Supplementary Agenda

West
Dunbartonshire
C O U N C I L

Audit & Performance Review Committee

Date: Wednesday, 9 March 2016

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Time: 14:00

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

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

Dear Member

ITEM 5 AUDIT ACTION PLANS - TO FOLLOW APPENDICES
ITEM 8 AUDIT SCOTLAND ANNUAL AUDIT PLAN 2015/16

With reference to the agenda for the above Meeting of the Audit & Performance Review Committee which was issued on 26 February 2016, I now attach for your attention a copy of the items which were not available for issue at that time.

Yours faithfully

JOYCE WHITE

Chief Executive

Note referred to:-

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 Community Health & Social Care Partnership

Date of issue: 3 March 2016

Appendix A
Internal Audit Reports (Recently Issued)

Generated on: 02 March 2016

West Dunbartonshire COUNCIL

Action Status	
✖	Cancelled
⬤	Overdue; Neglected
⚠	Unassigned; Check Progress
▶	Not Started; In Progress; Assigned
✔	Completed

Project 89. Construction Industry Scheme (Report Issued January 2016)

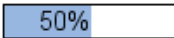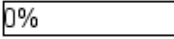| Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
1. Awareness of CIS There is a need for all Executive Directors to understand that CIS could affect their teams and they need to disseminate this information accordingly: . A reminder needs to be sent to all directorates explaining the purpose of the CIS Orange Batch Header. . Training needs to be delivered to teams explaining the different areas that CIS covers enabling them to understand just because	The Best Practice Guide will be reviewed and where appropriate more detailed guidance will be given, guidance will also include information detailing who is responsible for the different processes. This will be issued to everyone who processes invoices and made available on the intranet. Consideration will be given to reviewing the benefits of an e-learn training programme and	▶	66%	31-May-2016	31-May-2016	George Hawthorn; Stella Kinloch	Best practice update issue to the Performance and Monitoring Review meeting (26/1/16) outlining invoice best practices and dealing with CIS invoices was one highlight of that update.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
their job isn't in traditional construction areas that it does still affect them. . CIS Orange Batch Headers to include in the title Construction Industry Scheme – CIS. Currently only says Sub-Contractor. (Medium Risk)	how it could be devised. Batch header will be reviewed and amended as appropriate.						
2(i). Training An e-learn explaining what the Construction Scheme is and how it affects the council should be produced. This would enable new officers and any officers looking to refresh their knowledge the opportunity to gain a full understanding of the scheme and how to apply it before being shown the administrative processes the council have. (Medium Risk)	Consideration will be given to reviewing the benefits of an e-learn training programme and how it could be devised.	▶	0%	31-May-2016	31-May-2016	George Hawthorn; Stella Kinloch	Consideration has been given to an e-learn training programme but this is not considered to be the best means of delivering the training needed. The ASU will produce and deliver a training programme for all new staff by May 2016.
2(ii) Training It is the responsibility of the Council to make themselves aware of any updates to the HMRC guidance. Therefore is recommended that on a regular basis the HMRC guidance is reviewed centrally and if there are any updates departments are alerted to the fact. (Medium Risk)	The HMRC guidance will be reviewed monthly to determine if there have been any updates.	✓	100%	31-May-2016	31-May-2016	Stella Kinloch	Complete.
3. Sub-Contractor Status in Creditors Training needs to be given to all teams including Creditors to insure they	The Best Practice Guide will be reviewed and where appropriate more detailed guidance will be given, guidance will also	▶	0%	31-May-2016	31-May-2016	Stella Kinloch	Action on track.

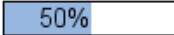| Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
understand that CIS should be applied based on the work performed not on the status of a supplier/sub-contractor in Agresso. (Medium Risk)	include information detailing who is responsible for the different processes. This will be issued to everyone who processes invoices and made available on the intranet.						
4(i) Processing of Invoices An extra section is included on the Orange Batch Header where the teams need to confirm each invoice includes a split between labour and material regardless of the sub-contractors status. (Medium Risk)	Batch header will be reviewed and amended as appropriate.	✅	100%	31-May-2016	31-May-2016	George Hawthorn; Stella Kinloch	Complete.
4(ii) Processing of Invoices Reiteration across the council including Creditors and the Admin Support Unit of the importance of filling out all sections of the Orange Batch Header. (Medium Risk)	Communication will be issued to the Admin Support Unit detailing the importance of filling out batch headers completely.	✅	100%	31-May-2016	31-May-2016	George Hawthorn	Advice was issued to all departments when revised batch header was introduced.
4(iii) Processing of Invoices - Training be provided for teams to improve understanding of what work constitutes CIS. - Clarification needs to be given over who determines the treatment of work as CIS or not CIS. - Improved training on the treatment of workers provided by recruitment consultants. (Medium Risk)	The Best Practice Guide will be reviewed and where appropriate more detailed guidance will be given, guidance will also be included detailing who is responsible for the different processes. This will be issued to everyone who processes invoices and made available on the intranet. Consideration will be given to reviewing the benefits of an e-learn	▶	33%	31-May-2016	31-May-2016	George Hawthorn; Stella Kinloch	Action on track. There are three actions, of which one is complete.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	training programme and how it could be devised.						
5. Sub-Contractor List It is recommended that the sub-contractor list be revoked entirely and a reminder is sent to all teams that the sub-contractor list should not be used to determine whether work should be CIS or not. Departments should also be reminded that the status of a sub-contractor (i.e. net or gross) should not affect their treatment of an invoice and a split between labour and materials should always be provided. (Medium Risk)	Agreed that the departments shouldn't be using the subcontractor list. The best practice guide will highlight that the sub-contractor list shouldn't be used. A sub-contractor list will be kept by management in the Admin Support Unit, Creditors and Finance to enable WDC to perform it's obligations of re-verifying a sub-contractors status with HMRC if they haven't been used in 24 months.	▶	50%	31-May-2016	31-May-2016	George Hawthorn; Stella Kinloch	A sub contractor list is maintained by ASU, Creditors and Finance.

Project 90. Review of Key Reconciliations (Report Issued February 2016)

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
1. Independent Checks Not Done All reconciliations should be signed and dated to show that they have been independently checked (Low Risk)	Staff authorising reconciliations will be reminded that they should be authorised. The reconciliations register will be reviewed on a monthly basis and if any outstanding reviews this will be discussed with the staff member responsible as to the reason why and what action will be taken to resolve.	▶	75%	31-Mar-2016	31-Mar-2016	Karen Shannon	Staff reminded of the procedures for reconciliations and a monthly review of the reconciliations register will be undertaken and any outstanding reviews will be discussed with the staff member responsible. This action has no milestones.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
2. Balancing Items Still Outstanding Balancing items should be cleared as soon as possible after the reconciliation has been completed. (Low Risk)	Staff will be reminded that all outstanding items requiring adjustments e.g. journals must be attended to by the completion of the next reconciliation (i.e. the next ledger period after the reconciliation has been completed) The reconciliations register will be amended to incorporate actions re adjustments and will reviewed on a monthly basis and if any outstanding adjustments this will be discussed with the staff member responsible as to the reason why, what action will be taken to resolve and time to complete.	▶	50%	31-Mar-2016	31-Mar-2016	Karen Shannon	Staff reminded of the procedures for reconciliations. Reconciliations register will be amended to incorporate actions and will be reviewed on a monthly basis and discussed with the staff member. This action has no milestones.
3. Written Procedures Procedures should be written for all of the reconciliations with a full explanation of how they should be completed. (Low Risk)	The existing procedures manuals will be reviewed and updated to ensure the correct details are documented for all reconciliations.	▶	0%	31-Dec-2016	31-Dec-2016	Karen Shannon	Procedures manuals will be reviewed and updated on an ongoing basis. This action has two milestones.

Project 91. Treasury Management (Report Issued February 2016)							
Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
1. Daily Cash Management Sheet It is recommended that going forward any adjustments to the cash-flow forecast spread-sheet is only made for the future dates and never for the retrospective ones. A review is carried out of Treasury Management staffs' access to the cash-flow spread-sheet. (Medium Risk)	While there are occasions where the cash-flow spreadsheet has to be adjusted retrospectively in order to be able to estimate the likely cash balances at the end of the year, the cash-flow spreadsheet will be amended to enable any retrospective adjustments to be made on a separate adjustment line. Management have considered access to the daily cash management folder (which contains all daily treasury management file including the cash-flow spreadsheet) is restricted to 21 members of staff who require access for work purposes (including 5 core treasury/capital team members, 5 finance business partners, 6 cash office/reconciliation staff members, 4 senior managers and 1 member of internal audit) which may include having to access the cash-flow spreadsheet for	▶	50%	31-Mar-2016	31-Mar-2016	Jennifer Ogilvie	As advised there are occasions where the cash-flow spreadsheet has to be adjusted retrospectively in order to be able to estimate the likely cash balances at the end of the year, the cash-flow spreadsheet for the new financial year is currently being prepared and will be amended to enable any retrospective adjustments to be made on a separate adjustment line.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	information purposes. It is not considered appropriate to restrict access beyond that already in place as to do so may prevent officers from being able to carry out their duties in a timely manner.						
2. Review of Investment and Borrowings Spread-sheets It is recommended that in order to ensure a robust internal control and to eliminate any risk of error a formal review of these spread-sheets is put in place by a more senior officer on a routine basis. (Medium risk)	This record is reviewed albeit this is not formally recorded at present. A formal process for recording the review of these spreadsheets will be put in place.	▶	0%	31-Mar-2016	31-Mar-2016	Jennifer Ogilvie	As advised this record is reviewed albeit this is not formally recorded at present. A formal process for recording the review of these spreadsheets will be put in place for the new financial year
3. Investment and Borrowing Ledger Records Reconciliations It is recommended that investment and borrowing records reconciliations are always dated by the preparer. Also in order to ensure a robust internal control and to eliminate any risk of error these reconciliations should be reviewed by a senior employee on a regular basis. (Medium Risk)	Staff will be reminded that the preparer of the reconciliation should date the reconciliation when completed and that the reconciliations will be authorised by an independent employee on a regular basis. The reconciliations register will be reviewed on a monthly basis by a senior member of Finance and if any outstanding reviews this will be discussed with the staff member responsible as to the reason why and what action will be taken to resolve.	▶	75%	31-Mar-2016	31-Mar-2016	Karen Shannon	Staff reminded of the procedures for reconciliations and a monthly review of the reconciliations register will be undertaken and any outstanding reviews will be discussed with the staff member responsible. This action has no milestones.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
4. Anti-Money Laundering Procedures It is recommended that WDC's anti-money laundering procedures to be developed covering the 3 main requirements of the legislation: Maintain client identification procedures in certain circumstances; Implement a procedure to enable the reporting of suspicions of money laundering; Maintain record keeping procedures. (Medium Risk)	A policy will be developed.	▶	0%	30-Sep-2016	30-Sep-2016	Gillian McNeilly	Draft Policy had been written, review work to be completed prior to final approved. This action has two milestones.

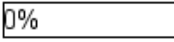| Project 92. Internet and Email Controls (Report Issued February 2016)							

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
1. Security Scanning Web facing internet and email controls and services must be security tested prior to implementation and regularly scanned, at least annually thereafter with any vulnerabilities addressed. In the case of new applications, security testing should be prior to implementation, or with Live applications, as soon as is practical. (Medium Risk)	Email and internet control services will be scanned as part of the annual network penetration test and by suppliers as part of the implementation of new systems. Security issues identified will be addressed with the introduction of the new email system.	▶	0%	31-May-2016	31-May-2016	Brian Miller	Feb 16 - Start of project will commence with external organisation undertaking an internal and external penetration test of WDC systems from 1st to 4th March 2016. This action has four milestones.
2. Email filtering products The Council should continue to review the effectiveness of its existing protective measures for email on a regular basis. (Medium Risk)	ICT will document its current process of scanning on a daily basis and adjust the filters. ICT will undertake a review of the current filtering product alongside other products available in the market.	▶	0%	30-Sep-2016	30-Sep-2016	Brian Miller	Feb 16 - Task underway to fully document procedure for email scanning and filter adjustment - resource has been assigned to undertake this work. This action has two milestones.
3. Intrusion Prevention/Detection measures The Council has intrusion prevention/detection systems in place but it is not clear how they are being used and how any information gathered can assist in mitigating risks at the edge of the Council network. An exercise should take place to manage the software more effectively.	Resourcing and training requirements will be reviewed and a report provided to PSN Governance Group for consideration.	▶	50%	31-Mar-2017	31-Mar-2017	Brian Miller	Feb 16 - work has started on the resourcing review and training requirements. This action has two milestones, of which one is complete.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
(Medium Risk)							
4. Staff Awareness Awareness sessions which highlight the increased risk of web facing services for Administrators and key system users should take place regularly. The use of 3rd party software to raise awareness of phishing exercises to staff should be considered. (Medium Risk)	In addition to awareness sessions already delivered to relevant staff, a systematic review of these sessions is underway to address new and emerging threats, and will be re-enforced regularly.	▶	25%	30-Sep-2016	30-Sep-2016	Michael Butler; Iain Kerr	Awareness sessions already delivered to approx 55% of staff accessing systems, however, refreshers will be delivered to key system users in keeping with this audit item, action is on track with one of four milestones complete.

Project 93. Senior Officer Financial Controls (Report Issued February 2016)

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
1. Additional Purchase Card Approvers An amendment form for the Purchase Cards should be developed. If an update to the approvers is required this form should be used and signed off by an appropriate member of staff and a record. (Medium Risk)	Creditors Online Form will be developed to have requests for additional approvers signed off and copies held for future reference.	▶	0%	30-Jun-2016	30-Jun-2016	Stella Kinloch	Action on track.
2. Receipt Scanning It needs to be reiterated to all Officers that they should scan all receipts into the RBS system. Approvers should be reminded that they shouldn't authorise payment of the Purchase Cards if receipts are not scanned into the system. (Medium Risk)	Creditors will issue a communication to all CPC users that it is pertinent that they must scan receipts into the One Card system.	✓	100%	30-Jun-2016	30-Jun-2016	Arun Menon	All users have been made aware that the receipt or proof of spends should be scanned to the cardholders account on the one card system. Creditors add a message about scanning to our card account emails, which highlights that where possible all proof must be scanned to the system. If

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
							scanning is not possible relevant proof should be attached to a purchase log. This approach has been signed-off by Audit.
3. Variances over £50k As per the Council's Financial Management and Control Code of Practice any variance over £50k should be explained. This should be reiterated to the Executive Directors and their teams. A BCR should not be submitted to the Council/Committee/CMT with explanations for such variances not being included. (Medium Risk)	Financial Business Partners will be reminded to ensure all variances over £50k are reported. Following the inception of the HSCP all significant variances are reported as part of the HSCP monthly budget monitoring process. The process includes year to date budget and variance reporting.	▶	0%	30-Jun-2016	30-Jun-2016	Gillian McNeilly; Jeanne Middleton	Action on track.
4. Delays in payments If payments are not in line with predicted start dates / end dates analysis should be given on a pro-rated basis in order to determine if costs/savings are occurring. (Medium Risk)	Finance Business Partners will be asked to consider the explanations given within the BCR on variances to ensure Members are aware of any overspends which may be masked within underspends due to timing delays From the 01 July 2015 HSCP 'go live', The HSCP have since introduced to year to date phased budgets and variances on the BCR reports distributed internally. In addition the HSCP Board members and SMT routinely receive	▶	0%	30-Jun-2016	30-Jun-2016	Gillian McNeilly; Jeanne Middleton	Action on track.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	detailed finance reports detailing significant variances and any corrective actions required to bring the HSCP budget into line.						
5. Use of Purchase Cards Senior Officers should be reminded that Purchase Cards are a preferred payment method by WDC to improve efficiency and if suitable Senior Officers should be encouraged to apply for a Purchase Card to ensure that they are sending the right message to staff of the Council's preferred payment method for relatively low value transactions. (Low Risk)	Corporate Purchase cards are being promoted with the help of Corporate Procurement as the ideal means of paying for goods and services as these reduce the volume of invoices and increase the commission WDC receives. This is also a key area that is being explored as part of the P2P project. Creditors already look at areas where is large spend and significant invoices and where feasible recommend the use of CPC. Creditors have also highlighted the benefits to all senior managers via the Creditors Best practice guide which was recently issued in May 2015. Creditors will send out a further communication highlighting the benefits of CPC and encourage users to use CPC where feasible	▶	0%	30-Jun-2016	30-Jun-2016	Stephen West	Action on track.

6. Maintenance of spending and authorising limits in Comino When setting up a new Purchase Card or amending an existing Card a cross check should be made within Comino by Creditors to ensure limits are consistent. If an Officer doesn't have any details in Comino these should be set up before a purchase card is issued. (Low Risk)	Creditors is in the process of developing an achieve form which will have a link to authorised signatures. This will enable approvers to know their authorised limits. This will be in operation before the new financial year. At the end of each financial year Creditors issues the services with the latest version of the authorised signatory list for review there should be an additional check for any discrepancy, should there be one. Creditors have communicated to all services the importance of keeping us updated on any changes to the authorised signatory list	▶	10%	30-Jun-2016	30-Jun-2016	Arun Menon	Creditors are reviewing all approvers on the One Card System and cross-referencing with the authorised signatory list. Going forward an achieve form will be used to add and amend approvers and will have a link to the Comino authorised signature list so the manager can confirm the proposed approver has the correct limit for the card they with be authorising. In April 2016 Creditors will also communicate will all departments asking to confirm or amend their existing approved signatures list.
7. Register of Interests Management should consider whether a register of interests for employees is developed and maintained (Low Risk)	Options around the creation of a register of interests for employees will be reviewed and reported to CMT for consideration.	▶	0%	31-Mar-2017	31-Mar-2017	Peter Hessett; Stephen West	This action has three milestones.

Appendix B
Internal Audit Reports (Previously Issued)

Generated on: 02 March 2016

West Dunbartonshire
COUNCIL

	Action Status
✖	Cancelled
🔴	Overdue; Neglected
⚠	Unassigned; Check Progress
▶	Not Started; In Progress; Assigned
✅	Completed

Project 82. Tendering & Contracting (Report Issued May 2015)

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
2. Register of Contracts It is recommended that a single central register of contracts is created and maintained, listing all contracts, the contractor, the due completion date, extensions of time and the extended completion date. This register could also be used to document the expiry date of the contractor's insurance policies and a prompt to ensure the person responsible is made aware of the expiry date. (Medium Risk)	This will be developed for contract arrangements across the Council with a "go live" date by the end of the calendar year.	▶	60%	31-Dec-2015	18-Apr-2016	Ann Duncan; Annabel Travers	25/2/2016 - Contracts database to be converted to Access database and reports created. Go live date of 18/4/2016. This date coincides with the new Procurement (Scotland) reform Bill. This action has five milestones, of which three are complete.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
3. Independent Verification It is recommended that a sample check of valuations is performed by the person authorising the payment certificate. (Low Risk)	Agree to implement a sample check.	▶	75%	31-Mar-2016	31-Mar-2016	Stewart Paton	This action has four milestones of which three have been completed to date.

Project 85. Purchasing in the Homeless Service (Report Issued September 2015)

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
10. Security Marking of Valuable Items Valuable items are not marked as belonging to WDC. This helps identify items if they were to be removed from the premises and later recovered (Low Risk)	Options on how best to mark items are being considered.	▶	0%	31-Oct-2015	31-Mar-2016	Janice Lockhart	Staff have been reminded that this is a priority and have been asked to provide a progress update mid March. This task will be completed by 31 March 2016

Project 88. Validation and Monitoring Of Projected Savings (Report Issued November 2015)
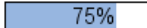
Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
2. Efficiency Statement Savings Departments need to be able to produce statistics that confirm savings are efficiencies and not reductions in service. (Low Risk)	Further evidence of efficiencies (rather than reductions in service) will be requested from departments, prior to including within the statistics in future Efficiency Statements.	▶	0%	30-Sep-2016	30-Sep-2016	Gillian McNeilly	Two milestones, first one is due completed in June 2016 following receipt of the Scottish Government Guidance
3. Efficiency Statement Savings The information provided to support items in the efficiency statement needs	Departments will be asked to ensure that information provided to support items in the efficiency statement is of	▶	0%	30-Jun-2016	30-Jun-2016	Gillian McNeilly	Two milestones, both due completed in June 2016 following receipt of the Scottish Government Guidance

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
to be of an auditable standard. (Low Risk)	an auditable standard.						

West
Dunbartonshire
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Appendix C
External Audit Reports
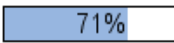
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Project 15. Annual Report on the 2012/13 Audit
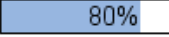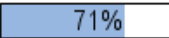
Risk Identified	Action Status Progress Bar	Original Due Date of Action	Actual Due Date of Action	Sub-Action Code	Planned Management Action	Sub-Action Progress Bar	Sub-Action Status Icon	Sub-Action Due Date	Sub-Action Assigned To	Sub-Action Latest Note
4. Financial Pressure: The Council currently has an assumed cumulative funding gap of £21.68 million over the period 2013/14 - 2016/17 and continues to face an increase in demand for services due to the current economic climate and changes in demography. **Risk: The Council may not be able to generate efficiencies and**	87%	31-Aug-2016	31-Aug-2016	CS/EAAP/117a	The Long Term Financial Strategy going to Council on 30 October 2013 asks CMT to identify efficiencies for forward planning to meet the anticipated gap.	100%	✅	30-Oct-2013	Stephen West	Updated Long Term Financial Strategy provided to and agreed by Council on 30 October 2013.
				CS/EAAP/117b	Updates of the Long Term Financial Strategy will be presented to Council on at least an annual basis to update the projections as new information becomes available.	75%	▶	31-Aug-2016	Stephen West	Three milestones have been completed. The remaining milestone is to complete the annual update of the long term finance strategy in 2016/17.

savings to bridge the funding gap.								

Project 17. Annual Report on the 2013/14 audit

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
4. Sickness Absence The council are continuing to focus on improvement attendance at work and have set challenging targets to be achieved by 2017. Whilst there has been some improvement in teacher attendance in the past 12 months there has been no clear improvement in local government employee attendance. Risk The Council are not achieving best value from the staff resources available to them. Recommendation The council should consider the effectiveness of current activity and continue to seek new approaches to decrease absenteeism.	Work is currently ongoing within all council departments to ensure that the attendance management policy is consistently and effectively applied and that good practice in relation to improve levels of attendance is shared. The Attendance Working Group consider the effectiveness of current activity and continue to seek new approaches to support managers and decrease absenteeism. Workforce Management System functionality will be enhanced to provide more detailed recording and reporting of absences and of management actions taken. A renewed communications campaign will be launched to increase awareness amongst staff.	▶	71%	31-Mar-2017	31-Mar-2017	Paul McGowan	The revised Attendance Management Policy was agreed at Corporate Services Committee on 12 August 2015 with an agreed implementation date of 1 October 2015. As part of the implementation and communication strategy an Employee Wellbeing Charter was developed jointly with Trade Unions. The implementation of the new policy will be supported by a series of manager masterclasses directed at middle managers across the organisation. Input to masterclasses will come for subject matter experts including our new occupational health providers who were appointed don 1 September 2015. individual departmental absence plans have been developed and are reported to departmental committees on a quarterly basis. There are seven milestones, four of which have been completed to date.

Project 18. West Dunbartonshire Council: Review of Key Internal Controls 2014/15 - June 2015

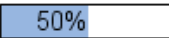| Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
8. One Internet Connection The Council only have a single internet connection which enables the receipt of data. Risk: failure in connectivity could impact on Council operations which require the receipt of external electronic data.	Work is already in progress as part of shared data centre project with East Dunbartonshire, which has several phases. Initial testing of the outbound traffic over resilient line required manual intervention and work is in progress to automate the failover process. Solution design for inbound internet failover is agreed and implementation planning in progress.	⚠	80%	31-Dec-2015	31-Mar-2016	Brian Miller	Mar 16 - EDC have tested outbound access and have configured some inbound access. Further work is needed on this but is still on target for March completion date. EDC to have discussions with SEEMIS about how to establish a failover VPN in the event of the EDC Line dropping. There are five milestones, four of which are complete.
9. Cyberattack Response Plan The Council do not have a cyberattack response plan. Risk: The Council may take longer than required to recover from a cyberattack.	A Cyber Exercise is scheduled for August 2015 with one of the outputs being the development of a Cyberattack Response Plan.	▶	71%	31-Dec-2015	31-Mar-2016	Iain Kerr	The Cyber response plan is currently out for review. This action has seven milestones of which five have been completed to date.
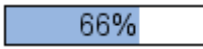
Project 19. Annual Audit Report on the 2014/15 audit
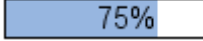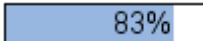
Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
2. Financial Planning The council currently has an estimated cumulative funding gap of £6.80 million over the period 2015/16 - 2017/18 and continues to face an increase in demand	The council recently agreed an update to the long term finance strategy and updates will be provided to Members at least annually. The intended roll out of	▶	50%	10-Mar-2018	10-Mar-2018	Gillian McNeilly; Stephen West	The report to council (24 February 2016) considered the current projections on budget gaps for 2016/17 to 2018/19 and asks Members to consider appropriate actions to close these gaps. Members seminar has been

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
for services due to the current economic climate and changes in demographics. Risk: The council may not be able to generate sufficient efficiencies and savings to bridge the funding gap. Recommendation: The council should continue to keep its long term financial strategy under review and progress its intention to roll out priority based budgeting.	priority based budgeting is planned to be implemented to inform the budget process for 2017/18 onwards.						arranged for March 2016 to consider priority based budgeting
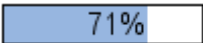
Local Scrutiny Plan 2015/16

1. Housing and Homelessness
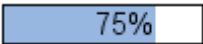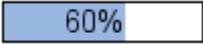
Code & Title	Status Icon	Progress Bar	Due Date	Ownership Assigned To	Latest Note
H/2015/HCS/07 Refresh Housing Asset management plan to identify key risk stock and take appropriate action	✅	100%	31-Mar-2016	John Kerr 2	Action completed – Positive impact of the Council's housing strategic approach is reflected in the reduction in the number of stock now identified as 'risk'. Any at 'risk' stock is subject to housing led activity.
H/2015/HCS/13 Improve performance around void houses	▶	66%	31-Mar-2016	John Kerr 2	Action on track. Action plan has been developed and implementation is monitored quarterly by the Void Scrutiny Group. Performance in terms of the reduction in void numbers continues to be evidenced and at the end of

					January 2016 the overall number of empty properties had reduced from 390 to 268. There are three milestones, two of which have been completed.
H/2015/HCS/23 Carry out a service review of rent collection service within Council and implement agreed improvement actions	▶	75%	31-Mar-2016	John Kerr 2	Action on track. Performance around rent arrears is viewed as the most challenging in terms of all housing indicators and is the one where no improvement trend exists, this action is very much aimed at improving performance. Analysis of rent collection performance of other local authorities and self-assessment of rent collection provision has been carried out within set timescale. This work informed two workshops chaired by the Executive Director of Infrastructure and Regeneration involving Housing and Finance (who deliver the rent arrears function) and resulted in a 16-point action plan being developed and which is currently being implemented. There are four milestones, three of which have been completed.
H/2015/HSD/06 Carry out comprehensive Tenant Satisfaction Survey to inform service delivery	▶	83%	31-Mar-2016	Stefan Kristmanns	Action on track. Fieldwork completed and results reported to November Housing and Communities Committee. Draft improvement actions have been developed and will be included in our 2016/17 service planning. There are six milestones, five of which have been completed.

2. Absenteeism

Code & Title	Status Icon	Progress Bar	Due Date	Ownership Assigned To	Latest Note
CS/EAAP/140 4. Sickness Absence	▶	71%		Paul McGowan	31-Mar-2017 The revised Attendance Management Policy was agreed at Corporate Services Committee on 12 August 2015 with an agreed implementation date of 1 October 2015. As part of the implementation and communication strategy an Employee Wellbeing Charter was developed jointly with Trade Unions. The implementation of the new policy will be supported by a series of manager masterclasses directed at middle managers across the organisation. Input to masterclasses will come for subject matter experts including our new occupational health providers who were appointed don 1 September 2015. individual departmental absence plans have been developed and are reported to departmental committees on a quarterly basis. There are seven milestones, four of which have been completed to date.

3. Efficiency

Code & Title	Status Icon	Progress Bar	Due Date	Ownership Assigned To	Latest Note
CS/15-16/FAR/010 Review and update the Council's long-term finance strategy and report to Elected Members	✔	100%	31-Aug-2015	Gillian McNeilly	Complete – reported to August Council.
CS/15-16/FAR/011 Monitor monthly agreed savings options & management adjustments through the budgetary control process	▶	75%	31-Mar-2016	Gillian McNeilly	Period 10 reported to Performance and Monitoring Review Group in February 2016.
CS/15-16/FAR/012 Monitoring of progress through the CMT of strategic projects planned for review during 2015/16, for report to future council/committees with a view	▶	60%	31-Mar-2016	Gillian McNeilly	Monitoring progress ongoing.

to increasing income / reducing costs for the Council					
CS/15-16/FAR/013 Prepare and deliver short, medium and long term budgets through robust financial planning which reflect the Council's (& other bodes) corporate aims and objectives	✅	100%	28-Feb-2016	Gillian McNeilly	Report to Council and budget agreed on 24 February 2016.
CS/15-16/FAR/014 Consider revision to the budget preparation timetable to allow additional time for the consultation process	✅	100%	30-Apr-2015	Gillian McNeilly	Complete – reported to Council.

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Audit & Performance Review Committee: 9 March 2016

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Subject: Audit Scotland Annual Audit Plan 2015/16

1. Purpose

1.1 The purpose of this report is to present Audit Scotland's Annual Audit Plan for the audit of financial year 2015/16 to Committee for information.

2. Recommendations

2.1 Members are asked to note Audit Scotland's audit plan for the audit of financial year 2015/16.

3. Background

3.1 Audit Scotland have produced their Annual Audit Plan which provides an overview of the audit approach to be adopted and describes the outputs the Council can expect to receive. The plan is appended to this report for noting.

4. Main Issues

4.1 The appended Annual Audit plan identifies the main areas of activity in the Summary of Planned activity at paragraph 4 of the attachment.

4.2 Paragraph 51 of the Plan identifies the resources that will be deployed to undertake the audit work. The plan advises that the auditors intend to place reliance on our own Internal Audit team to support the work of the plan (paragraphs 14 and 15).

4.3 A summary of the proposed audit timetable is provided on page 8 of the appended plan (Exhibit 1).

4.4 The fee for the local audit is £277,024 (2014/15: £277,024).

4.5 The Audit Scotland Team have developed excellent working relationships with staff across the Council and are providing a valuable source of information and guidance on a variety of best practice matters.

5. Personnel Implications

5.1 There are no people implications.

6. **Financial and Procurement Implications**

6.1 The total fee quoted in paragraph 4.4 of £277,024 is lower than had been anticipated within the budget for 2015/16 agreed on 4 February 2015 which was £280,670.

6.2 There are no procurement implications.

7. **Risk Analysis**

7.1 Audit Scotland's assessment of the risks facing the Council is detailed in their plan. An additional internal risk assessment was not required.

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

8.1 An Equalities Impact Screening was carried out which revealed no relevant issues.

9. **Consultation**

9.1 This report has been subject to a check by Finance & Resources 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
2 March 2016

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Email – Stephen.west@west-dunbarton.gov.uk

Appendix A: Audit Scotland Annual Audit Plan 2015/16

Background Papers: EIA Screening

Wards Affected: All wards

AUDIT SCOTLAND

West Dunbartonshire Council

Annual Audit Plan 2015/16

Prepared for Members of West Dunbartonshire Council

February 2016

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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies (www.audit-scotland.gov.uk/about/ac/). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General (www.audit-scotland.gov.uk/about/).

The Accounts Commission has appointed David McConnell as the external auditor of West Dunbartonshire Council for the period 2011/12 to 2015/16.

This report has been prepared for the use of West Dunbartonshire Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

Contents

Summary

Introduction

1. Our audit is focused on the identification and assessment of the risks of material misstatement in West Dunbartonshire Council's (the council) financial statements.

2. This report summarises the key challenges and risks facing the council and sets out the audit work that we propose to undertake in 2015/16. Our plan reflects:

   - the risks and priorities facing the council
   - current national risks that are relevant to local circumstances
   - the impact of changing international auditing and accounting standards
   - our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland
   - issues brought forward from previous audit reports.

3. The Charities Accounts (Scotland) Regulations 2006 specifies the accounting and auditing rules for Scottish registered charities. Irrespective of the size of the charity, as a consequence of the interaction of section 106 of the Local Government (Scotland) Act 1973 with the regulations, a full audit is required of all registered charities where the local authority is the sole trustee. The Council has eight trusts having charitable status with total assets of £0.34 million. Accordingly, we will perform the audit of the council's charitable trusts in parallel with the audit of the council's financial statements.

Summary of planned audit activity

4. Our planned work in 2015/16 includes:

   - an audit of the financial statements and provision of an opinion on whether:

     - they give a true and fair view of the state of affairs of the council and its group as at 31 March 2016 and its income and expenditure for the year then ended

     - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

   - reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This will summarise identified scrutiny risks and/or any changes to the Local Area Network's (LAN's) assessment since last year

   - a review and assessment of the council's governance and performance arrangements in a number of key areas including: internal controls, adequacy of internal audit and targeted performance audit work following up action taken on the recommendations included in Audit Scotland's 2013 national report on Scotland's Public Sector Workforce

   - provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts

- reporting of National Fraud Initiative arrangements and results
- collection of relevant financial and performance information to inform Audit Scotland's national reports.

Responsibilities

5. The audit of the financial statements does not relieve management or the Audit & Performance Review Committee, as the body charged with governance, of their responsibilities.

Responsibility of the appointed auditor

6. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

7. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Responsibility of the Head of Finance and Resources

8. It is the responsibility of the Head of Finance and Resources, as the appointed "proper officer", to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:

- maintaining proper accounting records

- preparing financial statements which give a true and fair view of the state of affairs of the council and its group as at 31 March 2016 and its expenditure and income for the year then ended.

Format of the accounts

9. The financial statements should be prepared in accordance with the Code, which constitutes proper accounting practice.

10. The council prepares a Whole of Government Accounts consolidation pack annually for the Scottish Government. To enable summarisation common accounting principles and standard formats should be used.

Audit approach

Our approach

11. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of the council and its group. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:

- understanding the business of the council and its group and the risk exposure which could impact on the financial statements

- assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements

- identifying major transaction streams, balances and areas of estimation and understanding how the council will include these in the financial statements

- assessing and addressing the risk of material misstatement in the financial statements

- determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.

12. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Planned management action being relied on for 2015/16 includes:

    - comprehensive closedown procedures for the council and group financial statements accompanied by a timetable issued to all relevant staff

    - clear responsibilities for preparation of financial statements and the provision of supporting working papers

    - delivery of unaudited financial statements to agreed timescales with a comprehensive working papers package

    - completion of the internal audit programme for 2015/16.

13. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal audit services are provided by the Internal Audit section of the council. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function to determine whether it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

14. We plan to place formal reliance on aspects of the work of internal audit in the following areas, to support our audit opinion on the financial statements:

    - Treasury management

    - Council tax billing

    - NDR billing and collection

    - Review of key reconciliations

15. 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

Materiality

16. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, the failure to achieve a statutory requirement or, an item contrary to law). In the event of such an item arising, its materiality has to be viewed in a narrower context; such matters

would normally fall to be covered in an explanatory paragraph in the independent auditor's report.

17. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements both individually and collectively.

18. Based on our knowledge and understanding of the council we have set our planning materiality at £3.87 million (1% of gross expenditure).

19. We set a lower level, known as performance materiality, when defining our audit procedures. This is to ensure that uncorrected and undetected audit differences do not exceed our planning materiality. This level depends on professional judgement and is informed by a number of factors including:

- extent of estimation and judgement within the financial statements
- nature and extent of prior year misstatements
- extent of audit testing coverage.

20. For 2015/16 performance materiality has been set at £0.97 million. We will report, to those charged with governance, all misstatements identified which are greater than £0.05 million.

Reporting arrangements

21. The Local Authority Accounts (Scotland) Regulations 2014 require that the unaudited annual accounts are submitted to the appointed external auditor no later than 30 June each year. The Council or Audit & Performance & Review Committee is required to consider the unaudited annual accounts at a meeting by 31 August.

22. Local authorities must publish the unaudited accounts on their websites and give public notice of the inspection period.

23. The 2014 regulations require the local authority (or a committee whose remit includes audit or governance) to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year.

24. The authority is required to publish on its website its signed audited annual accounts, and the audit certificate, by 31 October. The local authority is also required to publish a copy of the accounts of its subsidiaries. The annual audit report is required to be published on the website by 31 December.

25. A proposed timetable for the audit of the 2015/16 financial statements is included at Exhibit 1 below. Discussions are still ongoing on the timing of committee dates to ensure compliance with the 2014 regulations.

Exhibit 1: Financial statements audit timetable

Key stage	Date
Testing and review of internal control systems and transactions	31 May 2016
Meetings with officers to clarify expectations of working papers and financial system reports	March 2016
Consideration of unaudited financial statements by Audit & Performance Review Committee	29 June 2016
Latest submission date of unaudited council financial statements with complete working papers package	30 June 2016
Progress meetings with lead officers on emerging issues	As required during audit
Latest date for final clearance meeting with Head of Finance & Resources	9 September 2016
Agreement of audited unsigned financial statements, and issue of Annual Audit Report which includes the ISA 260 report to those charged with governance	9 September 2016
Meeting of Audit & Performance Review Committee to consider audited financial statements	28 September 2016
Independent auditor's report signed	30 September 2016
Latest date for signing of WGA return	30 September 2016

26. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission. A copy of all final agreed reports will be sent to the Chief Executive, Executive Director of Corporate Services, Head of Finance and Resources and Audit Scotland's Performance Audit and Best Value Group.

27. We will provide an independent auditor's report to the council and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. The combined ISA 260 and Annual Audit Report will be issued by 30 September.

28. All annual audit reports produced are published on Audit Scotland's website: www.audit-scotland.gov.uk.

29. Planned outputs for 2015/16 are summarised at Appendix 1.

Quality control

30. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established as part of financial audit procedures. This is to provide reasonable assurance that those professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing,

quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Accounts Commission. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews and has been subject to a programme of external reviews by the Institute of Chartered Accountants of Scotland (ICAS).

31. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We do, however, welcome feedback at any time and this may be directed to the engagement lead, David McConnell.

Independence and objectivity

32. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

33. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of West Dunbartonshire Council.

Audit issues and risks

Audit issues and risks

34. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for the council. We have categorised these risks into financial risks and wider dimension risks. The financial statements issues and risks, which require specific audit testing, are summarised below and detail contained in Appendix 2.

Financial statement issues and risks

35. **Income:** Auditing standards (ISA 240 *The auditor's responsibility to consider fraud in an audit of financial statements*) requires auditors to presume a risk of fraud where income streams are significant. The council receives a significant amount of funding from the Scottish Government, however approximately £178 million is received from other sources, including service income, council tax and grants/contributions. The complexity of income means there is an inherent risk that income could be materially misstated. We will undertake targeted substantive testing on the income streams included in the financial statements.

36. **Management override of controls:** ISA 240 also highlights the unique position of management to influence the financial statements by overriding controls that otherwise operate effectively. The ability to override these controls exists in all entities and therefore

represents a financial statements risk. We will undertake focused substantive testing of journal entries, accounting estimates and significant transactions outside the course of normal business.

37. **Estimation and judgement:** The financial statements of the council include significant assets and liabilities where the valuations are determined by professional judgement and include significant assumptions and estimates including non-current assets (£730 million) and provisions (£3.5 million). The degree of subjectivity in the measurement and valuation represents a risk of material misstatement. We will undertake focused substantive testing on these aspects of the financial statements.

38. **Untaken annual leave accrual:** In 2013/14 and 2014/15 our audit identified material adjustments to the council's untaken annual leave accrual of £1.4m and £1.5m respectively. We will assess the 2015/16 untaken annual leave accrual and the process to calculate it as part of our financial statements audit.

39. **Housing rent reconciliation:** In 2012/13, 2013/14 and 2014/15 our audit has highlighted unreconciled differences between the financial ledger and the housing rents system. Whilst the differences are not material (£54,078, £16,965 and £4,034 respectively) in the context of the total rent collected in year, we note that these differences have fluctuated for a number of years. We will review the 2015/16 reconciliation as part of our financial statements audit.

40. **Health & Social Care Partnership (HSCP):** The West Dunbartonshire HSCP is now operational and the council will need to make appropriate disclosures in the single entity accounts, including related party disclosures, and consolidate the HSCP financial results into the group accounts. We will review the disclosures in the annual accounts as part of our financial statements audit.

Wider dimension issues and risks

41. **Managing financial pressures:** In February 2016 council approved the 2016/17 budget, which projects a cumulative budget gap of £2.50 million and £7.32 million to 2017/18 and 2018/19 respectively. This represents an increase in the projection compared to the October 2015 report to full council which projected a gap of £4.03 million by 2018/19. This is primarily due to the anticipated impact of further funding reductions from the Scottish Government. We will continue to monitor and report on the council's financial position and progress made delivering against agreed savings option.

42. Whilst we recognise the significant steps the council has taken to help manage future financial pressures, we note that the council's net debt levels, as a proportion of net revenue stream and per head of population, continue to be among the highest in Scotland. It is recognised that the total debt figure includes debt associated with both the HRA and the council's Public Private Partnership (PPP) assets which not all Scottish local authorities will have. Furthermore, the council has one of the lowest levels of reserves as a percentage of net cost of services in Scotland. The council complies with its Prudential Reserves Policy of retaining a prudential reserve of 2% of net expenditure. However, the overall level of council reserves in addition to the need to service the council's debt

creates a risk that the council may have to reduce service provision in order to generate sufficient efficiencies and savings to bridge future funding gaps.

43. We will continue to monitor and report on the council's financial position.

44. **Capital slippage:** The council is currently projecting that the 2015/16 capital programme will slip by approximately 24.9%. This compares with 26.9% slippage in 2014/15, 25.5% in 2013/14 and 45.3% in 2012/13. The council has an ambitious ten year capital programme which is due to be refreshed in February 2016. The council has appropriate capital monitoring arrangements in place and a good focus on project planning and delivery which will be essential as it continues to progress its transformation agenda. We will review delivery of the annual capital programme as part of our financial statements audit.

45. **Highways network asset**: From 2016/17, the Code requires the highways network asset to be included in the council's financial statements at depreciated replacement cost instead of historical cost. Guidance issued by CIPFA/LASAAC has confirmed that the new accounting policies will be applied from 1 April 2016, with no requirement to restate the information in the financial year ending 31 March 2016. However, for 2015/16 we will review and report on the council's preparation for this significant change.

National performance audit studies

46. Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. In line with Audit Scotland's strategy to support improvement through the audit process, we will carry out work to collect relevant financial and performance information to inform Audit Scotland's national reports.

Fees and resources

Audit fee

47. Over the past four years, Audit Scotland has reduced audit fees by 24% in real terms, exceeding our 20% target. Due to further refinement of our audit approach we have been able to maintain audit fees for 2015/16 at the same level as last year. This represents an additional real term fee reduction of 1.6%.

48. In determining the audit fee we have taken account of the risk exposure of the council, the planned management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of a complete set of unaudited financial statements and comprehensive working papers package by 30 June 2016.

49. The proposed audit fee for the 2015/16 audit of the council is £277,024. Our fee covers:

- the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees

- your organisations allocation of the cost of national performance studies and statutory reports by the Auditor General for Scotland

- a contribution towards functions that support the local audit process (e.g. technical support and coordination of the National Fraud Initiative), support costs and auditors' travel and subsistence expenses.

50. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Audit team

51. David McConnell, Assistant Director, Audit Services is your appointed auditor. The local audit team will be led by Peter Lindsay who will be responsible for day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided in Exhibit 2. The core team will call on other specialist and support staff as necessary.
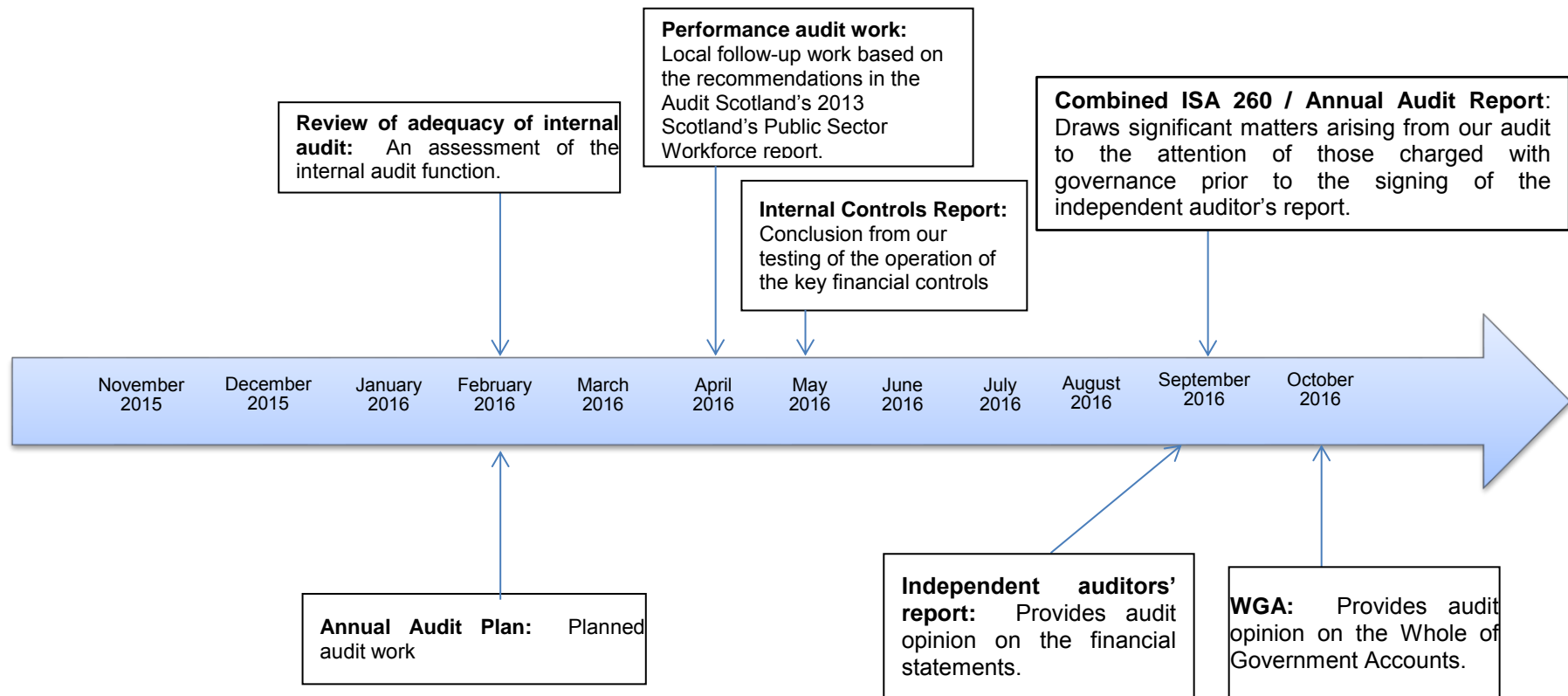
Exhibit 2: Audit team

Name	Experience
David McConnell CPFA Assistant Director (Certifying auditor)	David has worked in public sector audit since 1981, firstly with the National Audit Office and since 1985, with the Accounts Commission/Audit Scotland. He therefore has extensive experience of audit in Central Government, Local Government and the NHS.
Peter Lindsay CPFA Senior Audit Manager	Peter has over nineteen years' experience of public sector internal and external audit with both Audit Scotland and PricewaterhouseCoopers, covering local government, education and the NHS. Peter's previous experience has also involved secondments to Scottish Enterprise and the Social Work Inspection Agency.
Laurence Slavin CPFA Senior Auditor	Laurence has twelve years experience of public sector audit with Audit Scotland, covering local government, health and education. Prior to this Laurence spent seven years in an IT audit role within the private practice and gained experience both in an audit capacity and as a consultant on large scale IT projects.
Karen Cotterell FCCA Senior Auditor	Karen has six years experience within audit, covering both public and private sector. Prior to this Karen spent four years working in Industry gaining overall financial oversight as Financial Controller and Account Management.
Aimee MacDonald Professional Trainee	Aimee joined Audit Scotland in 2014 as a professional trainee. She holds a BAcc (Hons) in Accountancy and Finance and commenced studying for the Institute of Chartered Accountants of Scotland Qualifications in September 2015.
Jim Cumming Senior Auditor (ICT)	Jim has fifteen years experience of public sector ICT audit with Audit Scotland, covering local government, Health and the central government sectors. Prior to joining Audit Scotland, Jim spent fifteen years in various IT development, quality, security and system administration and project management roles in engineering.

Appendix 1: Planned audit outputs

The diagram below shows the key outputs planned for the council in 2015/16.

Review of adequacy of internal audit: An assessment of the internal audit function.

Performance audit work:
Local follow-up work based on the recommendations in the Audit Scotland's 2013 Scotland's Public Sector Workforce report.

Internal Controls Report:
Conclusion from our testing of the operation of the key financial controls

Combined ISA 260 / Annual Audit Report: Draws significant matters arising from our audit to the attention of those charged with governance prior to the signing of the independent auditor's report.

November 2015 · December 2015 · January 2016 · February 2016 · March 2016 · April 2016 · May 2016 · June 2016 · July 2016 · August 2016 · September 2016 · October 2016

Annual Audit Plan: Planned audit work

Independent auditors' report: Provides audit opinion on the financial statements.

WGA: Provides audit opinion on the Whole of Government Accounts.

Appendix 2: Significant audit risks

The table below sets out the key audit risks, the related sources of assurance received and the audit work we propose to undertake to address the risks during our audit work.

#	Audit Risk	Source of assurance	Audit assurance procedure
Financial statement issues and risks			
1	**Income** The council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.	• Robust income generation and cash handling processes, including separation of duties. • Independent monitoring of suspense codes – including bank reconciliations. • Normal budgetary control processes – reported monthly to Corporate Management Team (CMT) and departmental budget holders. • Authorisation processes regarding transactions within the ledger – e.g. journals & creditor requests.	• Analytical procedures on income streams. • Detailed testing of revenue transactions focusing on the areas of greatest risk.
2	**Management override of controls** ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of		• Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of any significant transactions

#	Audit Risk	Source of assurance	Audit assurance procedure
	management override of controls in order to change the position disclosed in the financial statements.		that are outside the normal course of business.
3	**Estimation and judgement** The financial statements of the council include valuations which rely on significant assumptions and estimates. The extent of subjectivity in the measurement and valuation of these balances represents a risk of material misstatement.	• Valuation methodology used by the valuer consistent each year, where appropriate. Updated as required. • Valuation methodology consistent with accepted valuation principles. • Five year rolling programme of valuations & review of significant changes each year.	• Completion of 'review of the work of an expert' for the professional valuer. • Focused substantive testing of key areas.
4	**Untaken annual leave accrual** There have been material audit adjustments to the council's untaken annual leave accrual in the previous two financial years. There is a risk the accrual may be understated in the council's balance sheet.	• The process reviewed last year has now been fully implemented and the senior officer completing this task will be similar to previous years, which ensures consistency of approach. • The year end timetable/procedures have been updated to ensure the opening position is confirmed as accurate.	• Review the 2015/16 untaken annual leave accrual during the audit of the council's 2015/16 financial statements.
5	**Housing rent reconciliation** In 2012/13, 2013/14 and 2014/15 our audit has highlighted unreconciled differences between the financial ledger and the housing rents system. There is a risk the financial ledger does not accurately record all relevant	• The council aims to have no unreconciled differences and an ongoing reconciliation of the rent income is undertaken throughout the year.	• Review the 2015/16 reconciliation during the audit of the council's 2015/16 financial statements.

#	Audit Risk	Source of assurance	Audit assurance procedure
	transactions.		
6	**Health & Social Care Partnership** The West Dunbartonshire HSCP is now operational and the council will need to make appropriate disclosures in the 2015/16 single entity and group financial statements.	• The council will ensure that the HSCP is appropriately disclosed in the single entity and group accounts in line with the 2015/16 Code. • Available guidance from CIPFA and Audit Scotland will be considered prior to finalising the disclosures.	• Review the HSCP disclosures during the audit of the council's 2015/16 financial statements.
	Wider dimension issues and risks		
7	**Managing financial pressures** The council continues to face the challenge of bridging a funding gap of over £4 million over the period 2015/16 to 2018/19 whilst it services existing debt levels and has relatively low reserves as a percentage of net cost of services. The council may be unable to generate sufficient efficiencies and cost savings to bridge the funding gap.	• Longer term finance strategy – reported to full Council in August each year and updated December/February. • Monitoring of budgetary control reporting to CMT monthly from period three (also committee & full Council) – this includes monitoring of savings options.	• Monitor the council's financial position via revenue budget reports presented to full Council and meetings with officers. • Ongoing review of council's progress delivering savings options. • Review of council's revised long term Financial Strategy.
8	**Capital slippage** The council has appropriate capital monitoring arrangements in place and a good focus on project planning and delivery. However, capital slippage in 2015/16 is still projected to be approximately 25%. Future	• Monitoring of capital spend monthly from period 3 through budgetary control reporting process – reported to CMT monthly (and & committee/full Council as part of normal cycle).	• Monitor capital expenditure through capital monitoring reports provided to CMT and Members. • Review delivery of the annual capital programme during the audit of the council's 2015/16 financial statements.

#	Audit Risk	Source of assurance	Audit assurance procedure
	capital programmes and associated service improvements may not be delivered in a timely manner.		