has an interest in the successful outcome of the project such as a district heating scheme. Expectation of a financial return for the Council.	Any investment in such projects requires Member approval and each application will be supported by a business case for the investment and the expectation of a financial benefit to the Council.	The funding required will be dependent on each proposal.
Local Authority Mortgage Scheme (LAMS)	These are service investments at market rates of interest. Under this scheme the Council is required to place funds for a number of years with the bank which is	Any investment in the LAMS requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	Services will determine monetary and time limits managing risk

	participating in this scheme		accordingly.
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The Monitoring of Investment Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Capita asset services, including rating changes; and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Executive Director of Corporate Services, and if required new counterparties which meet the criteria will be added to the list.

Type of Rating	Rating	Explanation
Fitch - Short Term	F1+	Indicates exceptionally strong capacity for timely payment of financial commitments
	F1	Indicates strong capacity for timely payment of financial commitments
Fitch - Long Term	AA-	Indicates very strong capacity for timely payment of financial commitments and this capacity is not significantly vulnerable to foreseeable events
	A-	Indicates strong capacity for timely payment of financial commitments. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings
Moody's - Short Term	P-1	Banks based Prime-1 for deposits offer superior credit quality and a very strong capacity for timely payment of short term deposit obligations
Moody's - Long Term	Aa	Offer excellent credit quality, with susceptibility to long term risks with a vulnerability to greater fluctuations within protective elements
	A	Offer excellent credit quality, but elements suggest a Susceptibility to impairment over the long term
Standard & Poors - Short Term	A-1	Indicates a strong capacity to meet institutions financial commitments. Within this category, certain obligors are design with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is EXTREMELY STRONG
Standard & Poors - Long Term	AA-	Indicates strong capacity for timely payment of financial commitments
	A-	Indicates strong capacity for timely payment of financial commitments. This capacity may, nevertheless, be more susceptible to the adverse effects of changes in circumstances or in economic conditions than is the case for higher rated category

**West Dunbartonshire Council and Common Good Funds Permitted Investments,
Approved Countries for Investments**

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Singapore
- Sweden
- Switzerland
- Netherlands

AA+

- Finland
- United Kingdom
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium

Table A - Net Capital Financing Need

General Services and HRA Shown Separately

£000	Revised 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
General Services	55,049	95,658	51,693	42,875	41,431	30,725	22,582	18,939	15,048	13,371	16,251
Financed by:											
Capital receipts	775	7,433	9,560	6,339	3,430	2,500	2,900	2,875	3,125	3,000	3,400
Capital grants	14,253	13,142	9,413	15,446	14,896	15,451	17,591	13,971	8,791	9,241	9,691
Revenue	291	524	242	242	242	242	242	242	242	242	242
Net financing need for the year	39,730	74,559	32,479	20,849	22,864	12,532	1,849	1,851	2,890	888	2,918
£000	Revised 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
HRA	23,377	27,321	24,290	20,410	20,089	22,130	17,720	12,070	12,070	12,070	12,470
Financed by:											
Capital receipts	1,502	610	14	-	-	-	-	-	-	-	-
Capital grants	1,628	2,043	2,500	1,500	1,500	1,500	-	-	-	-	-
Revenue	2,434	2,189	2,865	3,519	4,020	3,583	2,863	2,234	1,986	1,895	1,523
Net financing need for the year	17,813	22,479	18,911	15,391	14,569	17,047	14,857	9,836	10,084	10,176	10,947

General Services and HRA Combined

£000	Revised 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
General Services	55,049	95,658	51,693	42,875	41,431	30,725	22,582	18,939	15,048	13,371	16,251
HRA	23,377	27,321	24,290	20,410	20,089	22,130	17,720	12,070	12,070	12,070	12,470
Capital Expenditure	78,426	122,979	75,983	63,285	61,520	52,855	40,302	31,009	27,118	25,441	28,721
Financed by:											
Capital receipts	2,277	8,043	9,574	6,339	3,430	2,500	2,900	2,875	3,125	3,000	3,400
Capital grants	15,881	15,185	11,913	16,946	16,396	16,951	17,591	13,971	8,791	9,241	9,691
Revenue	2,725	2,713	3,107	3,761	4,262	3,825	3,105	2,476	2,228	2,137	1,765
Net financing need for the year	57,543	97,037	51,390	36,240	37,433	29,579	16,706	11,687	12,974	11,064	13,865

Table B - Capital Financing Requirement

£000	Revised 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Capital Financing Requirement											
CFR – General Services	246,940	314,915	340,488	354,808	370,456	374,743	368,527	362,458	357,358	349,782	344,039
CFR – HRA	176,326	192,687	205,530	214,434	222,201	232,052	239,351	241,144	243,025	244,431	246,732
Total CFR	423,266	507,602	546,017	569,243	592,657	606,795	607,878	603,602	600,383	594,213	590,771
Movement in CFR	45,460	84,336	38,416	23,225	23,414	14,138	1,083	(4,276)	(3,219)	(6,170)	(3,442)
Movement in CFR represented by											
Net financing need for the year (above)	57,543	97,037	51,390	36,240	37,433	29,579	16,706	11,687	12,974	11,064	13,865
Less scheduled debt amortisation and other financing movements	(12,083)	(12,701)	(12,974)	(13,015)	(14,018)	(15,441)	(15,623)	(15,963)	(16,193)	(17,234)	(17,307)
Movement in CFR	45,460	84,336	38,416	23,225	23,414	14,138	1,083	(4,276)	(3,219)	(6,170)	(3,442)

Table C - Ratio of Financing Costs to Net Revenue Stream

	Revised 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
General Services	8.14%	8.59%	9.22%	9.07%	9.45%	9.98%	9.81%	9.59%	9.50%	9.56%	9.45%
HRA	30.90%	31.66%	30.55%	31.30%	32.14%	33.25%	34.27%	35.60%	36.08%	37.35%	37.17%

Table D - Incremental impact of Capital Investment Decisions on the Council Tax

	Revised 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Council Tax - Band D	-£21.41	-£36.48	£11.31	-£0.58	£26.42	£10.74	-£13.47	-£14.93	£4.92	£1.51	£4.97

Table E - Incremental Impact of Capital Investment Decisions on Housing

	Revised 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Weekly Housing Rent Levels	-£0.63	-£0.07	-£0.43	-£0.13	-£0.24	£2.01	£1.76	£1.16	£1.19	£1.20	£1.29

Table F - Gross Debt compared to the Underlying Need to Borrow (CFR)

£000	Revised 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
External Debt											
Debt at 1 April	289,867	336,820	422,826	462,905	487,602	512,846	529,341	532,931	530,936	529,862	526,336
Maturing Debt	(63,029)	(70,421)	(22,931)	(28,059)	(9,938)	(730)	(484)	(1,091)	-	(8,750)	(6,158)
New Borrowing - Maturing Debt	63,025	70,421	22,931	28,059	9,938	730	484	1,091	-	8,750	6,158
New Borrowing - CFR	46,957	86,006	40,079	24,697	25,245	16,495	3,590	(1,996)	(1,074)	(3,525)	(63)
Debt at 31 March	336,820	422,826	462,905	487,602	512,846	529,341	532,931	530,936	529,862	526,336	526,273
Long Term Liabilities at 1 April	88,091	86,594	84,924	83,261	81,789	79,959	77,603	75,095	72,815	70,670	68,025
Change in Long Term Liabilities	(1,497)	(1,670)	(1,663)	(1,471)	(1,830)	(2,356)	(2,507)	(2,280)	(2,145)	(2,645)	(3,378)
Long Term Liabilities at 31 March	86,594	84,924	83,261	81,789	79,959	77,603	75,095	72,815	70,670	68,025	64,647
Gross Debt at 31 March											
Gross Debt at 31 March	423,414	507,750	546,166	569,391	592,805	606,944	608,027	603,751	600,531	594,361	590,919
Capital Financing Requirement	423,266	507,602	546,017	569,243	592,657	606,795	607,878	603,602	600,383	594,213	590,771
Under / (Over) Borrowing	(148)	(148)	(148)	(148)	(148)	(148)	(148)	(148)	(148)	(148)	(148)

Table G - Operational Boundary

£000	Revised 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
External Debt	465,756	558,525	600,782	599,164	624,317	649,494	664,880	666,321	661,766	657,675	650,081

Table H - Authorised Limit

£000	Revised 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
External Debt	508,097	609,300	655,399	653,633	681,073	708,539	725,324	726,896	721,927	717,464	709,179

Table I - Interest Rate Forecast

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Capita Asset Services View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
10yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
25yr PWLB Rate	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
50yr PWLB Rate	3.20%	3.20%	3.30%	3.40%	3.60%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%

Table J - Historic Risk of Default

Long term rating	1 year	2 years	3 years	4 years	5 years
AAA	0.04%	0.09%	0.17%	0.25%	0.34%
AA	0.01%	0.03%	0.13%	0.28%	0.43%
A (including A-)	0.06%	0.20%	0.37%	0.58%	0.81%
BBB	0.15%	0.50%	0.91%	1.43%	1.91%

Note - The AAA default risk is actually higher than the AA default risk due the number of AAA rated institutions left

Table K - Counterparty Limits

Investment Category	Fitch (or equivalent)	Money Limit	Time Limit
1	F1+ / AA-	£10million	364 days
	F1 / A-	£5 million	
2	F1/A-	£10 million (per group)	364 days
3		£5 million	Overnight
4		£5 million	364 days
5	As in 1 above	£10 m and £5m	364 days
6	Sector Limit	£20 million	Very liquid no time limit applies
	Fund Limit	£5 million	
7		No limit	6 months
8	Sector limit	£25 million	364 days
	Fund Limit	£5 million	

Table L - Sensitivity to Interest Rate Movements

£000	2016/17 Estimate	1%	-1%
Variable Rate Debt Payments	N/A	N/A	N/A
Variable Rate Investment income	75	150	(75)

Table M - Treasury Management Limits on Activity

	2016/17 Upper		2017/18 Upper		2018/19 Upper	
Limits on fixed interest rates	100%		100%		100%	
Limits on variable interest rates	50%		50%		50%	
Maturity Structure of fixed interest rate borrowing						
	Lower	Upper	Lower	Upper	Lower	Upper
Under 12 months	0%	50%	0%	50%	0%	50%
12 months to 2 years	0%	50%	0%	50%	0%	50%
2 years to 5 years	0%	50%	0%	50%	0%	50%
5 years to 10 years	0%	50%	0%	50%	0%	50%
10 years to 20 years	0%	50%	0%	50%	0%	50%
20 years to 30 years	0%	50%	0%	50%	0%	50%
30 years to 40 years	0%	50%	0%	50%	0%	50%
40 years to 50 years	0%	100%	0%	100%	0%	100%
50 years to 60 years	0%	100%	0%	100%	0%	100%
60 years to 70 years	0%	100%	0%	100%	0%	100%
Principal sums invested > 364 days	£nil	£1m	£nil	£1m	£nil	£1m

WEST DUNBARTONSHIRE COUNCIL**Report by Executive Director of Corporate Services****Audit & Performance Review Committee
9 March 2016**

Subject: Local Government Benchmarking Framework 2014/15

1 Purpose

- 1.1** The purpose of this report is to provide the Committee with the West Dunbartonshire position in the recently published Local Government Benchmarking Overview report for 2014/15

2 Recommendations

- 2.1** It is recommended that members:
- Note the publication of the national overview report
 - Note the relative position of West Dunbartonshire across the suite of indicators used in the benchmarking report
 - Note the actions already underway within each department following publication of this information

3 Background

- 3.1** All Scottish local authorities participate in comprehensive performance scrutiny through the Local Government Benchmarking Framework (LGBF). This Framework brings together performance indicators covering information about a wide range of key services including education, housing, social work, and leisure, as well as service costs and customer satisfaction results.
- 3.2** Using the same indicators across all local authorities over a period of time allows comparison of performance, identification of best practice, learning from each other, and facilitation of continuous improvement.
- 3.3** To support this comparative work the Improvement Service produce an annual overview report. This report contains highlights of performance information for each Council against each indicator in the framework. The publication of the 2014/15 overview report on 29 January represents the fifth year of comparative benchmarking data.

4 Main Issues

- 4.1** As in previous years the annual overview benchmarking report was published by the Improvement Service at the end of January. The data used to compile the report relates to the period 2014/15. It is recognised that the late publication of the report, with data almost one year old, means that the indicators in LGBF have limited value in isolation but add depth and trend information to a wider performance discussion. The timetable for collating and reporting the indicators within the framework is prescribed by the Improvement Service and designed to allow verification and validation of data before comparison and publication.
- 4.2** Of the 51 LGBF indicators in the 2014/15 suite, the Council performed better than the Scotland figure for 26 PIs and worse for 25. Compared to other councils, 11 PIs were ranked in the top quartile (1st to 8th), 15 in the second quartile (9th to 16th), 12 in the third quartile (17th to 24th), and 13 in the fourth quartile (25th to 32nd). Compared to the previous year, our ranking improved for 22 PIs and fell for 25. A further 4 showed no change in ranking.
- 4.3** Appendix 1 details the performance of West Dunbartonshire Council relative to other Local Authorities across all the PIs in the LGBF. Alongside the overall benchmarking work and the activity carried out locally each Local Authority is assigned to a 'family group' of comparable areas within the LGBF. This allows further consideration into areas of varying performance to understand data collation, performance and best practice.
- 4.3** As in previous years, each service area will review the indicators which fall within their remit, scrutinising performance and trend information on each indicator. This complements the performance information already available and in turn informs actions incorporated in service / department plans to sustain or improve performance. A summary of this work is attached as appendix 2 and will also be published as part of the council's annual PPR.
- 4.4** The work underway in each department, linked to service planning, will ensure a focus on continuous improvement through identification of performance requiring review. This is in line with the Strategic Planning and Performance Framework which places an emphasis on continuous improvement through an ongoing process of customer feedback, benchmarking and consultation.

5 People Implications

- 5.1** There are no people implications.

6 Financial and Procurement Implications

- 6.1** There are no financial implications from this report, however there may be financial implications following review of performance and remedial actions.

7 Risk Analysis

- 7.1** The content of this report forms a core element of the Council's public performance reporting (PPR) for 2014/15. The performance information and relevant remedial actions will also form an element of department plans so it is critical performance is understood and fully scrutinised to ensure appropriate action is taken.

8 Equalities, Health & Human Rights Impact Assessment (EIA)

- 8.1** No issues were identified in relation to this report.

9 Consultation

- 9.1** All departments were consulted in the submission of information to the LGBF and have been involved in reviewing the national overview report.

10 Strategic Assessment

- 10.1** The LGBF is a nationally published suite of information which allows robust scrutiny of comparative performance. It allows us to learn from best practice in other areas to ensure progress is made on delivery of the strategic priorities of the Council.

Angela Wilson
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Date: 3 February 2016

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Appendices: Appendix 1: LGBF 2014/15 – Analysis for WDC
Appendix 2: LGBF 2014/15 – Supporting Narrative

Background Papers: [Audit Scotland's Direction and Guide 2015](#)
[Local Government Benchmarking Framework report 2016](#)

Wards Affected: All wards

Summary of LGBF 2014/15		Performance Against Previous Year		Performance Against Scotland Figure*		Rank				Change in Rank		
		Better	Worse	Better	Worse	1-8	9-16	17-24	25-32	Better	Worse	No Change
Children's Services	7	2	5	2	5	2	1	0	4	2	5	0
Corporate Services	9	4	5	4	5	3	1	4	1	2	5	2
Adult Social Care	5	2	3	2	3	1	2	0	2	1	4	0
Culture & Leisure Services	8	7	1	5	3	1	4	1	2	6	2	0
Environmental Services	14	8	6	8	6	2	4	5	3	7	6	1
Housing Services	5	3	2	3	2	1	2	2	0	2	2	1
Corporate Asset	2	2	0	1	1	0	1	0	1	2	0	0
Economic Development	1	0	1	1	0	1	0	0	0	0	1	0
TOTALS	51	28	23	26	25	11	15	12	13	22	25	4

*Scotland
figure

The Scotland figure is calculated by dividing the sum of the numerators of all Local Authorities by the sum of the denominators of all Local Authorities and is the national figure. The exceptions to this are indicators CORP5b2 – “Average time (hours) between time of complaint and attendance on site, for those requiring attendance on site” and ENV 3c “Street Cleanliness Score” where the Scotland figure is the average of all 32 Local Authorities.

Children's Services

LGBF Code	Description	Ranking where 1 = best	2013/14	Rank	2014/15	Rank	Scotland	% Value Change 2013/14 - 2014/15	Change in rank 2013/14- 2014/15
CHN1	Cost Per Primary School Pupil	1= lowest value	5473.47	27	5377.23	28	4653.31	1.76 Better	1 Worse
CHN2	Cost per Secondary School Pupil	1= lowest value	6586.57	18	6662.61	16	6593.46	1.15 Worse	2 Better
CHN3	Cost per Pre-School Education Registration	1= lowest value	3644.24	25	4306.04	28	3306.44	18.16 Worse	3 Worse
CHN 8a	The Gross Cost of "Children Looked After" in Residential Based Services per Child per Week	1= lowest value	2946.15	15	These indicators rely on National Statistics on Looked After Children which are not published until Feb/March 2015. The benchmarking data will be refreshed to include these indicators at that time.				
CHN 8b	The Gross Cost of "Children Looked After" in a Community Setting per Child per Week	1= lowest value	176.21	5					
CHN5	% of Pupils Gaining 5+ Awards at Level 6	1=highest value	24.49	26	24.20	28	29.26	0.29 Worse	2 Worse

LGBF Code	Description	Ranking where 1 = best	2013/14	Rank	2014/15	Rank	Scotland	% Value Change 2013/14 - 2014/15	Change in rank 2013/14-2014/15
CHN7	% Pupils from Deprived Areas Gaining 5+ Awards at Level 6 (SIMD)	1=highest value	17.83	3	13.66	8	12.75	4.17 Worse	5 Worse
CHN 10	% of Adults Satisfied with Local Schools	1=highest value	86	10	89	6	79	3 Better	4 Better
CHN 11	Proportion of Pupils Entering Positive Destinations	1=highest value	90.10	31	89.4	32	92.9	0.7 Worse	1 Worse
CHN 9	Balance of Care for looked after children: % of children being looked after in the Community	1=highest value	89	16	These indicators rely on National Statistics on Looked After Children which are not published until Feb/March 2015. The benchmarking data will be refreshed to include these indicators at that time.				
CHN 4	% of Pupils Gaining 5+ Awards at Level 5	1=highest value	We are not able at this time to include level 5 attainment data as this has not been provided by Scottish Government due to concerns over comparability of this data given changes introduced through Curriculum for Excellence. The board is exploring this with them to identify a solution and hope to include an appropriate measure in publication in January.						
CHN 6	% of Pupils from Deprived Areas Gaining 5+ Awards at Level 5 (SIMD)	1=highest value							

Corporate Services

LGBF Indicator Code	Description	Ranking where 1 = best	2013/14	Rank	2014/15	Rank	Scotland	Change 2013/14-2014/15	Change in rank 2013/14-2014/15
CORP 1	Support services as a % of Total Gross expenditure	1= lowest value	3.36	3	3.68	3	5.07	0.33 Worse	No Change
CORP 3b	The percentage of the highest paid 5% of employees who are women	1=highest value	55.32	3	56.36	5	51.66	1.04 Better	2 Worse
CORP 7	Percentage of income due from Council Tax received by the end of the year	1=highest value	94.52	24	95.00	20	95.46	0.48 Better	4 Better
CORP 8	Percentage of invoices sampled that were paid within 30 days	1=highest value	86.61	28	90.28	23	92.52	3.67 Better	5 Better
CORP 2	Cost of Democratic Core per 1,000 population	1= lowest value	36,655.16	19	38437.53	21	30687.79	4.86 Worse	2 Worse

LGBF Code	Description	Ranking where 1 = best	2013/14	Rank	2014/15	Rank	Scotland	% Value Change 2013/14 - 2014/15	Change in rank 2013/14-2014/15
CORP 4	The cost per dwelling of collecting Council Tax	1= lowest value	13.31	21	11.79	23	10.94	11.4 Better	2 Worse
CORP 5b2	(Domestic Noise) Average time (hours) between time of complaint and attendance on site, for those requiring attendance on site	1= lowest value	0.35	1	0.40	1	58.90	14.29 Worse	
CORP 6a	Sickness Absence Days per Teacher	1= lowest value	5.28	6	6.11	13	6.28	15.69 Worse	7 Worse
CORP 6b	Sickness Absence Days per Employee (non teacher)		12.90	31	14.46	32	10.80	12.09 Worse	1 Worse

Adult Social Care

LGBF Indicator Code	Description	Ranking where 1 = best	2013/14	Rank	2014/15	Rank	Scotland	Change 2013/14-2014/15	Change in rank 2013/14-2014/15
SW2	SDS spend on adults 18+ as a % of total social work spend on adults 18+	1=highest value	1.39	27	1.77	28	6.86	0.38 Better	1 Worse
SW3	% of people 65+ with intensive needs receiving care at home	1=highest value	40.71	8	39.32	15	35.56	1.39 Worse	7 Worse
SW4	% of Adults satisfied with social care or social work services	1=highest value	68	9	74	3	51	6 Better	6 Better
SW1	Older Persons (Over65) Home Care Costs per Hour	1= lowest value	18.47	9	20.91	16	20.01	13.24 Worse	7 Worse
SW5	Average weekly cost per resident	1= lowest value	415.97	27	460.43	29	372.07	10.69 Worse	2 Worse

Culture & Leisure Services

LGBF Indicator Code	Description	Ranking where 1 = best	2013/14	Rank	2014/15	Rank	Scotland	% Value Change 2013/14-2014/15	Change in rank 2013/14-2014/15
C&L1	Cost per attendance at Sports facilities	1= lowest value	6.30	25	6.03	26	3.68	4.3 Better	1 Worse
C&L2	Cost Per Library Visit	1= lowest value	2.87	12	2.53	11	2.57	11.7 Better	1 Better
C&L3	Cost of Museums per Visit	1= lowest value	2.10	6	2.02	8	3.53	3.75 Better	2 Worse
C&L4	Cost of Parks& Open Spaces per 1,000 Population	1= lowest value	50695.91	31	37456.81	25	31303.95	26.11 Better	6 Better
C&L5a	% of adults satisfied with libraries	1=highest value	85	13	84	9	77	1 Worse	4 Better
C&L5b	% of adults satisfied with parks and open spaces	1=highest value	88	15	88	13	86	0 No Change	2 Better
C&L5c	% of adults satisfied with museums and galleries	1=highest value	71	18	80	11	75	9 Better	7 Better
C&L5d	% of adults satisfied with leisure facilities	1=highest value	69	27	74	21	76	5 Better	6 Better

Environmental Services

LGBF Indicator Code	Description	Ranking where 1 = best	2013/14	Rank	2014/15	Rank	Scotland	% Value Change 2013/14-2014/15	Change in rank 2013/14-2014/15
ENV1a	Net cost per Waste collection per premises	1= lowest value	35.62	1	40.73	3	65.17	14.35 Worse	2 Worse
ENV2a	Net cost per Waste disposal per premises	1= lowest value	109.66	25	112.25	27	91.46	2.37 Worse	2 Worse
ENV3a	Net cost of street cleaning per 1,000 population	1= lowest value	28638.24	32	19614.40	28	15818.12	31.51 Better	4 Better
ENV4a	Cost of maintenance per kilometre of roads	1= lowest value	21,090.72	31	10037.54	26	5618.04	52.41 Better	5 Better
ENV5a	Cost of trading standards per 1,000 population	1= lowest value	3,741.23	7	3621.98	4	5735.84	3.19 Better	3 Better
ENV5b	Cost of environmental health per 1,000 population	1= lowest value	17,559.29	18	16237.60	18	17697.66	7.53 Better	No Change
ENV3c	Cleanliness Score (%age Acceptable)	1=highest value	97.8	10	93.51	20	93.90	4.29 Worse	10 Worse
ENV6	The % of total waste arising that is recycled	1=highest value	44.01	16	44.30	19	42.80	0.29 Better	3 Worse

LGBF Code	Description	Ranking where 1 = best	2013/14	Rank	2014/15	Rank	Scotland	% Value Change 2013/14 - 2014/15	Change in rank 2013/14-2014/15
ENV7a	% of adults satisfied with refuse collection	1=highest value	82	22	83	21	84	1 Better	1 Better
ENV7b	% of adults satisfied with street cleaning	1=highest value	81	7	79	12	74	2 Worse	5 Worse
ENV4b	Percentage of A class roads that should be considered for maintenance treatment	1= lowest value	24.75	13	25.51	15	29.03	0.76 Worse	2 Worse
ENV4c	Percentage of B class roads that should be considered for maintenance treatment	1= lowest value	29.43	16	27.61	10	36.10	1.82 Better	6 Better
ENV4d	Percentage of C class roads that should be considered for maintenance treatment	1= lowest value	42.39	24	42.49	23	37.35	0.1 Worse	1 Better
ENV4e	Percentage of unclassified roads that should be considered for maintenance treatment	1= lowest value	37.37	17	35.95	14	39.31	1.42 Better	3 Better

Housing Services

LGBF Indicator Code	Description		2013/14	Rank	2014/15	Rank	Scotland	Change 2013/14-2014/15	Change in rank 2013/14-2014/15
HSN2	Percentage of rent due in the year that was lost due to voids	1= lowest value	1.45	16	1.02	14	1.16	0.43 Better	2 Better
HSN3	Percentage of dwellings meeting SHQS	1=highest value	83.49	14	87.88	18	90.38	4.39 Better	4 Worse
HSN5	Percentage of council dwellings that are energy efficient	1=highest value	95.48	12	100.00	1	96.55	4.52 Better	11 Better
HSN1b	Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due for the reporting year	1= lowest value	8.60	24	9.55	24	5.95	0.95 Worse	No Change
HSN4b	Average time taken to complete non-emergency repairs	1= lowest value	8.67	10	9.55	15	9.88	0.88 Worse	5 Worse

Corporate Asset

LGBF Indicator Code	Description		2013/14	Rank	2014/15	Rank	Scotland	Change 2013/14-2014/15	Change in rank 2013/14-2014/15
CORP-ASSET1	Proportion of operational buildings that are suitable for their current use	1=highest value	87.06	13	88.61	10	79.01	1.55 Better	3 Better
CORP-ASSET2	Proportion of internal floor area of operational buildings in satisfactory condition	1=highest value	55.24	31	61.71	30	82.92	6.47 Better	1 Better

Economic Development

LGBF Indicator Code	Description		2013/14	Rank	2014/15	Rank	Scotland	Change 2013/14-2014/15	Change in rank 2013/14-2014/15
ECON1	% Unemployed People Assisted into work from Council operated / funded Employability Programmes	1=highest value	22.49	2	19.19	5	14.19	3.3 Worse	3 Worse

Local Government Benchmarking Framework

Supporting Narrative

All Scottish local authorities participate in comprehensive performance scrutiny through the Local Government Benchmarking Framework (LGBF). This Framework brings together performance indicators covering information about a wide range of key services including education, housing, social work, and leisure, as well as service costs and customer satisfaction results.

To support this comparative work the Improvement Service produce an annual overview report. This report contains highlights of performance information for each Council against each indicator in the framework. The publication of the 2014/15 overview report on 29 January represents the fifth year of comparative benchmarking data.

Each service area review the indicators which fall within their remit, scrutinising performance and trend information on each indicator. This complements the performance information already available and in turn informs actions incorporated in service / department plans to sustain or improve performance. An overview is prepared for each category of the LGBF, detailing performance highlights and areas for improvement along with detail of work underway to improve performance. The overview narrative for each category will be published alongside other local performance information as part of the annual public performance report (PPR) of the Council.

The work underway in each department, linked to service planning, will ensure a focus on continuous improvement through identification of performance requiring review. This is in line with the Strategic Planning and Performance Framework which places an emphasis on continuous improvement through an ongoing process of customer feedback, benchmarking and consultation.

Understanding variations in performance

When looking at our performance across the LGBF, it is important to consider the many differences between local authorities that contribute to variations in performance, including population, geography, social and economic factors, and the needs and priorities of local communities.

Local context

Our population stands at 89,730, down 0.1% from last year. This makes West Dunbartonshire one of Scotland's smallest local authorities, accounting for 1.7% of the total Scottish population.

West Dunbartonshire's population is ageing. With advances in medicine helping people live longer and a projected fall in the number of babies being born, there will be more older people in the population than young. This has the potential to impact on all sectors of the economy and economic activity, while at the same time placing a greater demand on social care and health care services.

West Dunbartonshire is an area of multiple deprivation, with higher than average levels of unemployment and poverty; we are working hard to tackle this. We have developed strategic approaches to improve employment and economic growth, improve the lives of children and young people, improve the care of older people, improve housing and infrastructure, and improve wellbeing and protect vulnerable groups.

You can read more about West Dunbartonshire in our most recent Social & Economic Profile, which looks in detail at key areas including: our population, education, regeneration, housing, economic activity, welfare and benefits, child poverty, crime, and the environment.

Family groups

Grouping together councils that share similar characteristics to those set out in the local context above (called family groups) make comparisons more meaningful and our learning more useful.

Some of our services have been comparing themselves against other councils in their family group – a process known as benchmarking. The results will be published on the Local Government Benchmarking Framework website:
www.improvementservice.org.uk/benchmarking

Children's Services

Introduction

There are 12 performance indicators (PIs) in the Children's Services category. They cover a wide range of areas including:

- pre-school, primary and secondary school costs;
- performance of pupils in SQA exam results;
- the percentage of adults satisfied with local schools;
- the proportion of pupils entering a positive destination;
- the proportion of children being looked after in the community; and
- the costs of children being looked after in residential based services and in community settings.

Seven PIs, covering school costs, exam results, satisfaction with schools and positive destinations, are managed by the Council's Educational Services Department. It provides a range of services including children's services, continuous professional development and workforce planning, educational development, libraries and museums, performance and improvement, and psychological services. You can find out more about Educational Services [here](#).

Two indicators relating to exam results at level 5 are no longer relevant following the introduction of the Curriculum for Excellence in our schools. There is no data available after 2012/13 for these indicators. Work is ongoing at a national level to develop replacement indicators.

Three indicators relating to looked after children are managed by the Health and Social Care Partnership (HSCP). Its mission is to improve the health and wellbeing of West Dunbartonshire residents. The purpose of the HSCP is to plan for and ensure the delivery of high quality health and social care services to and with the communities of West Dunbartonshire. Its core values are protection, improvement, efficiency, transparency, fairness, collaboration, respect and compassion.

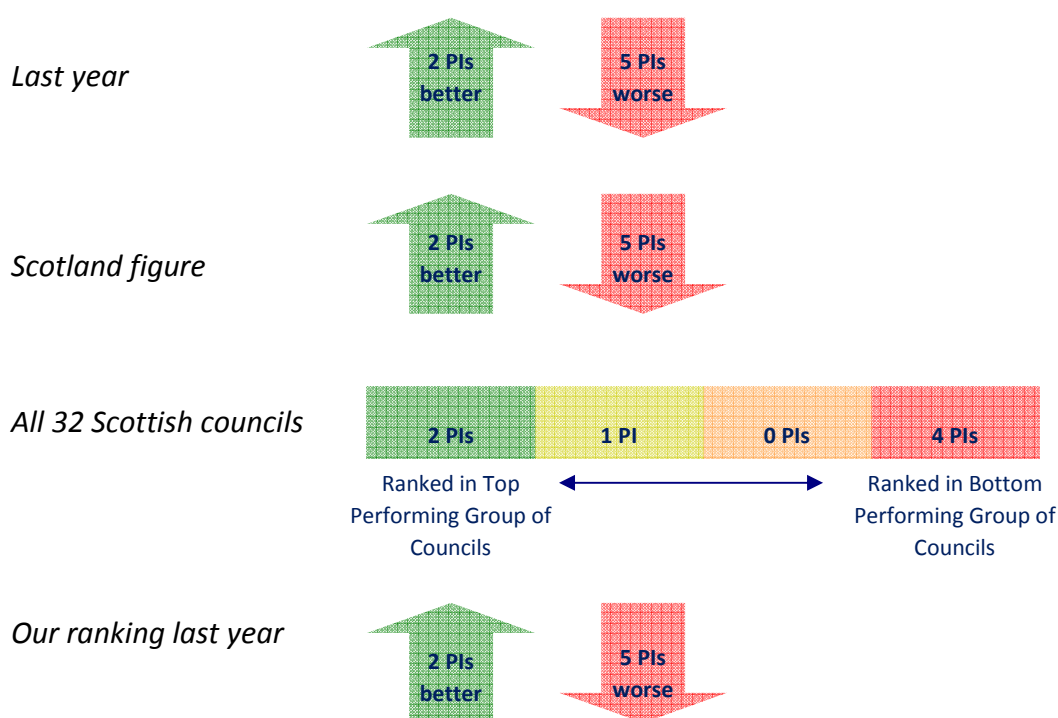
Further information about the Health and Social Care Partnership is available from the HSCP Strategic Plan 2015/16 and from the HSCP website at <http://www.wdhscp.org.uk/>.

Our work in the areas covered by the Children's Services category is set in the wider context of the key national policies of Curriculum for Excellence and GIRFEC, ensuring we 'get it right for every child', as they grow to be responsible citizens, effective contributors, confident individuals and successful learners. Developing the workforce of the future is a key aim for us, in line with the recommendations made in 'Education working for all'.

Overview of performance across the Children's Services category

Pending the publication of the Children's Social Work Statistics 2014/15 by the Scottish Government in March 2016, information is not yet available for the 3 looked after children PIs. They have been excluded from the performance summary below. This document will be updated once this information is available. This summary, therefore, relates to the 7 PIs for which data is available.

Comparing our performance in 2014/15 to:



Performance highlights

- With only Kilpatrick School and Our Lady and St. Patrick's High School (OLSP) being in older premises, we have significantly improved our performance on cost per secondary school over time, moving from 26th in 2010/11 to 16th in 2014/15. With the commitment to replace both Kilpatrick and OLSP, our position will improve again, providing learning and teaching environments required for the curriculum of today and tomorrow.
- Despite a drop from our best recorded result in 2013/14, WDC is still pleased with performance on % of pupils from deprived areas gaining 5+ awards at level 6. Results have improved from 9.4% in 10/11 to 13.7% in 14/15. This has resulted in a significant rise in ranking to a top quartile position, 8th in Scotland.
- We have improved by three percentage points in % of adults satisfied with local schools since last year, with performance increasing to 89% in 14/15. This is another top quartile performance with WDC ranking 6th of the 32 authorities in Scotland.

Areas for development

- Although the cost per primary school pupil has decreased slightly from £5,473.47 to £5,377.23, we remain above the Scotland figure of £4,653.31. There is significant work in the schools estates programme affecting a number of areas to improve the quality of educational provision over the next two years. These improvements should also bring cost benefits.
- Presently we can account for almost all destinations of our young people, with very few unknown to us in the system. With a success rate of just under 90% of pupils entering positive destinations, we continue to do well for the vast majority of our young people. However, other local authorities have made bigger improvements in the last few years which has affected how we compare with them.

What we are doing to improve services

Schools Estate

Following a consultation process, a report by the Executive Director of Education on the building of a new Our Lady and St Patrick's High School was agreed by the Educational Services Committee on 26 June 2014. A new schools and early education and childcare centre (EECC) campus is planned to replace Aitkenbar Primary, St Peter's Primary and St Peter's EE&CC in Bellsmyre. A new Kilpatrick School Secondary building will be constructed. The proposed opening date of the new buildings is August 2016.

At the end of June 2014, the Scottish Government offered to fund 100% of the Our Lady and St Patrick's High School project on condition that the Council would use the released funding in order to maximise the number of pupils who could benefit from establishments being raised from grade C to grade B or A in terms of their condition.

In school session 2015/16, Highdykes and Ladyton Primary Schools were merged to form Lennox Primary and in session 2016/17 Jamestown and Haldane will be merged. The new establishments will benefit from much improved conditions and will also generate cost savings for the authority.

These developments will improve our performance in relation to schools estate and satisfaction rates.

Positive Destinations

With the publication of the report from the Commission for Developing Scotland's Young Workforce, we are working hard to improve what is on offer to all of our young people in the senior phase of our secondary schools. With the help of a wide number of partners, we will offer courses that meet the needs of our young people, and develop their skills, capabilities and attributes. This will help them make the transition from school into the wider world of work or further study.

Corporate Services & Assets

Introduction

There are 11 performance indicators (PIs) in the Corporate Services & assets category. They cover a wide range of areas including:

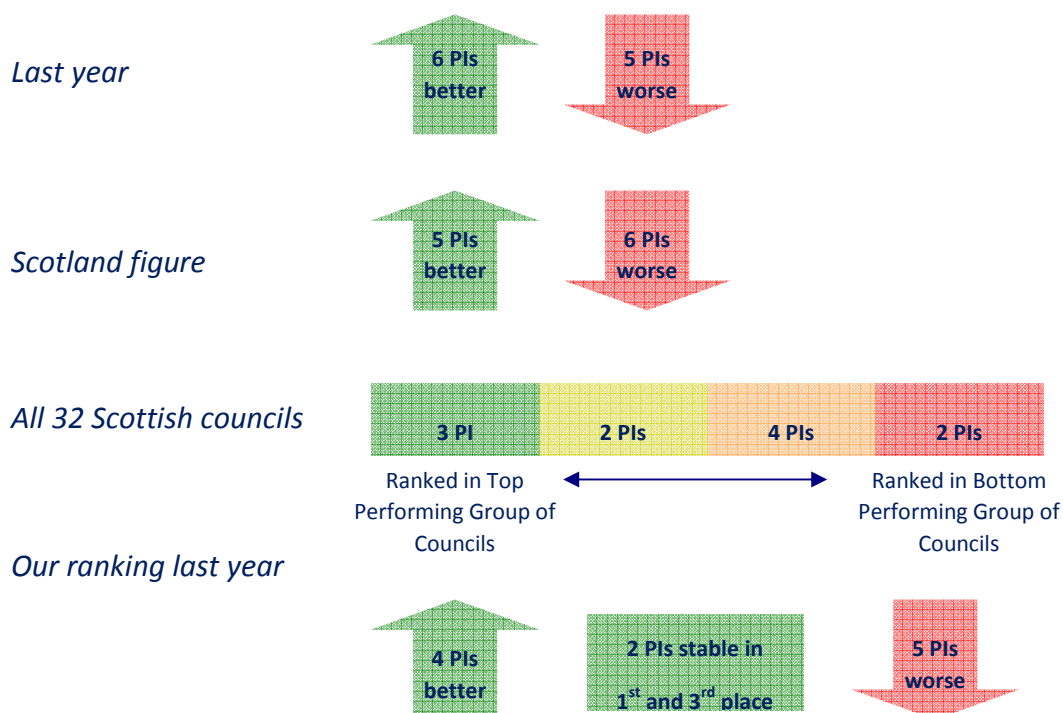
- the costs of administrative support services and supporting elected members;
- the cost of collecting Council Tax and the percentage of Council Tax received;
- how quickly we respond to domestic noise complaints;
- sickness absence levels;
- how efficient we are at paying invoices;
- the proportion of women in our highest paid posts; and
- the condition and suitability of our operational buildings.

With the exception of two PIs relating to operational buildings, the PIs are managed by Corporate Services, comprising around 600 employees in five key service areas: corporate communications; customer and community services; finance and resources; legal, democratic and regulatory services; and people and transformation. You can find out more about Corporate Services from our Corporate Services Plan.

The two PIs relating to the condition and suitability of our operational buildings are managed by Corporate Asset Management, part of the Council's Housing, Environmental and Economic Development Service (HEEDS). The 51 full time equivalent employees in Asset Management provide a range of services. You can find out more about Corporate Asset Management and HEEDS from the Housing Environmental and Economic Development Strategic Plan 2015-16.

Overview of performance in the Corporate Services category

Comparing our performance in 2014/15 to:



Performance highlights

- We continue to be the top performing council in Scotland for our rapid response to domestic noise complaints. With an average response time of 24 minutes, up slightly from 21 minutes last year, we performed significantly better than the Scotland figure of around 59 hours.
- We are more efficient at paying invoices on time, with the percentage of invoices sampled that were paid within 30 days rising from 86.6% to 90.3%. As a result, our ranking has improved by 5 places. However, at 23rd, we are ranked in the third quartile of all 32 Scottish councils and our performance is slightly below the Scotland figure of 92.5%.
- The proportion of our operational buildings that are suitable for their current use is up slightly on last year at 88.6%, better than the Scotland figure of 79%. Our ranking is also up 3 places to 10th in Scotland.
- We have significantly reduced the cost of collecting Council Tax by over 11% since last year. However, at a cost of £11.79 per dwelling, we remain slightly higher than the Scotland figure of £10.94 and our ranking has declined by 2 places to 23rd.
- Our Council Tax collection rate continues to improve year on year, with 95% collected in 2014/15. As a result, our ranking has improved by 4 places but remains in the third quartile of all Scottish councils and slightly below the Scotland figure of 95.46%.

Areas for development

- Sickness absence for teachers was 6.11 days in 2014/15, up from 5.28 days last year. As a result, our ranking fell by 7 places. However, we are ranked in the second quartile of all Scottish councils and our absence was slightly better than the Scotland figure of 6.28 days.
- Sickness absence for all other local government employees was also up from 12.9 days to 14.46 days. We are now ranked 32nd in Scotland, down 1 place from last year. Our absence is also worse than the Scotland figure of 10.8 days.
- The cost of supporting elected members (£ per 1,000 people) has increased by almost 5% to £38,437.53. We are now ranked 21st in Scotland, down 2 places from last year. Our cost is also around 25% higher than the Scotland figure.
- While the proportion of internal floor area of operational buildings in a satisfactory condition improved from 55.2% to 61.7%, and our ranking improved 1 place, we remain in the bottom quartile of Scottish councils at 30th and well below the Scotland figure of almost 83%.

What we are doing to improve services

Sickness Absence

Maintaining a committed and dynamic workforce is central to the provision of cost effective services to customers. The Council is committed to supporting employees while at work and improving attendance levels across all services.

During 2015, a comprehensive review of the Attendance Management Policy was carried out, looking at its use, application, and effectiveness in managing attendance. The review, undertaken in partnership with trade unions, looked at strategies that focus on changing attitudes and behaviours towards attendance amongst employees and managers. The revised policy was implemented on 1st October 2015, supported by the introduction of an Employee Wellbeing Charter, a dedicated programme of training, and additional support aimed primarily at managers and supervisors with a direct responsibility for employees.

Reported absence levels for the second and third quarters of 2015/16 indicate improved performance, with a decrease in the average days lost per employee compared to the same period last year. This equates to a reduction of 3,386 FTE days lost overall. Work will continue in partnership with trade unions to support managers and employees to further improve attendance levels across all departments.

Corporate Assets

Despite our improved performance and ranking, we remain in the bottom quartile of all Scottish councils at 30th. To continue to improve performance and impact positively on our ranking, we are developing a structured approach to aligning the annual repair budget against the Capital Programme. This will reduce the impact of building repairs on the general condition of properties. The Council has redefined how it allocates capital to improve building performance generally. In addition, a rationalisation programme is underway of our office portfolio, which will, when complete, change the general shape of the office estate.

Adult Social Care

Introduction

There are 5 performance indicators (PIs) in the Adult Social Care category. They cover a wide range of areas including:

- the costs of residential care for people aged 65 and over;
- the costs of home care for people aged 65 and over;
- the proportion of adults needing social work support who get to choose how their support needs will be met (known as Self-Directed Support);
- the proportion of people aged 65 and over with intensive needs receiving care at home; and
- the level of satisfaction with social care services.

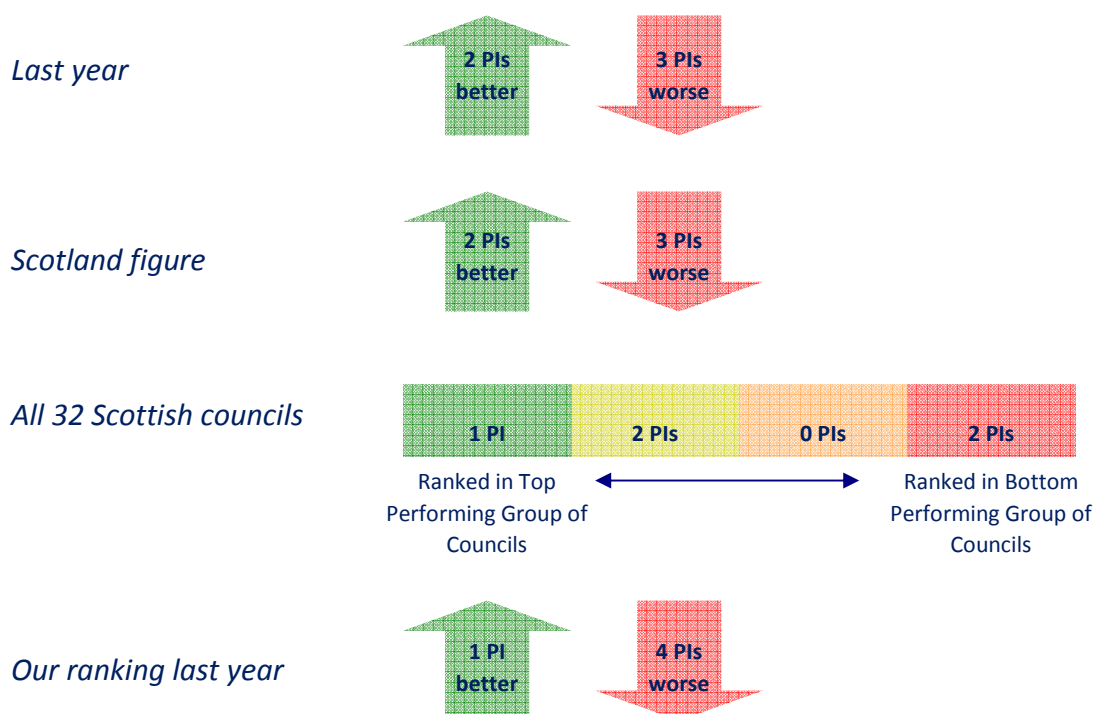
All 5 indicators are managed by West Dunbartonshire Health and Social Care Partnership (HSCP) comprising around 2,300 employees. Its mission is to improve the health and wellbeing of West Dunbartonshire residents. The purpose of the HSCP is to plan for and ensure the delivery of high quality health and social care services to and with the communities of West Dunbartonshire. Its core values are protection; improvement; efficiency; transparency; fairness, collaboration; respect; and compassion.

In line with the Scottish Government's Public Bodies (Joint Working) Act (Scotland) 2014, which sets out the arrangements for the integration of health and social care across the country, the former West Dunbartonshire Community Health and Care Partnership (CHCP) became West Dunbartonshire Health and Social Care Partnership (HSCP) on 1st July 2015. Where this publication reports on the performance of the former CHCP during 2014/15 it will continue to be referred to with its current title of HSCP to avoid confusion.

Further information about the Health and Social Care Partnership is available from the HSCP Strategic Plan 2015/16 and from the HSCP website at <http://www.wdhscp.org.uk/>

Overview of performance in the Adult Social Care category

Comparing our performance in 2014/15 to:



Performance highlights

- We have the 3rd highest level of satisfaction with social care services in Scotland at 74% and our levels of satisfaction have increased year on year from 67% in 2012/13. The Scotland figure has followed the reverse trend decreasing from 57% in 2012/13 to 51% in 2014/15.
- We are continuing to provide care at home to 39.3% of people with intensive needs allowing them to remain within their own homes and communities. While this figure is slightly lower than 40.7% in 2013/14, it is higher than the Scotland figure of 35.56% and we are ranked 15th in Scotland.

Areas for development

- Our home care costs per hour (£20.91) have risen above the Scotland figure (£20.01) for the first time since 2010/11 and our ranking has dropped from 9th to 16th.
- The cost per week for residential care for older people has increased from £415.97 in 2013/14 to £460.43 in 2014/15. We are significantly higher than the Scotland figure of £372.07 and this is reflected in our ranking which has fallen from 27th to 29th.
- Expenditure on Self-Directed Support (SDS) has increased by 30% since 2013/14 and has also increased as a proportion of overall adult social care spend from 1.39% to 1.77%. However, our improved performance has not been reflected in our ranking which has dropped from 27th to 28th.

What we are doing to improve services

Care at Home

The HSCP is continuing to target services towards those with high level needs in order to maintain or even improve levels of independence. During 2014/15, the HSCP established a Home Care Reablement team, which has ensured that the focus of Care at Home services is on better outcomes, maximising clients' long term independence and quality of life and appropriately minimises structured supports. Currently 59% (Dec 2015) of people who received a re-ablement package reached their agreed personal outcomes, re-learning the skills necessary for daily living and improving their levels of independence.

The HSCP has also worked in partnership with West Dunbartonshire Leisure Trust to introduce the Vitality physical activity programme – which is specifically tailored for and targeted at older people - within a variety of community facilities, including our own care homes and day care facilities.

West Dunbartonshire Link Up, developed and delivered with West Dunbartonshire CVS and other local organisations, enables older people to access a range of community health, social work and third sector services through a single point of access. Staffed by trained volunteers, the service helps reduce stress for older people and their families by offering easy and prompt access to local services providing information, support and direct referral opportunities to services such as befriending and assisted shopping.

This service won several national awards during the year including:

- Working with Local Communities category of the 2014 Care Accolades Awards
- Self-Management Project of the Year of the Health and Care Alliance Scotland Awards 2014
- Gold Award for the Local Matters category of the CoSLA Excellence Awards 2015.

Residential Care Home Costs for Older Adults

To support those local residents who can no longer live in their own homes the Council has committed £22.65m on building two new care homes and day-care centres to replace existing services, one in Dumbarton and the other in Clydebank. Enabling works for the Dumbarton care home were completed in September 2015. The build programme is scheduled to last for 72 weeks and will see the handover of the building to the Council in February 2017.

The design team for the Clydebank care home is currently being established alongside a cost plan and programme. Planning consent will be contingent upon planning approval for the overall Queens Quay Masterplan and the installation of infrastructure works. Indicative dates for the completion and handover of the care home is currently April 2018.

The HSCP-led development programme, My Home Life, has produced evidence of improved co-ordination and service quality across the Council and independent sector care homes in West Dunbartonshire. The programme has also provided valuable feedback and insights

from our care home residents and their relatives. Local residents, relatives and employees will be consulted and involved through the design phase for these new developments.

Self-Directed Support

A rolling training programme is in place for workers across the HSCP to ensure the offer of Self-Directed Support (SDS) options is embedded in the assessment process. A dedicated SDS support team and SDS website have also been created to raise public awareness and provide help and support. An Integrated Resource Framework has been developed to provide an indicative personal budget to meet the individual's eligible needs. This framework will be applied to all four Self-Directed Support options ensuring fairness and equality across all individuals eligible for local authority funded support.

Culture & Leisure Services

Introduction

There are 8 performance indicators (PIs) in the Culture & Leisure Services category. They cover two key aspects of performance – cost and public satisfaction – across three areas:

- libraries, museums and galleries;
- parks and open spaces; and
- sports and leisure facilities.

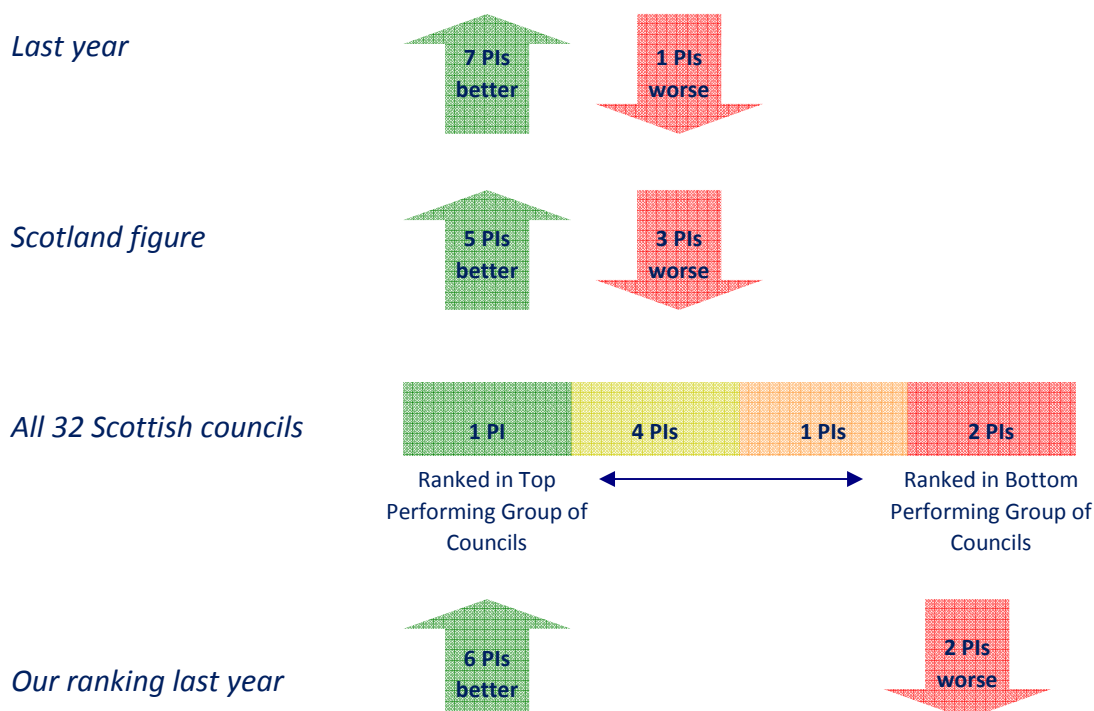
Four indicators relating to libraries, museums and galleries are managed by the Council’s Educational Services Department which covers children’s services, continuous professional development and workforce planning, educational development, libraries and museums, performance and improvement, and psychological services. You can find out more about Educational Services here.

Two indicators relating to parks and open spaces are managed by the Council’s Housing, Environmental and Economic Development Department (HEEDS), which covers a diverse range of services that have a daily impact on the lives of West Dunbartonshire residents, including housing and community safety, neighbourhood services, and regeneration and economic development. You can find out more about HEEDS here.

The final two indicators relating to sports and leisure facilities are managed by the West Dunbartonshire Leisure Trust which covers leisure centres, sports development, active schools and community facilities. You can find out more about the Leisure Trust here.

Overview of performance in the Culture & Leisure Services category

Comparing our performance in 2014/15 to:



Performance highlights

- The cost per attendance at sports facilities has improved from £4.83 to £3.13 over the previous year and better than the Scotland figure of £3.84. It resulted in a significant rise in ranking of 9 places from 24th to 15th. This improvement is mainly due to investment in our leisure facilities, including the refurbishment of gyms at three leisure centres. This contributed to increased usage, resulting in a decrease in the cost per attendance.
- Visits to public libraries in West Dunbartonshire have continued to increase, up by 10% during 2014/15. This reflects the proactive programming of a range of services within the branch libraries including Early Learning activities, ICT classes, arts and crafts activities and author events. Online visits continue to increase, up 11% on 2013/14, as a result of the increase in online presence, use of social media and continued development of e-services via 'Library Online'. Efficiencies made over the last 3-4 years have reduced the cost of delivering library services across the authority. Increased library visits and reduced costs through efficiencies across the service have brought down the cost per library visit from £3.91 in 2012/13 to £2.53 in 2014/15. As a result, our ranking has improved considerably from a low ranking of 22nd in Scotland in 2012/13 up to 11th in 2014/15. Through integration of services and efficient use of resources, the cost per library visit has been significantly reduced and is now in line with the average cost in Scotland (£2.57).
- Levels of satisfaction with public libraries in West Dunbartonshire remain high at 84%, albeit down 1% from the previous year. It compares very favourably with the national average in Scotland of 77% and as a result the service has risen in national ranking again this year from 13th to 9th in Scotland. At a local level, quarterly telephone surveys of residents in 2014/15 achieved 92% satisfaction with libraries in West Dunbartonshire.
- Levels of satisfaction with museums and galleries in West Dunbartonshire rose significantly in 2014/15 to 80% (up 9%). This is also reflected in locally gathered feedback and surveys. This figure is above the National average of 75% and as a result the service is ranking higher nationally at 11th in Scotland for this statistic. A popular and high profile programme of exhibitions at Clydebank Town Hall Museum & Gallery has achieved increased visitor figures and very positive feedback. The venue again achieved a Visit Scotland 4* Award following assessment.

Areas for development

- A challenge in 2015/16 will be to continue to maintain visitor numbers to public libraries. Whilst (against the national trend) figures have grown in West Dunbartonshire, services need to be agile to change to avoid these plateauing. It is anticipated that the forthcoming partnership work with the Councils' Customer Services section will provide opportunities to enhance libraries as 'Community Hubs', expanding the services on offer to customers and communities and resulting in increased visits.
- The recent integration of the management of Clydebank Town Hall and its Museum and Galleries offers opportunities to further improve satisfaction with museums and galleries, with the aim to maintain and increase satisfaction levels at over 80%. In

doing this, we also aim to maintain the Visit Scotland 4* status for Clydebank Town Hall Gallery & Museum and achieve a Visit Scotland 4* Award for Clydebank Town Hall within 2 years.

What we are doing to improve services

- Over the last year we have secured Scottish Government funding and established a free public Wi-Fi service which is now available across all the 8 branch libraries for their 450,000 visitors per annum.
- In 2015 we launched a new mobile library vehicle. The mobile library service provides an accessible service to over 12,000 customers per annum and in the first 3 months the new vehicle has attracted over 3,000 visits. We also refurbished the Schools Mobile Library vehicle and its exterior is now illustrated with exciting designs by pupils from the 25 primary schools it regularly visits.
- West Dunbartonshire Libraries is launching a paperless service and residents are being encouraged to sign up for library updates via email. The Council currently sends out around 25,000 letters to library members each year – many regarding an overdue book. Now residents are being asked to help save the environment by signing up for email reminders in place of letters. The move is expected to generate savings and will inform borrowers of any outstanding items immediately, even when out and about. In the future book lovers can also opt in to receive a library e-newsletter, which will include details of upcoming events plus new books, DVDs and music available at branch libraries.
- Clydebank Museum and Art Gallery is continuing to maintain its partnership working with the National Galleries of Scotland. This year we have worked with them and our new partners at Tate Britain, through ARTIST ROOMS, to host an exhibition of the ground breaking photography of Robert Mapplethorpe. Several of these works were on display for the first time outside of London. Our partnership with the National Galleries of Scotland was further developed through our highly successful "Joan Eardley: Time and Place" exhibition.
- 2016 also includes an exciting programme of exhibitions including "The Art of Restoration", providing a behind the scenes look at recently completed conservation works from the WDC fine art collection. "When the Clyde Ruled the Waves" will celebrate the shipbuilding heritage of West Dunbartonshire. Our nationally important Recognised Collection of sewing machines and Singer archive materials will feature alongside our textile collection – and key objects on loan from other museums – in "A Stitch in Time". Our new programme of groups, holiday and children's activities will also launch, providing new opportunities for people to engage with our historic museum collections.
- With financial support from the Council, the Leisure Trust will continue to invest in leisure facilities over the next two years, cumulating in the opening of a new leisure facility in Clydebank in 2016/17. With this investment and the implementation of the Trust's Business Plan it is anticipated that we will continue to see an increase in usage resulting in a decrease in the cost per attendance as well as an increase in user satisfaction.
- Customer satisfaction is important and is highlighted as one of six key priorities in the Leisure Trust's Business Plan. With a focus on research, feedback and enhancing customer service, we have identified several actions to take forward, including:

conduct surveys every three months to monitor customer satisfaction; carry out monthly inspections within leisure centres and implement any improvements identified; and review staffing levels across sites with a view to targeting cover at customer critical areas and times.

Environmental Services

Introduction

There are 14 performance indicators (PIs) in the Environmental Services category. They cover a wide range of areas including:

- waste - collection and disposal costs, the proportion of waste that is recycled, and customer satisfaction with refuse collection;
- street cleaning - the cost of street cleaning, street cleanliness levels, and satisfaction with street cleaning;
- road maintenance - cost of maintenance and the proportion of roads that require maintenance; and
- the costs of environmental health and trading standards.

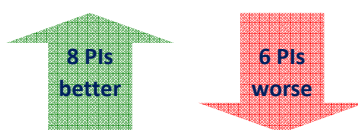
With the exception of two PIs relating to environmental health and trading standards, the indicators are managed by the Council's Housing, Environmental and Economic Development Department (HEED). With over 1,600 employees it covers a diverse range of services that have a daily impact on the lives of West Dunbartonshire residents, including housing and community safety, neighbourhood services, and regeneration and economic development. You can find out more about HEEDS from the Housing Environmental and Economic Development Strategic Plan 2015-16

The environmental health and trading standards PIs are managed by Corporate Services. You can find out more about Corporate Services from our Corporate Services Plan.

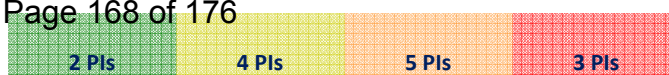
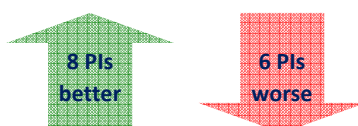
Overview of performance in the Environmental Services category

Comparing our performance in 2014/15 to:

Last year



Scotland figure



All 32 Scottish councils

Our ranking last year

Performance highlights

- The cost of trading standards has fallen by just over 3% to £3621.98 per 1,000 population. We are now ranked 4th in Scotland, up three places from last year, and significantly below the Scotland value of £5735.84.
- We were ranked 3rd lowest net cost for refuse collection in Scotland in 2014/15. However, this is down two places from our 2013/14 ranking for this indicator. Our operating costs increased as a result of introducing new food waste collection services, wage and pension liability increases, and increased vehicle hire costs due to faults in the collection vehicle fleet (which have now been corrected).
- satisfaction levels for refuse collection are improving, from 82% to 83%. We improved our ranking by one place, 22 to 21.
- The cost of maintenance per kilometre of road has significantly reduced from £21,090.72 to £10,037.54. Our ranking has reduced from 31st to 26th, although local intelligence suggests performance is better again.
- The percentage of B class roads that should be considered for improvement has improved from 29.43% to 27.615, an improvement in our ranking from 16th to 10th.
- the cost of street cleaning significantly reduced from £28,638 (13/14) to £19,614 (14/15) showing a 31% reduction in cost of providing the service

Areas for development

- The percentage of roads that should be considered for maintenance across A, B and C classes broadly remain consistent with previous years and places the Council within the general average for all Scottish Councils. The figures show a positive variance in respect to B class roads but at the slightly negative variance in A and C class roads.
- The net cost of refuse disposal per premises is mainly determined by the gate fees (cost per tonne) charged by the waste treatment, waste reprocessor and landfill contractors and is subject to regular market testing and periodic competitive tendering. The waste disposal contract for residual waste was re-tendered in early 2015 resulting in a reduction in the cost of disposing of residual waste.
- A number of actions are planned to improve upon the 2014/15 recycling performance including rolling out glass recycling nodes across the council area, introducing weekly food waste collection services and alternate weekly collections to encourage householders to recycle more of their waste.
- Although the net cost of street cleaning has significantly reduced in 2014/15 we are still ranked amongst the highest costing authorities
- Further community engagement is required to improve satisfaction levels with street cleaning

What we are doing to improve services

Waste

The Waste (Scotland) Regulations 2012 impact on areas of waste management operated by the Council. The regulations complement the Zero Waste Plan, which was launched by the Scottish Government in 2010 and set recycling and composting targets for Scottish local authorities. The targets are as follows:

- 60% recycling/composting by 2020;
- 70% recycling/composting by 2025; and
- no more than 5% of all waste to go to landfill by 2025.

A number of service improvements are planned to deliver improved recycling performance and reductions in the cost of refuse disposal. The planned improvements include:

- Re-tendering the contract for processing residual (landfill) waste to reduce waste disposal costs.
- Re-tendering the contract for processing dry recyclate to reduce waste disposal costs.
- Implementing an alternate weekly collection system at tenemental housing to encourage householders to recycle more paper, cardboard, food & drinks cans, glass bottles & jars and food waste.
- Implementing an alternate weekly collection system at 1,700 households (New Bonhill) to encourage householders to recycle more paper, cardboard, food & drinks cans and food waste.
- Introducing a weekly food waste collection service for high rise housing.
- Introducing Recycling On The Go facilities in the town centres and secondary schools.

Roads

Through the development of the Roads Asset Management Plan additional bids for capital funding are being promoted for 2016/17 onwards to fund improvement to the general road condition across the Council. Additional capital funding reduces the dependence on reactive repairs to our roads and promotes dependence on planned maintenance. This will assist in reducing our cost of maintenance per kilometre of road. Alternative surfacing techniques which have positive cost benefit are also being utilised to achieve an improving road condition standard across all road classes.

Street Cleaning

A number of developments are planned to improve the Street Cleaning service:-

- Continue to develop our “Do the right thing” education and awareness campaign targeted at reducing littering and dog fouling.
- Further integration of Street Cleaning and Ground Maintenance services to provide a more streamlined and efficient service delivery model.

Housing Services

Introduction

There are 5 performance indicators (PIs) in the Housing Services category, covering a range of areas including:

- the quality and energy efficiency of our housing stock;
- the level of service provided by our maintenance and repairs service; and
- how effective we are at providing value for money by ensuring that both rent arrears and rent lost due to empty properties are minimised.

All 5 PIs are managed by Housing & Community Safety team within the department of Housing, Environmental and Economic Development (HEEDS). It provides a strategic housing role within West Dunbartonshire, covering five key areas: estates management and anti-social behaviour; homelessness and allocations; housing strategy and development; building services; and housing asset and investment. As of 31 March 2015, the Council owns and manages 10,766 homes.

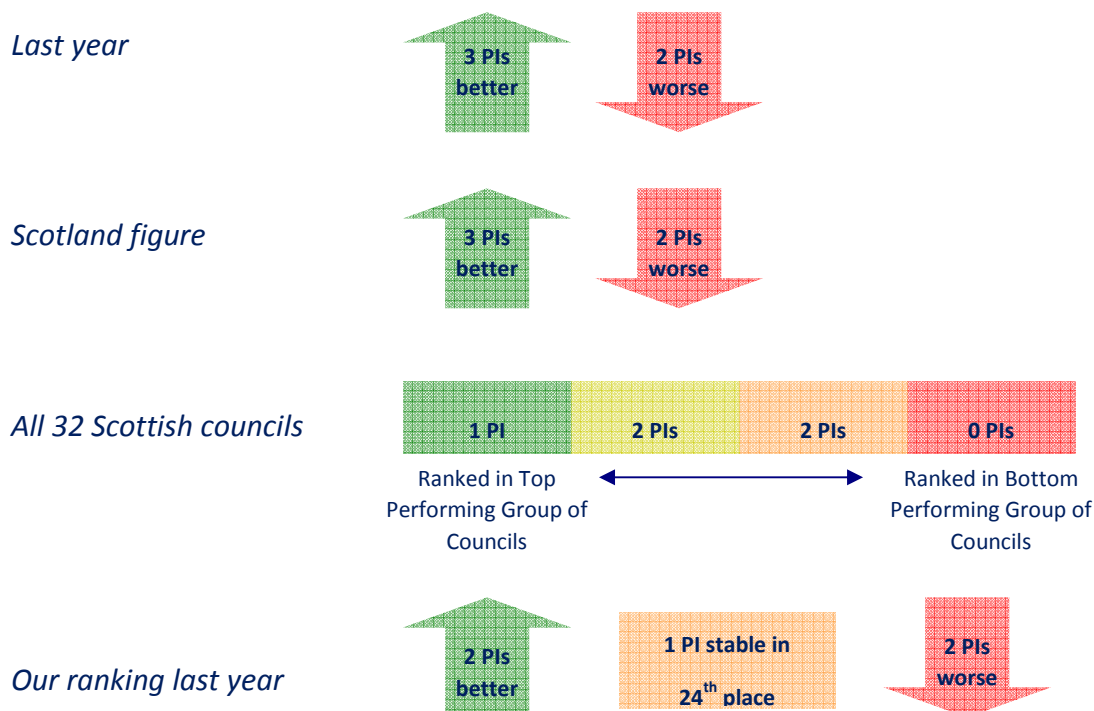
The Scottish Government's Social Housing Charter sets out the standards and outcomes that tenants and other customers can expect from social landlords in terms of the quality and value for money of the services they receive, the standard of their homes, and opportunities for communication and participation in the decisions that affect them.

The Scottish Housing Regulator has established a wide range of performance indicators to monitor progress against the Social Housing Charter and Housing & Community Safety have developed a reporting system to report and publish a statutory annual performance report of these indicators. In addition, the service has developed a comprehensive approach to customer satisfaction to support service improvements.

You can find out more about Housing & Community Safety and HEEDS from the Housing, Environmental and Economic Development Department Strategic Plan.

Overview of performance in the Housing Services category

Comparing our performance in 2014/15 to:



Performance highlights

- By the end of 2014/15, 100% of our housing stock was energy efficient. This is an increase from the 95% we reported in 2013/14 and has resulted in a considerable rise in ranking of 11 places from 12th to 1st. The investment we are making in our housing stock through our Capital Investment Programme will ensure continued high performance in this area and contribute to our climate change and fuel poverty targets.
- Following on from significant improvement in 2013/14, the rent lost due to empty properties reduced from 1.45% to 1.02% in 2014/15. This improved our ranking from 16th to 14th and ensured that we performed better than the Scottish average figure of 1.16%.

Areas for development

- The level of rent arrears rose slightly in 2014/15 from 8.6% to 9.55% of the total rent due. This is higher than the Scottish arrears figure of 5.95% and means that we remain at 24th nationally.
- The average length of time taken to carry out non-emergency repairs increased slightly from 8.67 hours in 2013/14 to 9.55 hours in 2014/15. This is still below the Scottish figure of 9.88 hours, although our ranking slipped from 10th to 15th place. The level of customer satisfaction with the repairs service remains consistently high, with 93.1% of those having a repair carried out expressing satisfaction with the service provided.

What we are doing to improve services

Rent Arrears

Welfare reform (changes to the benefits system and the introduction of Universal Credit, which replaces many existing benefits) implemented from April 2013 have had an impact on many members of the West Dunbartonshire community. Many individuals are in financial detriment, which has contributed to the level of rent arrears in West Dunbartonshire and across Scotland. We have been, and will continue to, support households via Discretionary Housing Payments.

Actions taken to improve performance include a redesign of services aimed at improving the way corporate debt services are delivered alongside a review of the Rent Collection Policy.

A further series of actions have recently been developed including a publicity campaign that advocates the importance and benefits of rent payments and highlights the support that is available, and a review of our approach to writing off former tenant arrears that are unlikely to be recovered to allow the Council to more effectively monitor and pursue the remaining arrears.

Maintenance and Repairs

Whilst performance slipped slightly in 2014/15, we remain better than the Scottish figure and satisfaction levels are consistently high. A number of actions aimed at improvement are being taken, including investment in new technology, which will facilitate mobile working and improve our repair scheduling and appointment system.

Economic Development

Introduction

There is one performance indicator in the Economic Development category: the percentage of unemployed people assisted into work from council operated or funded employability programmes. This indicator is managed by customer and community services, part of the Council's Corporate Services Department.

Performance highlights

The percentage of unemployed people assisted into work through employability programmes we operate or fund fell slightly from 22.5% in 2013/14 to 19.2% in 2014/15. While our ranking also fell by 3 places, we remain one of the top performing councils in Scotland, ranking 5th. We also compare very favourably to the Scotland figure of 14.2%.

What we are doing to improve services

Working 4U

Working 4U brings together Employability Services, Community Learning and Development, and Advice Services. It provides customers with a single gateway to access a range of supports that will improve their employment, skills and income. Working 4U is designed to address the underlying causes of poverty as well as the symptoms, by specifically tackling unemployment and benefit dependency. It tailors support to individuals, providing opportunities to increase levels of education, skills, confidence and personal development, and provides assistance with benefits and debt, learning, digital literacy, and preparation for work.

Jobs Growth & Investment Framework

The Jobs Growth and Investment Framework was established in May 2012 with the aim of creating 1,000 jobs, apprenticeships and training places in 1,000 days. Supported by an initial investment of £3.15m over two years with an additional £250,000 invested in 2014, it offers residents, particularly young people, assistance to access employment or training opportunities, thereby improving their qualifications and longer term labour market prospects.

By February 2014, the target of 1,000 jobs, apprenticeships and training places was achieved in only 650 days, almost one year ahead of the 1,000 days target. A second target was set in February 2014 to achieve a further 1,000 jobs in 1,000 days. By April 2015 that too had been achieved. In total, 2,000 jobs were achieved in 1,100 days.

Modern Apprenticeship (MA) Programme

During 2014/15, the Council recruited 33 Level 2 and 37 Level 3 MAs. The Council has recruited a total of 340 MAs at level 2 and level 3 between the start of the initiative in April 2012 and the end of 2014/15. Internal research has shown that 87% of our MAs are still in employment six months after completing their training.

Youth Employment Support Fund (YESF)

Additional funding was also secured from the Scottish Government's Youth Employment Support Fund which supported 62 young people into a range of employment opportunities with third sector (voluntary and community organisations, social enterprises, mutuals and co-operatives) and private sector employers.

West Employability Hub

We have developed strong external partnerships through Working 4U, leading to the establishment of the first multi-agency employability hub in Scotland.

Opened in February 2014, the West Employability Hub is a partnership between the Council, West College Scotland and the Department of Work and Pensions. The Hub is now in its second year and the age range of customers has been expanded to include all ages. It has further developed into a provision that is a central, coordinated and welcoming service point for customers. The provision continues to focus on employability related support to move unemployed customers closer to and into the labour market and to support employed customers to improve their labour market position.

Provision includes action planning, barrier removal and confidence building, support with benefits and debt, vocational activity, job search advice, employability workshops and accredited pre-employment training for core skills (e.g. IT). Hub employees also work closely with employers to identify suitable applicants and facilitate recruitment sessions, open days and job interviews.

The Hub also offers employers a dedicated job brokerage service, pre-screening of candidates and interview facilities along with Work Academies specific to different sectors and funding for clients travel, work clothing, and any data checks required. Aldi, Argos, Cameron House and Marks and Spencer have all benefited from this service and the flexible support provided by all agencies working together to assist them with their specific recruitment needs.

The success of the Hub is reflected in the significant reduction in people aged 18-24 claiming JSA in West Dunbartonshire.