



Audit Committee

West Lothian Civic Centre
Howden South Road
LIVINGSTON
EH54 6FF

23 June 2017

A meeting of the **Audit Committee** of West Lothian Council will be held within **Council Chambers, West Lothian Civic Centre**, on **Friday 30 June 2017 at 10:00 a.m.**

For Chief Executive

BUSINESS

Public Session

1. Apologies for Absence
2. Declarations of Interest - Members should declare any financial and non-financial interests they have in the items of business for consideration at the meeting, identifying the relevant agenda item and the nature of their interest.
3. Order of Business, including notice of urgent business and declarations of interest in any urgent business
4. Minutes
- (a) Note Minute of Meeting of the Audit and Governance Committee held on Monday 27 February 2017 (herewith)

Public Items for Information

5. Committee Remit and Administrative Arrangements - Report by Audit, Risk and Counter Fraud Manager (herewith)
6. Audit
 - (a) Report by Audit, Risk and Counter Fraud Manager (herewith)
 - (b) Presentation by Audit, Risk and Counter Fraud Manager
7. Risk Actions Arising From Audit and Inspection Reports - Report by Audit, Risk and Counter Fraud Manager (herewith)

8. Internal Audit Annual Report - Report by Audit, Risk and Counter Fraud Manager (herewith)
9. Follow Up Audit of Information Security/Information Asset Register - Report by Audit, Risk and Counter Fraud Manager (herewith)
10. Internal Audit of Taxi and Private Hire Car Driver Licensing - Report by Audit, Risk and Counter Fraud Manager (herewith)
11. Information Security Breaches - Risk Assessment - Progress Report - Report by Head of Corporate Services (herewith)
12. Internal Audit of Monitoring of Voluntary and Not For Profit Organisations - Report by Audit, Risk and Counter Fraud Manager (herewith)
13. Internal Audit of Financial Monitoring & Reporting in Relation to West Lothian Leisure - Report by Audit, Risk and Counter Fraud Manager (herewith)
14. Consideration of 2016/17 Annual Accounts (Unaudited) - Report by Head of Finance and Property Services (herewith)
15. Local Government in Scotland Performance and Challenges 2017 - Report by Head of Finance and Property Services (herewith)
16. Local Scrutiny Plan 2017/18 - Report by Audit, Risk and Counter Fraud Manager (herewith)
17. External Quality Assessment - Report by Audit, Risk and Counter Fraud Manager (herewith)
18. Counter Fraud Report 2016/17 - Report by Audit, Risk and Counter Fraud Manager (herewith)
19. **PRIVATE SESSION**
The Clerk considers that the following business is likely to be taken in private (exempt under the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973)

Private Items for Information

20. Counter Fraud Report 2016/17 - Appendix 1 to report by Audit, Risk and Counter Fraud Manager (herewith) (Exempt in terms of Paragraph 14)
21. Internal Audit of Building Services Stores - Report by Audit, Risk and Counter Fraud Manager (herewith) (Exempt in terms of Paragraph 14)

NOTE -----
For further information please contact Elaine Dow on 01506 281594 or email elaine.dow@westlothian.gov.uk

MINUTE of MEETING of the AUDIT AND GOVERNANCE COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 27 FEBRUARY 2017.

Present – Councillors Frank Toner (Chair), John McGinty, William Boyle, Jim Dixon and David Tait

Apologies – Noel Lawlor, Lay Member

In attendance

Graham Hope (Chief Executive), Donald Forrest (Head of Finance and Property Services), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), James Millar (Governance Manager), Stephen Reid and Keith MacPherson (EY).

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTE

The Audit and Governance Committee approved the minute of its meeting held on 19 December 2016 as being a correct record. The Chair thereafter signed the minute.

3. INTERNAL AUDIT PLAN 2017/18

The Committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the Internal Audit Plan 2017/18.

The Public Sector Internal Audit Standards (PSIAS) requires that a risk based audit plan to be prepared. The internal audit plan for 2017/18 set out the planned internal audit work for the year to 31 March 2018, details of which were attached at appendix 1 to the report. Appendix 2 to the report set out details of the council's high risks as recorded in the corporate risk register. In relation to the appendix, the original risk score represented the assessed risk before implementation of control measures, and the current risk score represented the assessed risk following the implementation of current control measures.

The internal audit plan ensured that internal audit work was properly planned and focused on areas of greatest risk.

The Audit, Risk and Counter Fraud Manager advised that risk WLC012 was no longer considered to be a high risk, the council's budget having been approved on 20 February. In response to questions he also confirmed that a report previously considered by the committee regarding theft by a council employee in Housing, Customer & Building Services was being dealt with through the Counter Fraud Annual plan. He also confirmed that the resources available to him and the provision in the

annual plan for reactive work meant that the level of assurance given continued to be accurate.

It was recommended that the Audit and Governance Committee approves the 2017/18 internal audit plan.

Decision

Approved the terms of the report.

4. RISK MANAGEMENT PLAN 2017/18

The Committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the Risk Management Plan 2017/18.

The Committee was advised that the Risk Management Plan for 2017/18 set out the main areas of planning work on risk management, including business continuity planning. A copy of the Risk Management Plan for 2017/18 was attached to the report at Appendix 1. Risk management work aimed to ensure that sound processes were in place at both a corporate and service level for the management of risk.

Business continuity work aimed to ensure that effective corporate and service business continuity plans were in place. The Committee also noted that the council's risk consultant, Gallagher Bassett, provided free risk consultancy as part of the insurance contract and the Governance and Risk Board would be consulted in relation to the potential for further consultancy work to be undertaken during 2017/18.

It was recommended that the Audit and Governance Committee approve the 2017/18 Risk Management Plan.

Decision

To approve the terms of the report.

5. COUNTER FRAUD PLAN 2017/18

The Committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the Counter Fraud Plan 2017/18. Attached to the report at Appendix 1 was a copy of the Counter Fraud Plan for 2017/18, which set out the counter fraud work to be undertaken for the year to 31 March 2018.

The Committee was advised that the counter fraud plan was an essential component of the council's counter fraud arrangements. The main elements of the plan were outlined within the report. It was noted that progress in relation to the counter fraud plan and the National Fraud Initiative data matching exercise would be reported periodically to the Audit and Governance Committee.

It was recommended that the Audit and Governance Committee approve the 2017/18 Counter Fraud Plan.

In response to questions about following up whistle-blowing incidents to gauge satisfaction with the process, the Audit, Risk and Counter Fraud Manager confirmed that to do so would risk the security of the procedures and undermine the reliance and confidence of whistle-blowers in that procedure.

Decision

To approve the terms of the report.

6. EXTERNAL AUDIT PLAN 2016/17

The Committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the external auditors 2016/17 annual audit plan.

The report recalled that in May 2016 the Accounts Commission appointed EY as the council's external auditor for the five year period to 2020/21. EY's annual plan set out the work they proposed to undertake in relation to their 2016/17 audit, details of which were attached as an appendix to the report. The auditors also reported on the four dimensions of public sector audit which comprised the wider scope audit work, i.e. financial sustainability, financial management, governance and transparency and value for money. The wider scope audit work and the judgements and conclusions reached in these areas would contribute to the overall assessment and assurance on Best Value.

EY's annual audit plan also set out their agreed fee and the deliverables from the audit. The auditors aimed to certify the annual accounts by 30 September 2017.

In conclusion, EY's annual audit plan set out their approach to their 2016/17 audit.

It was recommended that the Audit and Governance Committee notes the external auditor's 2016/17 annual audit plan.

Decision

To note the contents of the report.

7. AUDIT SCOTLAND REPORT - A REVIEW OF HOUSING BENEFIT INVESTIGATION LIAISON ARRANGEMENTS IN SCOTLAND

The Committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing a summary of the report, 'A review of housing benefit fraud liaison arrangements in Scotland', published by Audit Scotland in December 2016.

The report recalled that in 2010 the Department for Work and Pensions (DWP) and HM Revenues and Customs (HMRC) fraud and error strategy proposed a Single Fraud Investigation Service (SFIS) to address fraud across all benefits and tax credits, whether administered by DWP, HMRC, or local authorities. A number of local authority pilots were set up to test a variety of partnership approaches and after the successful completion of the pilots it was announced that SFIS (now FES), would be formed.

The transfer of counter fraud work from local authorities commenced nationally in July 2014 and concluded in March 2016. Over seventy local authority fraud investigation staff in Scotland, including three from West Lothian, also transferred to DWP during this period. West Lothian's counter fraud work transferred in February 2015. Since March 2016, FES has conducted single welfare benefit fraud investigation to one set of policies and procedures for all local authorities. The review was carried out to determine the extent to which benefit services were meeting their obligations to achieve continuous improvement in respect of counter fraud activities.

The report then outlined the key findings of the review and the arrangements in place since March 2016. Appendix A to the report highlighted the recommendations for improvement.

Officers would continue to participate with ongoing liaison with the DWP to further develop and establish improved processes, taking into account the six recommendations made in Appendix 1 to the report relating to housing benefit fraud investigation work.

It was acknowledged in the report that the DWP and local authorities in Scotland were committed to delivering process improvements and changes to procedures however there remains scope for further improvement. Ongoing liaison activities have been established and the DWP Performance Development Team would review the end to end fraud referral process and issues associated with the rollout of FES.

It was recommended that the Audit and Governance Committee:

1. Notes the content of Audit Scotland's review of housing benefit fraud investigation report, including the recommendations for improvement; and
2. Notes that council officers would continue to liaise with the Department for Work and Pensions (DWP) to improve processes.

Decision

To note the contents of the report.

8. CLOSING REMARKS

Since this was the last committee meeting before the elections in May, the

Chair, with the agreement of all members present, expressed thanks to all members of the committee and to its supporting officers for their efforts during the last five years.



AUDIT COMMITTEE

COMMITTEE REMIT AND ADMINISTRATIVE ARRANGEMENTS

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the committee's remit, powers and proposed administrative arrangements.

B. RECOMMENDATIONS

It is recommended that the Audit Committee:

- notes the Committee's remit and powers in Appendix 1;
- considers and notes the proposed meeting and other arrangements for the committee.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Being honest, open and accountable, making best use of our resources.
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	Scheme of Administration. Standing Orders for the Regulation of Meetings.
III	Implications for Scheme of Delegations to Officers	None.
IV	Impact on performance and performance Indicators	None.
V	Relevance to Single Outcome Agreement	None.
VI	Resources - (Financial, Staffing and Property)	None.
VII	Consideration at PDSP	Not required.
VIII	Other consultations	Governance and Risk Manager.

D. TERMS OF REPORT

1 Background

- 1.1 Between May 2012 and May 2017 the council's decision-making structure included the Audit & Governance Committee. It carried out the role of a "traditional" audit committee as required by legislation and accounting convention and practice. It also included corporate governance in its remit and, along with that, risk management in the council.
- 1.2 On 7 June 2017 council decided that the existing committee should be replaced by two new committees - Audit Committee and Governance & Risk Committee. It approved a division of the remit of the former Audit & Governance Committee, to apply with immediate effect.
- 1.3 The remit and powers of this committee are in Appendix 1 for information. The committee forms part of the council's scrutiny arrangements, along with the Governance and Risk Committee, Performance Committee, Education (Quality Assurance) Committee and the nine PDSPs.

2 Meetings

- 2.1 Meeting dates must be approved by Council Executive, not by this committee. Since it is a new committee there are presently no dates in the calendar of meetings after this meeting on 30 June. The approved remit provides for quarterly meetings.
- 2.2 It will assist the flow of business if its meetings take place on the same pattern as those of the Governance and Risk Committee and in close proximity to them in time. There are statutory requirements and timescales to be met by both committees. The existing schedule of meetings in June, September, December and February ensures those requirements are met. After consultation with the Chair the intention is to report to Council Executive on 8 August 2017 with proposed dates for meetings of each committee on Monday afternoons, approximately one week apart in those months.
- 2.3 The committee is subject to the normal procedural rules in Standing Orders for the Regulation of Meetings.

3 Work Plan

- 3.1 The regular work of the Committee is prescribed by the annual cycle of internal audit, external audit, and counter fraud work. Appendix 2 sets out items which are due to be submitted to the Committee on a regular basis. These are all submitted annually with the exception of reporting in relation to the National Fraud Initiative (NFI) data matching exercise which is undertaken every two years.
- 3.2 Other business arrives on an ad hoc basis, for example internal audit, external audit and counter fraud reports. It is the practice for all relevant external audit reports to be submitted to the Committee. In relation to internal audit and counter fraud reports, these are submitted to the Committee on the basis of my judgement as to their materiality and the degree of risk arising. The Committee should note that the Public Sector Internal Audit Standards (PSIAS) require me to report any significant risk and control issues identified by my work. The Committee may of course at any time ask to see any other internal audit or counter fraud reports.

4 Training and Briefing

- 4.1 An introductory briefing on audit is on the agenda for this meeting and further training needs will be considered in consultation with the Committee members.

E. CONCLUSION

This report advises members of the Committee's remit and provides an overview of its main business.

F. BACKGROUND REFERENCES

- 1 Report to West Lothian Council 7 June 2017: Scheme of Administration
- 2 Scheme of Administration
- 3 Standing Orders for the Regulation of Meetings

Appendices/Attachments: 1. Audit Committee Remit 2. Audit Committee Regular Items

Contact Person: Kenneth Ribbons, kenneth.ribbons@westlothian.gov.uk Tel No. 01506 281573

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 30 June 2017

APPENDIX 1 AUDIT COMMITTEE

A REMIT AND POWERS

- 1
 - (a) To undertake a corporate overview of the Council's control environment, including financial and non-financial controls.
 - (b) To develop an anti-fraud culture within the Council to ensure the highest standards of probity and public accountability.
 - (c) To commission special investigations on the Committee's behalf on matters of particular concern relating to internal controls.
 - (d) To evaluate the arrangements in place for securing the economical, efficient and effective management of the Council's resources.
 - (e) To approve the annual internal audit plan and the annual counter fraud plan, and to consider the annual external audit plan.
 - (f) To give consideration to internal audit, counter fraud and external audit reports which identify deficiencies in relation to the internal controls in operation and ensure that management implement the recommendations incorporated within the audit report action plans by the agreed date.
 - (g) To redirect internal audit resources as and when deemed appropriate.
 - (h) To monitor the overall performance of the internal audit and counter fraud services in terms of productivity, effectiveness, customers' satisfaction etc.
 - (i) To consider the internal audit annual report, the annual report on the council's system of internal control, and to review the external auditor's annual report and management's response.
 - (j) To maintain an effective working relationship with external audit and with the council's Governance & Risk Committee.
- 2 In pursuing its remit the Committee has the following powers:-
 - (a) To require Internal Audit to obtain documents and information relevant to the Committee's role and remit.
 - (b) To have the right to call any Elected Member or officer before the Committee.
 - (c) To take decisions in relation to all aspects of the Committee's remit, subject to the Committee not taking decisions which will change or conflict with council policy or commit the Council to significant expenditure, although the Committee may make recommendations to the Council on policy matters or expenditure.

B MEMBERSHIP

- 1 5 elected members (2 Labour, 2 Conservative, 1 SNP).
- 2 1 lay member to be appointed by the Council after a recommendation from an interview panel chaired by the Chair of this Committee.
- 3 The lay member shall not be entitled to move or second motions or

amendments and shall not be entitled to vote.

C QUORUM

- 1 3 members.

D SUBSTITUTES

- 1 Substitutes allowed for elected members, drawn from all Elected Members of the Council.
- 2 No substitute is allowed for the lay member.

E MEETINGS

- 1 Four scheduled meetings per year.

F REPORTING ARRANGEMENTS

- 1 Minutes to be reported to and approved at the next meeting of the Committee.
- 2 Approved minutes to be reported to the Council for noting.

G MISCELLANEOUS

- 1 The Committee's role is to review and monitor all of the Council's activities in relation to:-
- (a) Reviewing and promoting the Council's system of internal control, both financial and otherwise, aimed at ensuring that the Council's activities are carried out in an orderly and efficient manner, and that its assets are safeguarded,
- (b) Evaluation of the Council's control environment, including measures to prevent and detect fraud,
- (c) Monitoring the independence and effectiveness of internal and external audit.
- 2 Issues will be referred to the Committee by the Council, a Committee or an appropriate officer for due consideration. The Committee shall refer any relevant aspects of its business to the council's Governance & Risk Committee for consideration.
- 3 The Committee shall cooperate with the Governance & Risk Committee in ensuring efficient and effective arrangements for the conduct of business where the interests of the two committees are shared.
- 4 The lay (non-councillor) member is to be appointed at a meeting of full council following a recommendation from a recruitment panel comprised of the Chair of this Committee, the Audit and Risk Manager, and a member of the committee from outwith the Administration. The lay member is a non-voting member with a period of appointment of three years, and is required to agree to be bound by the principles of the Councillors' Code of Conduct. At the end of the three year period, council will be asked to offer to extend the appointment for another three years or to re-advertise. If necessary for any reason, the council will terminate the appointment early.

APPENDIX 2 AUDIT COMMITTEE - REGULAR REPORTS

MONTH	REPORT
February	Internal Audit Plan
	Counter Fraud Plan
	External Audit Plan
June	Internal Audit Annual Report
	Counter Fraud Annual Report
	Unaudited Accounts
	Outstanding Risk Actions From Auditors / Inspectors
	Local Scrutiny Plan
	Audit Scotland Local Government Performance and Challenges Report
September	External Auditor's Report To Members
December	Internal Audit Progress Report
	National Fraud Initiative Progress Report
	Audit Scotland Local Government Financial Overview Report



West Lothian
Council

AUDIT COMMITTEE

AUDIT PRESENTATION

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of my presentation on the work of internal and external audit.

B. RECOMMENDATION

That the Audit Committee notes the work of internal and external audit.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Being honest, open and accountable, making best use of our resources.
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III	Implications for Scheme of Delegations to Officers	None.
IV	Impact on performance and performance Indicators	Weaknesses in internal control may have an adverse impact on performance.
V	Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI	Resources - (Financial, Staffing and Property)	None.
VII	Consideration at PDSP	None.
VIII	Other consultations	None.

D. TERMS OF REPORT

On 7 June 2017 council decided that the existing Audit and Governance Committee should be replaced by two new committees - Audit Committee and Governance & Risk Committee.

Accordingly, a presentation has been prepared to provide members of the Audit Committee with an understanding of the work of internal and external audit.

E. CONCLUSION

The presentation will assist the work of the Committee by providing an overview of the internal and external audit processes.

F. BACKGROUND REFERENCES

Report to West Lothian Council 7 June 2017: Scheme of Administration

Appendices/Attachments: None.

Contact Person: Kenneth Ribbons, kenneth.ribbons@westlothian.gov.uk Tel No. 01506 281573

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 30 June 2017



West Lothian
Council

AUDIT COMMITTEE

RISK ACTIONS ARISING FROM AUDIT AND INSPECTION REPORTS

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To advise the Audit Committee of progress in implementing agreed actions arising from audit and inspection reports.

B. RECOMMENDATION

It is recommended that the Audit Committee considers the appendix to this report and notes that failure to timeously implement agreed actions may impact adversely on performance and / or achievement of council objectives.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Failure to effectively mitigate risks may have an adverse impact on performance.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Governance and Risk Board, Heads of Service.

D. TERMS OF REPORT

In November 2011 a report was submitted to the then Risk Management Board in relation to entering agreed actions from audit / inspection reports into the Covalent system as risk actions.

The Board endorsed the recommendation that the following be entered into Covalent as risk actions:

- all Audit Scotland findings which are the subject of an agreed action plan;
- agreed actions arising from internal audit findings ranked as being of “high” importance;
- actions arising from findings / recommendations from other external inspectors / agencies which are considered to be significant.

The attached report sets out those findings which have been entered into Covalent as risk actions in accordance with the agreed protocol, which were due to be completed by 31 March 2017, and which are still outstanding.

In relation to the attached reports:

- the “assigned to” field contains the responsible officer for the action;
- the “progress bar” field identifies the service’s current estimate of percentage completion;
- the “original due date” field is the date for completion, where relevant this will be as per the original agreed action plan;
- the “revised due date” is a revised completion date set by the service;
- the “finding” field contains the finding;
- the “agreed action” field sets out the agreed action;
- the “latest note” field contains the latest update by the service on progress.

There are 15 outstanding risk actions in this report, of which one relates to Audit Scotland, and 14 relate to internal audit.

E. CONCLUSION

It is important that risk actions are implemented timeously as failure to do so may impact adversely on performance and / or compliance with council objectives. Oversight of outstanding risk actions by the Audit Committee will facilitate their completion.

F. BACKGROUND REFERENCES

None.

Appendices/Attachments: Outstanding Audit and Inspection Recommendations

Contact Person: Kenneth Ribbons Kenneth.Ribbons@westlothian.gov.uk tel. 01506 281573

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 30 June 2017

Outstanding Audit and Inspection Recommendations Due by 31 March 2017

Report Type: Actions Report

Report Author: Kenneth Ribbons

Generated on: 22 June 2017 17:37

Report Layout: .A-25 Actions grouped by Scrutiny Body - with assigned to and due date#

Audit Scotland

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
ITS15009_Are Use of Unsupported and Older Software	Jennifer Milne	<div><div>98%</div></div>	31-Dec-2015	30-Jun-2017	<p>The Council is still using and relying on unsupported Microsoft software. (Windows Server 2003).</p> <p>Risk Operating older unsupported versions of software may result in security weaknesses.</p> <p>Recommendation The Council should ensure that project to migrate Windows Server 2003 should be completed as soon as possible</p>	A project is ongoing to decommission all versions of windows 2003 server by 2015.	<p>Jennifer Milne 21-Apr-2017 This Windows 2003 server project is approaching completion as the majority of servers have been migrated to Windows 2008/12. Performance is 98%.</p> <p>Audit Scotland were advised that the stage closure report was approved by the ICT Programme Board on 23 May 2016 however, there were 3 servers that were outstanding.</p> <p>(These are being addressed by dependent projects 2 x Crystal Reporting servers await Finance and Estates resource following year end and Open Housing/Open Query reporting system is dependent on decision on a change of scope to include Arrears Module and associated reporting services).</p> <p>The end date for this action has been extended pending confirmation of exception report timescales as these are expected to be considered by the ICT Programme Board in August 2016.</p> <p>The ICT Programme Board approved the exception reports for Crystal and Open Housing/Open Query and extended the timescales to June 2017.</p> <p>IT Services manager sought guidance from Depute Chief Executive/Head of Corporate Services and due to the dependencies on Crystal and Open Housing/Open Query agreed by the ICT Programme Board was advised to update the end date to June 2017.</p>

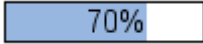

Internal Audit

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
NLCS12122_Ari Reduce risk of injury from spiked fences	David Cullen	<div><div>95%</div></div>	21-Dec-2012	05-Sep-2017	Fences around headstones are common in the cemeteries. Some of these fences have round ends and some have spiked ends. The spiked ends can result in injury or fatality should an employee, member of the public or contractor accidentally fall on them. Furthermore, the fences are a risk to staff who carry out maintenance work as they can fall over fences while carrying out their duties.	Once the proposed Cemetery Management Rules are approved by Council Executive, officers will have a set of formal rules that will allow them to take action to ensure that any spikes are removed and ensure that no further spiked fences are erected thereafter.	Fiona Key 31-May-2017 Will seek approval from new leader of the council to issue letter to relevant lair holders.
PTS13120_Ari Tender for bus shelter advertising	Nicola Gill	<div><div>40%</div></div>	31-Mar-2014	31-Oct-2017	The council has had a contract for bus shelter advertising with the company Clear Channel since 1996 which ended on 31 March 2011. Clear Channel both supply and clean the shelters. The current annual income is £7,600. We were advised that the contract for bus shelter advertising will be going out to tender in the latter part of this year. However, on expiry of the contract in 2011, there was no formal extension to the contract and an informal agreement was put in place to continue with the current contract until a new contract had been tendered. The contract needs to be put out to tender as soon as possible.	Long -term contract in place to manage bus shelter advertising and maximise revenue for the council	Melanie Phillips 20-Jun-2017 PTU and CPU met in May and discussions are ongoing. Currently, we are exploring the commercial options given the limitations that have arisen.

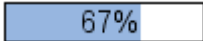
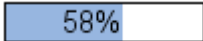
Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
COR14001_Ari Use of the San Server	.Head of Corporate Services (J Whitelaw)	<div><div>70%</div></div>	30-Sep-2014	30-Nov-2017	<p>The majority of services were still making use of the san server in relation to reviewing data for deletion or transfer to Meridio or using the san server where data was not compatible with Meridio or was required to be held separately to facilitate interfaces with other systems. Social Policy also currently continues to use the san server for client records as they consider alternative storage methods.</p> <p>Officers did not advise of any targets or deadlines in relation to the review of data on the san server and are tackling this on an ongoing basis and as time permits.</p> <p>Numerous examples were provided of information that is exempt from storage on Meridio. However there are no central records recording this information and where it is held. A central record of approved exemptions may assist when reviewing san server usage.</p> <p>In addition, while Social Policy client files remain on the san server, a significant volume of sensitive data is out with the council's standard records management procedures.</p>	<p>1. Heads of Service to ensure that the Information Asset register is updated with exceptions to the use of EDRMs – 03/07/2014.</p> <p>2. Project Managers/ILOs to complete a 6 Monthly review of the Information Asset Register and report to IMWG – 03/07/2014 (see 3.2.1).</p> <p>3. Head of Corporate Services to ensure installation of migration tool for EDRMs to allow bulk uploads of documentation – 30/09/2014.</p> <p>4. IT Services to provide the IMWG with reports on SAN usage quarterly (see 3.3.2): 14/08/2014; 06/11/2014.</p>	<p>Julie Whitelaw 22-May-2017 EDRM replacement project is progressing with planned migration date mid August 2017. Once new ECM system is live, exercise to move files from SAN into the ECM can be undertaken. SAN is currently being used for high volume/bulk files such as plans which currently cannot be stored in Meridio EDRMs. SAN also currently being used to support the lock down of Myworkspace in Meridio to facilitate migration to Objective ECM in August.</p>

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
LS14001_Ari Partnership Working Guidance	James Millar	<div><div>80%</div></div>	31-Dec-2014	31-Mar-2016	We noted that the council's Partnership Working Guidance was approved by Council Executive in June 2010, and in our opinion it would now be appropriate for it to be reviewed: the Guidance contains certain mandatory requirements, and consideration should be given to renaming / rewording it to make it explicit that compliance is mandatory the Guidance contains the following "details of the partnership agreement should be recorded in the council's register of contracts"; as partnerships are not commercial contracts, we do not consider this to be appropriate.	Guidance will be reviewed and updated	James Millar 12-Jun-2017 The revision of the draft guidance through the Governance & Risk Board has been delayed during the pre-election period in the Spring of 2017. Following the establishment of a new administration and of the Governance & Risk Committee the approval of the draft guidance will be pursued through committee and PDSP following the summer recess. The current guidance provides an adequate basis for decision-making in the meantime.
LS14002_Ari Partnership details	James Millar	<div><div>80%</div></div>	30-Apr-2015	30-Apr-2015	We noted as above that the Guidance refers to a requirement to record details of the partnerships in the council's register of contracts. We noted that services were not maintaining details of their partnerships, other than in relation to an entry in their annual management plan. Services should maintain comprehensive details of all partnerships, and in our view it would be appropriate for the Corporate Governance Working Group to monitor progress in implementation.	Revised guidance will include updated requirements in relation to maintaining lists of partnerships Once the revised guidance is approved by Council Executive it will be cascaded via Heads of Service. Monitoring will be undertaken by Depute Chief Executives. Training will be provided to Governance Champions via the Corporate Governance Working Group. Governance Champions will cascade requirements and training within their service areas.	James Millar 12-Jun-2017 Completion is tied to and is part of the work covered by LS14001_Ari. Please see the latest update there for information.

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
LS14003_Ari Partnership Working Checklists	James Millar	<div><div>80%</div></div>	30-Apr-2015	30-Apr-2015	We identified a general lack of awareness of the Partnership Working Guidance. The Guidance recommends that services complete checklists for informal and formal partnerships. Only one service provided evidence of completed checklists in relation to their partnership working arrangements, however these did not appear to be comprehensive. There was also no evidence that services had formally reviewed their partnership arrangements annually as required by the Guidance. As above, we consider that there is a role for the Corporate Governance Working Group in raising awareness and monitoring implementation.	Training will be provided for Governance Champions by CGWG. Governance Champions will deliver training to their respective services.	James Millar 12-Jun-2017 This action is tied to and is part of LS14001_Ari. Please see the latest update there for information.
PTS15101_Ari Update Trapeze so that an audit trail of the user approving an invoice batch is available	Nicola Gill	<div><div>80%</div></div>	30-Oct-2015	31-Aug-2017	The majority of orders and invoice batches are approved in Trapeze by either the Public Transport Manager or the Senior Public Transport Officer. However, the system will also allow both Super Users to authorise purchase orders and invoice batches. Due to staff absence, there has been a need for the Super Users to authorise purchase orders and invoice batches in the past.	Amend Trapeze user rights so that no user can approve their own invoice batches and create report or screen to show which user approves an invoice and which user exports a batch.	Nicola Gill 14-Jun-2017 Progress delays and lack of supplier engagement has been escalated by PTU Manager to Customer Project Manager. Internal investigation completed by Project Manager and requirement to implement software upgrades in two part process identified and revised timescales given. Full implementation anticipated in August 2017.
PTS15102_Ari Update Trapeze so that Super Users cannot approve their own batch invoices	Nicola Gill	<div><div>80%</div></div>	30-Oct-2015	31-Aug-2017	The Super Users have permissions to raise orders, approve orders, input invoices and approve invoice batches and it was confirmed that these functions are all currently undertaken by them. These arrangements should be reviewed to ensure appropriate approval roles and effective segregation of duties are in place.	A request was raised with Trapeze on 10 April 2015 to change user rights so that Super Users cannot approve their own invoice batches. The request also included a request for visibility of the user who approves an invoice and who exports a batch invoice history screen	Nicola Gill 14-Jun-2017 Progress delays and lack of supplier engagement has been escalated by PTU Manager to Customer Project Manager. Internal investigation completed by Project Manager and requirement to implement software upgrades in two part process identified and revised timescales given. Full implementation anticipated in August 2017.

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
ED15015.1_Ari Security of cash - St Margaret's Academy			31-Dec-2015	30-Sep-2017	Transfer of RBS account to BoS to enable G4S uplift	All secondary schools are on the cash uplift service contract with G4S with a twice weekly uplift. The school fund bank account requires to be transferred over to the Bank of Scotland	Donna Adam 20-Jun-2017 Still awaiting BoS to change type of bank account held to enable cash uplift service to be used by the school. Meantime school limiting cash usage by encouraging use of Ipayimpacyt.
COR15004_Ari Information Asset Register Follow-up - High Risk Assets	.Head of Corporate Services (J Whitelaw)		30-Jun-2016	30-Jun-2017	<p>Covalent Risk Action COR13001_Ari states:</p> <p><i>'Those systems with greatest potential impact if controls fail (i.e. those ranked impact 5) will be identified. A review of the controls in place to mitigate the risk will then be undertaken. Risk assessments logs are kept in the 'Applications' Folders in EDRMS.</i></p> <p><i>Heads of Service will ensure that suppliers of systems can provide a notice on the front screen to inform staff of the requirement for confidentiality and security of information'.</i></p> <p>The six highest ranking assets/systems in terms of risk levels (score of 16+) were selected for audit testing.</p> <p>Having checked for 'risk assessment logs' in the IT Applications folder in Meridio, of the six high / critical risk systems only the Exchange e-mail system and EDRMS were present in the folder. In the case of EDRMS, there was no current risk assessment present in the folder.</p> <p>Also, a further two high risk assets, Email Management System and Vodafone Disk, which were overdue for review at the time of the audit, were reviewed. It was confirmed that the risk in relation to the Email</p>	<p>a) High level risk assessments are in place for all assets. It may be useful to have internal audit's view on this process. Privacy impact assessments and project risk assessments should be in place for all new/updated systems. The council requires an information risk assessment process that is in line with current risk management regime.</p> <p>Once (a) above is completed, and in conjunction with the reminder and verification process outlined in findings 3.2 and 3.3, an exercise will be undertaken to have the individual IAR asset risks reviewed and updated as necessary. Heads of Service to ensure that all assets are appropriately assessed as per corporate standards.</p>	Julie Whitelaw 22-May-2017 High risk assets to be reviewed at every second IMWG to ensure that all risk assessments are in place for assets assessed as high risk. Report to ICT Programme Board on any high risk Assets where risk assessment is not in place.

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
					<p>Management System was overstated and we could not obtain any information at all on the status of the Vodafone Disk, other than being advised that services may be keeping risk assessments locally.</p> <p>This raises concerns that:</p> <ul style="list-style-type: none"> . risk is being inadequately assessed (both over and under), or not assessed at all; . where risk is identified as high then inadequate action may be taken to mitigate the risks; . there is no clear and consistent approach to the recording and storage of risk assessments. <p>There was also no evidence of any front screen warnings existing for any of these systems.</p>		

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
COR16007_Ari WLC Annual Compliance Statement	Julie Whitelaw		31-Mar-2017	30-Jun-2017	<p>The audit sample identified an instance of an information security breach having been reported to the Information Commissioner's Office during May 2015. This should be have been detailed in the council's Annual Compliance Statement. However, the compliance statement states: <i>"During 2015/16 there were 45 Risk Assessments conducted on security incidents. This is a decrease of 39% on the previous year. None of the incidents were considered significant enough to notify the Information Commissioner."</i> This is clearly incorrect.</p> <p><u>Risk:</u> Assurance on compliance with information security matters cannot be relied on.</p>	The current process will be reviewed to ensure that incidents reported to the ICO are clearly communicated internally, thereby allowing accurate completion of the council's compliance statement.	Julie Whitelaw 20-Apr-2017 Service returns all received and being collated. Returns will be reviewed by Chief Solicitor, Risk and Insurance Manager and Governance Manager.
HCBS16001_Ari Capacity Shortfall Analysis	Risk Management Group_Housing; AnnMarie Carr		31-Mar-2017	31-Mar-2018	<p>Review of projected budget outturn information for 2016/17 found that the full budget for hotel and bed and breakfast costs had been spent by the end of August 2016.</p> <p>At the end of August 2016 projected spend for 2016/17 was £653,000 against the 2016/17 budget of £250,000.</p> <p>A report analysing short to medium term accommodation demand has been prepared and a growing shortfall in the number of available accommodation units was identified in the three years from 2016/17 to 2018/19.</p> <p>Proposals which meet the projected shortfalls, for example through</p>	Proposals which have been identified to meet projected shortfalls will be implemented by end of 2016/17. Service restructure will be completed during the same timeframe. Demand analysis figures will be kept under regular review.	AnnMarie Carr 26-May-2017 The service has increased numbers of properties available for use as TT's and is continuing to work with Private Sector and RSL landlords to further increase capacity. Detailed modelling for 17/18 has been carried out with plan to ensure continued mitigation of use of B&B's and reduction in budget spend.

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
					<p>investment of available capital budget and Scottish Government funding, and the sourcing of additional properties through the review of arrangements with Registered Social Landlord partners and Private Sector Landlords were identified.</p> <p>At the time of the audit these proposals have not been fully implemented and it is imperative that these are completed as quickly as possible to minimise budget pressures in 2016/17 and to meet the forecast demand levels in future years.</p> <p>It is also important that accommodation demand analysis is revisited regularly to account for changes in the key variables in the accommodation demand forecasts i.e. average length of time spent in temporary accommodation, forecast population growth rates, total number of households being assessed as homeless. The demand analysis report notes that demand forecasts are intended to be reviewed annually, however a more frequent review may be appropriate.</p> <p>The demand analysis report concludes by noting that the service is also undergoing a restructure and as part of this a review of procedures will be carried out to ensure best use of resources whilst meeting statutory requirements. It was confirmed that this review is ongoing and it is recommended that this is concluded alongside the implementation of the proposals noted above.</p>		

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
HRS16002_Ari Procedures for file cleansing / destruction - ex employee files.	Katrina Daly	<div><div>36%</div></div>	31-Mar-2017	30-Sep-2017	<p>The HR retention schedule is generally satisfactory in terms of detailing what requires to be obtained, retained and applicable retention periods, with records management plan and retention schedule in place. However, there is a lack of an effective practical procedure for the cleansing of files after members of staff have left the service of the council.</p> <p>The records of seven ex-employees whose employment terminated between 2004 and 2009 were reviewed, and all had documents present which should have been destroyed before the audit commencement date. This requires to be addressed and a procedure introduced for ongoing cleansing of historic records.</p>	<p>Implement system to ensure file destruction takes place in accordance with retention schedule.</p> <p>The specification for the new EDRM system is to include the facility to manage the destruction of records in accordance with the relevant file retention schedules. As a result, this action will be progressed as part of the upgrade process.</p>	<p>Lesley Henderson 12-May-2017 Discussions are ongoing with IT Services regarding applying a retention schedule to the employee files.</p> <p>The child abuse enquiry has put a hold on the destruction of employee files until clarity is sought around the employee files that are effected.</p>
HRS16004_Ari Non-deletion of disciplinary records after prescribed period.	Katrina Daly	<div><div>40%</div></div>	31-Mar-2017	30-Sep-2017	<p>Disciplinary records are not being deleted from the HR files following the prescribed period. Of twelve files reviewed, nine still had disciplinary records on file which had been passed the prescribed period following which they should have been destroyed. Of the remaining three, two were correctly retained but one related to an individual who had been dismissed - the retention schedule does not detail a specific holding period for dismissals and the standard retention periods for terminations are said to apply i.e. 6 years or 25 years (where PVG applies).</p>	<p>Implement system to ensure file destruction takes place in accordance with retention schedule.</p> <p>The specification for the new EDRM system is to include the facility to manage the destruction of records in accordance with the relevant file retention schedules. As a result, this action will be progressed as part of the upgrade process.</p>	<p>Katrina Daly 21-Jun-2017 Scottish Child Abuse Enquiry Council's working group have advised HR Services that no employee files (including disciplinary records) have to be destroyed until further notice. Therefore, all employee files have been put on a legal hold and will not be destroyed.</p>



West Lothian
Council

AUDIT COMMITTEE

INTERNAL AUDIT ANNUAL REPORT

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the work undertaken by internal audit during 2016/17, to report on internal audit's performance, and to advise of my conclusion on the council's framework of governance, risk management and control.

B. RECOMMENDATION

It is recommended that the Audit Committee notes my conclusion that the council's framework of governance, risk management and control is generally sound.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	<p>The Local Authority Accounts (Scotland) Regulations 2014 require the council to conduct, at least once in each financial year, a review of the effectiveness of its system of internal control.</p> <p>The Public Sector Internal Audit Standards (PSIAS) require that the chief audit executive delivers an annual internal audit opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.</p>
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Weaknesses in the council's framework of governance, risk management and control are likely to have an adverse impact on performance.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Governance and Risk Board, Head of Finance and Property Services, internal audit staff.

D. TERMS OF REPORT

The Local Authority Accounts (Scotland) Regulations 2014 require the council or relevant committee to conduct, at least once in each financial year, a review of the effectiveness of its system of internal control. Following the review of the system of internal control, the regulations require the council or relevant committee to approve an annual governance statement. The Public Sector Internal Audit Standards (PSIAS) require me to submit an annual report timed to support the annual governance statement. The internal audit annual report was therefore submitted to the council's Governance and Risk Committee on 19 June, to facilitate its review of the council's annual governance statement.

As the Audit Committee's remit includes undertaking a corporate overview of the council's control environment, and monitoring the performance of internal audit, the Governance and Risk Committee referred the internal audit annual report to the Audit Committee for further consideration.

The internal audit annual report includes:

- an opinion on the overall adequacy and effectiveness of the council's governance, risk and control framework (section 5 of the report);
- a summary of the audit work from which the opinion is derived (section 4 and appendix B of the report);
- a statement on conformance with the PSIAS and the results of the internal audit quality assurance and improvement process (section 2 of the report).

Internal audit performance during 2016/17 is summarised in appendix A of the annual report. In particular, the Committee should note that the risk based audit plan, as amended by the Audit and Governance Committee at its meeting on 19 December 2016, has been completed.

E. CONCLUSION

It is concluded that the council's framework of governance, risk management and control is generally sound. Areas for improvement are set out in my annual report and progress in implementing agreed recommendations will be followed up during 2017/18.

F. BACKGROUND REFERENCES

Report to the Audit and Governance Committee 29 February 2016: Internal Audit Plan 2016/17

Report to the Audit and Governance Committee 19 December 2016: Internal Audit Progress Report and Revised Audit Plan

Appendices/Attachments: Internal Audit Annual Report 2016/17

Contact Person: Kenneth Ribbons – Kenneth.ribbons@westlothian.gov.uk Tel No. 01506 281573

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 30 June 2017



AUDIT, RISK AND COUNTER FRAUD UNIT

INTERNAL AUDIT ANNUAL REPORT 2016/17

12 June 2017



**Healthy
Working
Lives**



**INVESTORS
IN PEOPLE**

Gold

westlothian.gov.uk



**West Lothian
Council**

CONTENTS

	Section	Page
1.0	Introduction	1
2.0	Quality Assurance and Improvement Programme	1
3.0	Performance	2
4.0	Internal Audit Work	3
5.0	Conclusion	4
	Appendix A: Performance Information	5
	Appendix B: Risk Based Audits 2015/16	8
	Appendix C: Audit Report Conclusion	10
	Appendix D: CIPFA Benchmarking Results	11

1.0 INTRODUCTION

- 1.1. This report sets out the performance and activities of the internal audit function for the financial year ending 31 March 2017.
- 1.2. The Local Authority Accounts (Scotland) Regulations 2014 require that each local authority operates a professional and objective internal audit service. The council discharges this requirement by maintaining an in-house internal audit team.
- 1.3. Internal audit work involves reviewing controls within council systems, both financial and non-financial, based on an assessment of risk. The results of our internal audit work are reported to management who are, where appropriate, asked to complete and return action plans.
- 1.4. The internal audit plan for 2016/17 was approved by the Audit and Governance Committee on 29 February 2016.
- 1.5. Internal audit work is undertaken in accordance with the Public Sector Internal Audit Standards (PSIAS), which became operational from 1 April 2013. The PSIAS are a mandatory set of standards and require that I deliver an annual internal audit opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control that can be used by the council to inform its governance statement. This opinion is included in section five of this report.

2.0 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

- 2.1 The PSIAS require that a quality assurance and improvement programme is maintained. The objective is to determine whether the internal audit function complies with the PSIAS and produces audit work of an appropriate quality.
- 2.2 The main components of the quality assurance and improvement programme are:
 - monthly team meetings and 1-1 meetings with staff;
 - review of audit work by a more senior auditor;
 - authorisation of audit reports prior to issue;
 - a comprehensive set of targets and performance measures (see appendix A);
 - consultation with customers at the end of each audit;
 - benchmarking arrangements, including the CIPFA benchmarking club (see appendix D);
 - staff appraisal and development reviews (ADR) in accordance with the corporate requirements.
- 2.3 The internal audit team, as part of the council's Audit, Risk and Counter Fraud Unit, also participates in the West Lothian Assessment Model (WLAM), which is a set of questions or statements that services use to identify their strengths and weaknesses and provide a structure for improvement.
- 2.4 The Audit, Risk and Counter Fraud Unit was the subject of a WLAM assessment in December 2016. The outcome of the assessment was that the Unit was placed on Cycle 1 (return to the Panel in 3 years), which is a positive outcome.

- 2.5 During the year a self-assessment exercise was undertaken against the requirements of the PSIAS. The action plan arising from my self-assessment has been reported separately to the Audit Committee.
- 2.6 The self-assessment identified two non-conformances for which no action is proposed:
- There is a requirement that the annual audit plan identifies the respective priorities of the audit work. The audit plan focusses on key council risks and all work is considered important. I do not consider that prioritising work in the annual audit plan would add value as the intention is to complete all work in the plan.
 - There is a requirement that work programmes are approved prior to the commencement of an audit, and any adjustments to work programmes are documented and approved promptly. Internal audit staff are suitably qualified and experienced, and given the resource constraints within the audit team, I do not consider that this would add value.
- 2.7. In my opinion these matters do not have a material impact on the scope or operations of internal audit, and I therefore confirm compliance with the PSIAS.
- 2.8. The PSIAS require that an assessment of conformance with the standards is carried out by a qualified external assessor at least once every five years. The Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) has implemented a programme of peer reviews whereby members of the group are subject to an external assessment by an appointed fellow group member. The Internal Audit Manager of Moray Council undertook an assessment on 23 March 2017 and his report is reported separately to the Audit Committee. I am pleased to be able to report that he has concluded that the internal audit service complies in all material respects with the requirements of the PSIAS

3.0 PERFORMANCE AND BENCHMARKING

- 3.1 Appendix A sets out the internal audit team's performance for 2016/17 based on performance measures held in Covalent. The 2017/18 annual internal audit plan, as amended by the Audit and Governance Committee on 19 December 2016, was completed.
- 3.2 We participate in internal audit benchmarking arrangements via the national CIPFA benchmarking club and selected comparisons are set out in appendix D. We also participate in the CIPFA Directors of Finance performance indicators. There are two indicators and the table below sets out internal audit's ranking for 2015/16, the latest year for which figures are available.

P.I.	2015/16	Ranking (of 32 Scottish Councils)
Cost of internal audit per £1 million of West Lothian Council's net expenditure	£568	2
Percentage of planned productive audit days actually achieved for the year	96%	13

4.0 INTERNAL AUDIT WORK

Risk Based Audit

- 4.1 The PSIAS require that a risk based audit plan be prepared. The methodology for doing this is set out in the plan however in summary, audits are included within the plan on the basis of a review of the corporate risk register, consultation with senior managers, consideration of previous internal audit and counter fraud work, and knowledge of the council and its operations. Audits in the plan are, where possible, referenced to the corporate risk register. The risks in the corporate risk register link to corporate priorities and enablers.
- 4.2 Appendix B sets out the risk based audits undertaken during the year, together with the conclusion reached. Appendix C explains the conclusion.
- 4.3 For some time now we have undertaken joint working with our colleagues in the Falkirk Council internal audit team involving our staff auditing services in Falkirk and vice versa. This allows us to access specialist expertise including the services of a qualified computer auditor. During the year the Falkirk team were asked to undertake an internal audit of service risk management. The resultant report concluded that substantial assurance on the adequacy of the service risk management arrangements could be provided. We will continue to work with, and share best practice with, our colleagues in Falkirk internal audit during 2017/18.
- 4.4 During 2016/17 we identified three areas where we considered control was unsound:
- the risk assessment of information security breaches;
 - grants to voluntary and not for profit organisations;
 - the administration of the council's information asset register (this was a follow up of a previous audit).

These weaknesses may have an impact on the council's performance and on its ability to achieve its objectives.

- 4.5 The output from our internal audit work is an audit report containing an action plan with improvement actions agreed by services. In accordance with corporate protocol, services are required to add audit findings ranked as being of "high" importance to Covalent as risk actions. Follow up work is undertaken on risk actions marked as complete in Covalent, and outstanding risk actions are reported to the Governance and Risk Board and the Audit Committee.

Review of the System of Internal Control

- 4.7. The Local Authority Accounts (Scotland) Regulations 2014 require that a local authority conduct a review at least once in each financial year of the effectiveness of its system of internal control.
- 4.8. This requirement has been discharged by the risk based audit work undertaken during 2016/17 as set out in appendix B. This work specifically includes an audit involving a high level review of the council's standing orders, policies, procedures and strategies.

Reactive Audit Work

- 4.9. From time to time we agree to undertake audit work on matters which are not included in the annual audit plan.
- 4.10. There were three main items of reactive work during the year:
- We were asked by Social Policy to review the implementation of the E-Swift application. This was intended to provide for improved workflow management processes, a more transparent and consistent approach to the recording and scoring of client assessments and the preparation of care plans, and for the electronic scanning and storage of client documentation. We concluded that the level of control was satisfactory;
 - At the request of the Head of Operational Services, we undertook a review of the stores processes at Guildyhaugh and Deans Depot. Reports were produced which included agreed improvement actions;
 - At the request of the Head of Finance and Property Services, we undertook a review of the processes within the council for monitoring West Lothian Leisure's financial position. We concluded that the level of control requires improvement.

Other Work

- 4.11 During the year we undertook planned audits of the council's Carbon Reduction Commitment (CRC) return and of the Leader grant funding.

5.0 CONCLUSION








- 5.1. The PSIAS require that I deliver an annual internal audit opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, that can be used by the council to inform its governance statement.
- 5.2. My opinion is based on:
- the internal audit work undertaken during 2016/17, including follow up work;
 - the work of the council's external auditor, which is placed before the Audit Committee as a matter of course;
 - the work undertaken by Gallagher Bassett, the council's risk consultant;
 - the work of the council's Governance and Risk Board;
 - the governance compliance statements prepared by heads of service.
- 5.3. There were no limitations placed on the scope of the internal audit work.
- 5.4. Taking account of the matters set out in paragraph 5.2 above, I am of the opinion that the council's framework of governance, risk management and control is generally sound. Improvements in internal control are required in certain areas, and recommendations will be followed up during 2017/18 to determine whether they have been implemented. We will also undertake more detailed follow up work on the three areas identified as being unsound.










Kenneth Ribbons
Audit, Risk and Counter Fraud Manager







APPENDIX A

Internal Audit - Performance Indicator Summary Report

The attached report sets out all public performance reporting and high level performance indicators, and selected other performance indicators.

Status	Performance Indicator	Current Target	2016/17 Value	2015/16 Value	2014/15 Value
	IA001_6a.1 Percentage of customers who rated internal audit's timeliness as good or excellent.	100%	100%	100%	96%
	IA002_6a.2 Percentage of respondents who rated the service delivered by internal audit as good or excellent.	100%	100%	100%	100%
	IA003_6a.3 Percentage of respondents who rated internal audit's communication as good or excellent.	100%	100%	100%	100%
	IA004_6a.4 Percentage of respondents who rated internal audit staffs' attitude as good or excellent.	100%	100%	100%	100%
	IA005_6a.5 Percentage of respondents who rated the professionalism of internal audit as good or excellent.	100%	100%	95%	93%
	IA006_6a.6 Percentage of customers who consider they were treated fairly by internal audit.	100%	100%	100%	100%
	IA008_6a.7 Percentage of customers who rated the overall quality of the service provided by internal audit as good or excellent.	100%	96%	100%	96%

Status	Performance Indicator	Current Target	2016/17 Value	2015/16 Value	2014/15 Value
	IA009_6a.8 Percentage of respondents who rated the information provided by internal audit as good or excellent.	100%	100%	100%	96%
	IA011_6b.5 Percentage of reactive work draft reports issued within 12 weeks or such other date as agreed with the customer.	100%	100%	25%	n/a changed indicator
	P:IA012_9a.1a Cost of internal audit per £1 million of West Lothian Council's net expenditure (CIPFA Director of Finance Indicator)	£570.00	not available (see note 1)	£568	£580
	IA013_9b.1a Percentage of planned productive audit days actually achieved for the year (CIPFA Director of Finance Indicator)	100%	not available (see note 1)	96%	106%
	P:IA014_9b.1a Percentage of audits in the annual audit plan completed for the year.	100%	100%	86%	82%
	IA015_9b.1a Average length of time (in weeks) to issue draft audit reports.	12	10.4	9.3	8.6
	IA016_9b.1a Average length of time (in weeks) to issue final audit reports	17	13.1	15.5	n/a
	IA051_7b.1 Cumulative percentage of sickness absence within the Audit, Risk and Counter Fraud Unit.	1.5%	1.24%	1.84%	0.67%
	IA052_7a.1 Staff satisfaction with workforce planning.	87%	75%	96%	79%

Status	Performance Indicator	Current Target	2016/17 Value	2015/16 Value	2014/15 Value
	IA053_7a.2 Staff satisfaction with reward and recognition.	88%	86%	93%	93%
	IA054_7a.3 Staff satisfaction with leadership and management.	83%	86%	89%	86%
	IA055_7a.4 Staff satisfaction with involvement and empowerment.	90%	76%	86%	89%
	IA056_7a.5 Staff satisfaction with team work overall.	93%	100%	100%	100%
	IA057_7a.6 Staff satisfaction with learning and development and performance.	84%	82%	89%	67%
	IA058_7a.7 Staff satisfaction with equality and diversity.	91%	100%	100%	100%

Notes:

1. IA012 and 13 are prepared in arrears in August each year as part of the CIPFA Directors' of Finance Performance Information. The 2016/17 figure was not available at the time of writing.
2. Sickness absence and staff satisfaction performance indicators relate to all audit, risk and counter fraud staff.

APPENDIX B

WEST LOTHIAN COUNCIL

RISK BASED AUDITS 2016/17

Audit	Reference	Audit Conclusion
System of Internal Control	CW1602	Effective
Integration Joint Board Financial Assurance	CW1604	Effective
Information Security Breaches – Risk Assessment	CW1605	Unsound
Payment Card Industry Security Standards	CW1607	Requires Improvement
Grants to Voluntary and Not for Profit Organisations	CW1601	Unsound
Cash Handling - Arrochar House	HB1601	Requires Improvement
Asbestos Management	FE1601	N/a follow up
Fire Safety Risk Assessments	ES1601	Requires Improvement
School Bus Ticket Income	OS1606	Requires Improvement
Homeless Service – Hotel and Bed and Breakfast Accommodation	HB1602	Requires Improvement
Developer Contributions	PE1601	Satisfactory
Highways Inspections	OS1604	N/a follow up
Tree Risk Management	OS1605	Satisfactory
Recycling	OS1602	Effective
Accident / Injury in Cemeteries	OS1603	Satisfactory
Self-Directed Support	SP1601	Requires Improvement
Corporate Risk Management	Undertaken by Falkirk internal audit team	Substantial Assurance
School Funds	ES1602	Requires Improvement
St Margaret's Academy	ES1603	N/a follow up
Burgh Halls Cash Collection	ES1604	Requires Improvement

Audit	Reference	Audit Conclusion
Online Payments in Schools - New System (Ipayimpact)	UE1601	Effective
Howden Park Income	UE1602	Requires Improvement
Building Services: Ordering and Stores, Plant and Machinery	HB1603	Satisfactory

APPENDIX C

AUDIT REPORT CONCLUSIONS

Overall Opinion	Definition
Effective	No recommendations ranked as 'High' importance. There may be a few 'Low' and 'Medium' recommendations.
Satisfactory	No recommendations ranked as 'High' importance. There are a moderate number of 'Low' and 'Medium' recommendations.
Requires Improvement	A few recommendations ranked as 'High' importance. There may also be a number of recommendations ranked as 'Low' and 'Medium' importance.
Unsound	A considerable number of recommendations ranked as 'High' importance resulting in an unsound system of control. There may also be a number of recommendations ranked as 'Low' and 'Medium' importance.

APPENDIX D

CIPFA BENCHMARKING CLUB RESULTS 2015/16

INTERNAL AUDIT

Measure	WLC	CIPFA Average*	Variance
1. Chargeable days per auditor	187.5	180.8	+6.7
2. Cost per auditor	£59,748	£53,822	+£5,926
3. Cost per chargeable day	£319	£295	+£24
4. Cost per million pound of turnover	£343	£699	-£356
5. Average sickness days per auditor	1.8	4.6	-2.8
6. % qualified staff	71%	41%	+30%

Note: the CIPFA results for 2016/17 were not available at the time of writing.



West Lothian
Council

AUDIT COMMITTEE

FOLLOW UP AUDIT OF INFORMATION SECURITY / INFORMATION ASSET REGISTER

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the outcome of a follow up of a previous audit of information security and the information asset register.

B. RECOMMENDATION

It is recommended that the Audit Committee notes that control is considered to remain unsound.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Weaknesses in internal control may have an adverse impact on performance.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Senior managers as part of the audit process.

D. TERMS OF REPORT

The Audit Committee will appreciate that it is our practice to follow up previous internal audit recommendations ranked “high” to determine whether they have been effectively implemented. We have undertaken a follow up of a previous audit in relation to information security and the council’s information asset register which was issued in February 2016. The resultant follow up audit report is attached as an appendix to this report and includes an action plan with agreed management actions.

E. CONCLUSION

In relation to our follow up work on information security and the council’s information asset register, we have concluded that control remains unsound.

F. BACKGROUND REFERENCES

N/a

Appendices/Attachments: Internal audit report: Follow-Up Audit - Information Security / Information Asset Register dated 7 June 2017.

Contact Person: Kenneth Ribbons, kenneth.ribbons@westlothian.gov.uk Tel No. 01506 281573

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 30 June 2017



MEMORANDUM

TO : Julie Whitelaw, Head of Corporate Services

FROM : Kenneth Ribbons, Audit, Risk and Counter Fraud Manager

REF. NO. : Follow-up - CW1502

DATE : 7 June 2017

Follow-Up Audit - Information Security / Information Asset Register

As you will be aware, we have recently carried out a follow-up of the audit undertaken in the 2015/16 financial year in relation to information security and the information asset register.

A total of eight actions were previously agreed to be fully implemented, of which six were ranked as 'High' importance.

From the follow-up review undertaken we found that the actions taken have not been fully effective in addressing these, and that further action is required in order to bring the integrity of data within the IAR up to an acceptable standard. We consider that the level of control remains **unsound**.

The attached action plan includes an updated position of the outstanding actions with revised actions and action dates. Appendices A, B and C provide additional information.

We aim to carry out a further follow up audit of outstanding actions ranked as 'high' importance within the next six months. Audit findings ranked as 'high' importance that are not implemented will be reported to the Governance and Risk Board and considered for inclusion in the Internal Audit Annual Report and the Annual Governance Statement.

Should you require any further assistance please contact Colin Carmichael.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager



westlothian.gov.uk

ACTION PLAN

Ref:	3.2	Importance Level:	High	Responsible Officer:	a) Julie Whitelaw b) Heads of Service	Risk Ref:	COR007	Original Action Date:	Completed 28/1/16
Original Finding:		<p><u>Currency of Review Dates of Assets Logged</u></p> <p>As at the time of audit testing, of the 233 logged assets, 76 had passed their review dates. Of these, as at 26 June 2015, 69 should have been reviewed before the end of 2014 and were therefore a minimum of six months overdue.</p> <p>Of the five remaining high risk assets, only one had a current review date recorded, with the remainder substantially beyond the scheduled review dates.</p>							
Original Agreed Action:		<p>A regular review of the IAR will be undertaken, whereby a data report will be produced and tabled at every 2nd IMWG meeting (these are scheduled to take place every 6 weeks), and subsequently reported to Heads of Service at the ICT programme board.</p> <p>Responsibilities:</p> <p>a) Julie Whitelaw is responsible for ensuring a standing item is placed on the agenda at every 2nd IMWG meeting;</p> <p>b) Heads of Service are responsible for ensuring IAR updates and data cleansing are undertaken by responsible officers.</p>							
Action Completed Effective		<p>Partial</p> <p>Partial</p>							
Updated Position:		<p>We noted considerable reduction in the number of overdue reviews, and at time of our audit follow-up there were 28, of which 27 were within Corporate Services. Of these, nine had 2013 review dates and 18 became overdue during 2016.</p>							
Agreed Revised Action:		<ul style="list-style-type: none"> Regular review of the IAR will continue to be undertaken at every meeting of the IMWG. Current reporting arrangements include extract of the IAR with outstanding review dates highlighted in red. The report is held in the IMWG folder in Meridio and a link is circulated with the agenda for the meeting. The report is reviewed during the meeting. An extract of the report will be issued to relevant Heads of Service where there are concerns regarding failure to update or review entries in the IAR and this shall be reported to the ICT programme board. Continue to issue regular reminder to ILOs outwith the IMWG meeting to update IAR. IAR entries to be reviewed to ensure that corporate, i.e. council wide entries and Corporate Services entries are distinguished. 							
Revised Action Date:		15 June 2017							

Ref:	3.3	Importance Level:	Medium	Responsible Officer:	As 3.2 and Jennifer Milne	Risk Ref:	COR007	Original Action Date:	Completed
Original Finding:			<p><u>Information Assets not logged into the IAR</u></p> <p>From a review of the IAR at the time of the audit, and our knowledge of the council systems, we identified one system which was not included, i.e. MS Money. It was noted that the EDRM system was only added to the IAR in June 2015.</p> <p>Due to the number of information systems in use, these being spread across all of the council's services, and the fact that we are not aware of the existence of all systems, it is not possible for all missing systems to be identified by our review. However, the introduction of a system of ongoing regular reminders would at least minimise the number of potential omissions.</p> <p>We have subsequently been advised by Social Policy that MS Money is now no longer in use.</p>						
Original Agreed Action:			<p>A regular review of the IAR will be undertaken, whereby a data report will be produced and tabled at every 2nd IMWG meeting (these are scheduled to take place every 6 weeks), and subsequently reported to Heads of Service at the ICT Programme Board.</p> <p>Responsibilities:</p> <p>a) Julie Whitelaw is responsible for ensuring a standing item is placed on the agenda at every 2nd IMWG meeting;</p> <p>b) Heads of Service are responsible for ensuring IAR updates and data cleansing are undertaken by responsible officers.</p> <p>c) Jennifer Milne is responsible for regular cross references with IT Asset Inventories to identify any gaps.</p>						
Action Completed Effective			Ongoing N/A						
Updated Position:			It is acknowledged that there may continue to be inadvertent omissions of information assets from the IAR on an ongoing basis. Responsibility for inclusion of these rests with individual services, although reminders at IMWG / ICTPB should continue in order to minimise such omissions.						
Agreed Revised Action:			<ul style="list-style-type: none"> Regular review of the IAR will continue to be undertaken at every meeting of the IMWG whereby a data report is presented and reviewed at every meeting. An extract of the report will be issued to relevant Heads of Service where there are concerns regarding failure to include assets in the IAR and this shall be reported to the ICT programme board. Continue to issue regular reminder to ILOs outwith the IMWG meeting to update IAR. 						
Revised Action Date:			15 June 2017						

Ref:	3.4	Importance Level:	High	Responsible Officer:	a) Roberto Riaviz	Risk Ref:	COR007	Original Action Date:	31 March 2016
Original Finding:		<p>Missing Data</p> <p>The Information Asset Register User Guide states the purpose of the register is to: <i>".....improve access to data assets whether they are in hard copy or electronic form; and to ensure effective measures have been taken, to not only identify data assets, but to understand the risks associated to data held and demonstrate measures taken to protect it throughout its life cycle."</i></p> <p>The IAR platform was obtained from another council, and was not developed in-house. As such, it is considered by IT that certain information fields in the IAR are non-essential and do not require completion. This is not made clear in the user guide and the default position would therefore be for the completion of all fields (including an N/A option where appropriate). However, a review of the content of the IAR found that certain fields are not being completed, and there are a range of other inconsistencies in the data included in the register.</p>							
Original Agreed Action:		<p>The IAR was introduced exactly as obtained, and there is no capacity to change any of the data fields. However, the User Guide will be revised to give formal instruction on which sections need completion and which should be left blank.</p> <p>Roberto Riaviz to update Information Liaison Officers (ILO's) at the IMWG.</p> <p>The review, reminder and verification process outlined in the actions under 3.2 and 3.3 will serve to ensure omissions and inconsistencies are identified and addressed.</p> <p>Roberto Riaviz to provide a missing fields report to be reported at IMWG and ICT Programme Board</p>							
Action Completed Effective		<p>Partial No</p>							
Updated Position:		<p>A review has been undertaken of the IMWG agendas and minutes of meetings held since the IAR audit was conducted. Whilst instruction has been given at IMWG to ensure assets are up to date and complete in the IAR, the agendas contain no reference to a 'Missing Fields Report'. Neither do the minutes, and no sign of such a report was found in the IMWG Meridio folders.</p> <p>The IAR User Guide on the intranet is unchanged at time of this follow-up review, styled v1.0 and dated 16/05/2012. Notwithstanding this, the action added to Covalent has been marked as 'Complete' and we are advised that this is due to the revision having taken place. The revised version had not been published, but has since been exhibited to us.</p> <p>Production of a 'missing fields' report in conjunction with publication of an updated IAR User Guide should be expedited. More effective central management is required. (ref: 3.8)</p>							

<p>Agreed Revised Action:</p>	<p>IAR User Guide was updated version 1.1 29/06/2015 and version 1.2 08/02/2017. Version 1.2 can be found at http://ia.app.westlothian.gov.uk/Documents/IARUser Guide.docx</p> <ul style="list-style-type: none"> • Continue to present and review IAR report at every meeting of the IMWG. The report is an extract from the register, which highlights in red any review dates which are overdue and which shows fields which have not been completed. The report is held in the IMWG folder in Meridio. • Continue to issue regular reminder to ILOs outwith the IMWG meeting to update IAR. • Specific Missing Fields report to be presented to every meeting of IMWG setting out the missing fields as outlined in Appendix B.
<p>Revised Action Date:</p>	<p>15 June 2017</p>

Ref:	3.5	Importance Level:	Medium	Responsible Officer:	a) Julie Whitelaw b) Heads of Service	Risk Ref:	COR007	Original Action Date:	31 March 2016
Original Finding:	<p><u>Incorrect Data Labelling</u></p> <p>There are 51 information assets marked 'Classified' in the IAR. Of these, arguably a large majority may not require this level of classification e.g. Planting Database (planting locations & quantities for tendering), Shuttleworth (printing management system), YouTube, Flickr and Twitter, which are social networking sites and by their nature the data in these is public.</p> <p>This would suggest that inadequate thought is being given to the data labelling attached to information assets, resulting in potentially incorrect data protection labelling.</p>								
Original Agreed Action:	<p>a) Agreement and roll out of the new data labels as agreed at the IMWG. The council's new data labels will be made available for use in the IAR.</p> <p>b) Once (a) above is completed, and in conjunction with the reminder and verification process outlined in findings 3.2 and 3.3, an exercise will be undertaken to have the individual IAR asset classifications reviewed and updated as necessary.</p>								
Completed Effective	<p>No</p> <p>No</p>								
Updated Position:	<p>Notwithstanding the exercise which was to be undertaken to have individual IAR asset classifications reviewed and updated as necessary, there remain classifications which are incorrect:</p> <ul style="list-style-type: none"> • 177 assets marked 'PROTECT' or 'CLASSIFIED' which should now be marked 'OFFICIAL - Sensitive' • 28 assets marked 'INTERNAL ONLY' which should now be marked 'OFFICIAL' • 12 assets are marked 'N/A'; and • 6 have no data label at all. <p>It is also considered likely that a full review is required as to the accuracy of the classifications.</p>								
Agreed Revised Action:	<p>Having reviewed the process to amend the data labels in the IAR following the original audit, the system is hard coded to report the previous data labels.</p> <p>The revised IAR guidance (version 1.2) has been updated to provide guidance on the data label which should be applied in the IAR and states that "Where no personal or sensitive data has been indicated as being stored you must allocate the appropriate highest level of protective marking for data stored within your asset based on the councils Information Handling Procedure." A link to the council's Information Handling procedure is included with guidance on the appropriate data labels to be applied outwith the IAR.</p>								

DATA LABEL: PUBLIC

	<ul style="list-style-type: none">• Continue to present and review IAR report at every meeting of the IMWG. The report is an extract from the register, which highlights in red any review dates which are overdue and which shows fields which have not been completed. The report is held in the IMWG folder in Meridio.• Continue to issue regular reminder to ILOs outwith the IMWG meeting to update IAR.• Specific Missing Fields report to be presented to every meeting of IMWG, to include missing data labels.	
Revised Action Date:	15 June 2017	

Ref:	3.6	Importance Level:	High	Responsible Officer:	Julie Whitelaw	Risk Ref:	COR007	Original Action Date:	30 June 2016
Original Finding:			<p><u>Follow-up - High Risk Assets</u></p> <p>Covalent Risk Action COR13001_Ari states:</p> <p><i>'Those systems with greatest potential impact if controls fail (i.e. those ranked impact 5) will be identified. A review of the controls in place to mitigate the risk will then be undertaken. Risk assessments logs are kept in the 'Applications' Folders in EDRMS.</i></p> <p><i>'Heads of Service will ensure that suppliers of systems can provide a notice on the front screen to inform staff of the requirement for confidentiality and security of information'.</i></p> <p>The six highest ranking assets/systems in terms of risk levels (score of 16+) were selected for audit testing.</p> <p>Having checked for 'risk assessment logs' in the IT Applications folder in Meridio, of the six high / critical risk systems only the Exchange e-mail system and EDRMS were present in the folder. In the case of EDRMS, there was no current risk assessment present in the folder.</p> <p>Also, a further two high risk assets, Email Management System and Vodafone Disk, which were overdue for review at the time of the audit, were reviewed. It was confirmed that the risk in relation to the Email Management System was overstated and we could not obtain any information at all on the status of the Vodafone Disk, other than being advised that services may be keeping risk assessments locally.</p> <p>This raises concerns that:</p> <ul style="list-style-type: none"> • risk is being inadequately assessed (both over and under), or not assessed at all; • where risk is identified as high then inadequate action may be taken to mitigate the risks; • there is no clear and consistent approach to the recording and storage of risk assessments. <p>There was also no evidence of any front screen warnings existing for any of these systems.</p>						
Original Agreed Action:			<p>a) High level risk assessments are in place for all assets. It may be useful to have internal audit's view on this process. Privacy impact assessments and project risk assessments should be in place for all new/updated systems. The council requires an information risk assessment process that is in line with current risk management regime.</p> <p>b) Once (a) above is completed, and in conjunction with the reminder and verification process outlined in findings 3.2 and 3.3, an exercise will be undertaken to have the individual IAR asset risks reviewed and updated as necessary. Heads of Service to ensure that all assets are appropriately assessed as per corporate standards.</p>						
Completed Effective			<p>No evidence provided Cannot ascertain</p>						

DATA LABEL: PUBLIC

Updated Position:	<p>Requests have been made for evidence that the '<i>review of the controls in place to mitigate the risk</i>' was undertaken, to enable completion of this action in Covalent. However, this evidence has not been provided.</p> <p>Refer Appendix C for details of the six highest risk assets in the IAR. The contents of Appendix C and the findings of our follow up work, would suggest that the risk assessment process is not effective.</p>	
Agreed Revised Action:	<ul style="list-style-type: none">• High risk assets to be reviewed at every second IMWG to ensure that all risk assessments are in place for assets assessed as high risk.	
Revised Action Date:	15 June 2017	

Ref:	3.7	Importance Level:	High	Responsible Officer:	a) Julie Whitelaw b) Heads of Service	Risk Ref:	COR007	Original Action Date:	31 March 2016
Original Finding:	<p><u>Incorrect assessment in IAR of data sharing</u></p> <p>The Covalent risk action HRS13008_Ari – Data Sharing was erroneously marked as 'complete' at the time of the audit, notwithstanding that the following assets were incorrectly assessed:</p> <ul style="list-style-type: none"> • Open Housing (which replaced Academy), agreements were not in place at the time of the audit for sharing data externally with WESLO and Almond Housing Association. Corrective action has been taken by the responsible officer as a result of this audit and data sharing agreements are now in place. • Open Revenues - IAR states no external data sharing, but this has subsequently been confirmed not to be the case. As above, corrective action has been taken by the responsible officer as a result of this audit, data sharing agreements are in place and the IAR has since been updated to reflect this. 								
Original Agreed Action:	<p>Responsibilities:</p> <p>a) Julie Whitelaw is responsible for ensuring a standing item is placed on the agenda for IMWG and ICT Programme Board Meetings;</p> <p>b) Heads of Service are responsible for ensuring IAR updates and data cleansing are undertaken and that Covalent is updated by responsible officers.</p>								
Completed Effective	<p>Partial No</p>								
Updated Position:	<p>The two assets identified as having incorrect data sharing information in the IAR were corrected at the time of the audit. However, as an integral element of this follow-up audit, IMWG and ICTPB agendas and minutes were reviewed. Whilst the IAR is placed on IMWG meeting agendas, it is not specifically included as a standing item on the ICTPB agenda.</p> <p>The IAR should be added to the ICTPB agenda as a standing item, in accordance with the agreed action.</p>								
Agreed Revised Action:	<ul style="list-style-type: none"> • Specific IAR update to be provided at ICT Programme Board under the standing item relating to IMWG. 								
Revised Action Date:	15 June 2017								

Ref:	3.8	Importance Level:	High	Responsible Officer:	c) Julie Whitelaw d) Heads of Service	Risk Ref:	COR007	Original Action Date:	31 March 2016
Original Finding:	<p><u>Central IAR Management Shortcomings</u></p> <p>The findings included in sections 3.1. to 3.7 of the action plan demonstrate that in terms of the overall operation and management of the IAR there would appear to be a lack of central monitoring and review of the effectiveness of processes in place to ensure an effective IAR i.e.:</p> <ul style="list-style-type: none"> • inadequate data input restrictions and defaults in place. • insufficient thought and consideration given to the actual data being input 								
Original Agreed Action:	<p>Responsibilities:</p> <p>a) Julie Whitelaw is responsible for ensuring a standing item is placed on the agenda for IMWG and ICT Programme Board Meetings;</p> <p>b) Heads of Service are responsible for ensuring IAR updates and data cleansing undertaken by responsible officers.</p>								
Completed Effective Updated Position:	<p>Partial No</p> <p>Whilst some actions have been taken and improvements seen in the integrity of data held, it is considered that further enhanced central management of the IAR would bring about more substantial improvement. Notably:</p> <p>a) the user guide, as published on the corporate intranet, had not been updated at time of this follow-up audit;</p> <p>b) 27 of the 28 assets overdue for review as at 31/12/2016 fell under the umbrella of Corporate Services;</p> <p>c) 19 overdue reviews appear to be directly within the control of the IT Services section of Corporate Services;</p> <p>d) nine overdue reviews are very historic, dating back to 2013</p> <p>e) the risk assessment process does not appear to be effective;</p> <p>We noted that Covalent has been updated to reflect completion of risk actions, notwithstanding that these have not all been completed in line with the actions agreed.</p>								
Agreed Revised Action:	<p>As per action at 3.4 above, the User Guide has been updated.</p> <ul style="list-style-type: none"> • Ensure assets which have been retired are removed from IAR. • Continue to present and review IAR report at every meeting of the IMWG. The report is an extract from the register, which highlights in red any review dates which are overdue and which shows fields which have 								

DATA LABEL: PUBLIC

	not been completed. The report is held in the IMWG folder in Meridio. <ul style="list-style-type: none">• Continue to issue regular reminder to ILOs outwith the IMWG meeting to update IAR.	
Revised Action Date:	15 June 2017	

APPENDIX A

IAR - 21/12/16 Data Analysis	IAR Assets	Outstanding Reviews					%AGE OVERDUE
		Due 2013	Due 2014	Due 2015	Due 2016	TOTAL OVERDUE	
Chief Executive's Office	12	-	-	-	-	0	0.0%
<i>Corporate Communications</i>	<i>10</i>	-	-	-	-	<i>0</i>	<i>0.0%</i>
<i>IT Services</i>	<i>21</i>	<i>1</i>	-	-	<i>18</i>	<i>19</i>	<i>90.5%</i>
<i>Legal Services</i>	<i>16</i>	-	-	-	-	<i>0</i>	<i>0.0%</i>
<i>Other Corporate Services</i>	<i>17</i>	<i>8</i>	-	-	-	<i>8</i>	<i>47.1%</i>
Total Corporate Services	64	9	-	-	18	27	42.2%
Education	15	-	-	-	-	0	0.0%
<i>Revenues</i>	<i>8</i>	-	-	-	-	<i>0</i>	<i>0.0%</i>
<i>Finance</i>	<i>17</i>	-	-	-	-	<i>0</i>	<i>0.0%</i>
Total Finance & Property Services	25	-	-	-	-	0	0.0%
HCBS	34	-	-	-	-	0	0.0%
Operational Services	27	-	-	-	-	0	0.0%
Planning & Economic Development	27	-	-	-	-	0	0.0%
Social Policy	30	-	-	-	-	0	0.0%
"%" (unallocated – no details)	1	-	-	-	1	1	100.0%
TOTAL LOGGED ASSETS	235	9	0	0	19	28	11.9%

NB: the data detailed as 'Corporate Services' includes data which is actually 'Council Wide', and is not specific to any individual council service.

Missing Data

Information / Data Field	Assets With Data Missing
Protective (Classification) Marking	6
In-House / Contracted Out	9
In-House Data Sharing – with whom?	7
External Data Sharing – with whom?	1
Responsible Person	116
<p>NB: There are 78 data fields for each asset. A small sample of these has been examined for omissions and the above is not, therefore, an exhaustive list.</p> <p><i>It is noted that since commencing our follow-up work, the revised IAR User Guide v1.2 (08/02/2017) has been published, and this removes the need for completion of a number of fields. The above fields are, however, still required.</i></p>	

Highest Risk Assets in IAR

Current Highest Risk Assets	Risk Score	Risk Level
EDRMS (Meridio)	25	Critical
Councillors' Local Disbursement Fund	16	High
Exchange e-mail System (Corporate)	16	High
Vodafone Disk	16	High
Voluntary Organisations Training Calendar Database	16	High
Horizon	16*	Low*

NB:

* A risk score of 16 equates to a risk level of 'High'. This was raised as an issue at the audit, as the computed risk score should in fact be 8 and on this basis a risk level of 'Low' would be correct.

One asset previously ranked as high has reduced to 'Low' risk since the data dated July 2015, the 'Email Management System' operated by Corporate Communications, which is now scored as '1', 'Very Low'.



West Lothian
Council

AUDIT COMMITTEE

INTERNAL AUDIT OF TAXI AND PRIVATE HIRE CAR DRIVER LICENSING

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the outcome of an audit of taxi and private hire car driver licensing.

B. RECOMMENDATION

It is recommended that the Audit Committee notes that control is considered to be effective.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Weaknesses in internal control may have an adverse impact on performance.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Senior managers as part of the audit process.

D. TERMS OF REPORT

In accordance with the annual audit plan for 2017/18, we have undertaken an audit of taxi and private hire car driver licensing. The audit objectives were to determine whether controls are in place which ensure that licences are only granted to drivers who meet the licensing criteria and who are eligible to work in the UK. The resultant audit report is attached as an appendix to this report and includes an action plan with an agreed management action.

E. CONCLUSION

In relation to audit work on taxi and private hire care licensing, we have concluded that control is effective.

F. BACKGROUND REFERENCES

Report to Audit and Governance Committee 27 February 2017: Internal Audit Plan 2017/18.

Appendices/Attachments: Internal audit report: Internal Audit of Taxi and Private Hire Car Driver Licensing dated 7 June 2017.

Contact Person: Kenneth Ribbons, kenneth.ribbons@westlothian.gov.uk Tel No. 01506 281573

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 30 June 2017



West Lothian
Council

MEMORANDUM

TO : Julie Whitelaw, Head of Corporate Services

FROM : Kenneth Ribbons, Audit, Risk and Counter Fraud Manager

REF. NO. : CS1701/CC

DATE : 7 June 2017

Internal Audit of Taxi and Private Hire Car Driver Licensing

1.0 INTRODUCTION

- 1.1 In accordance with the annual audit plan for 2017/18, we have undertaken a review of taxi and private hire car driver licensing, and conclude that the level of control is **effective**.
- 1.2 The audit objectives were to determine whether controls are in place which ensure that licences are only granted to drivers who meet the licensing criteria and who are eligible to work in the UK.
- 1.3 Our review concentrated on the key controls and our testing was undertaken on a sample basis, with 30 files reviewed out of 85 licences applied for and granted between 1 December 2016 and 19 April 2017. Therefore, the absence of any identified weaknesses does not necessarily indicate that none exist.
- 1.4 We agreed the draft report for factual accuracy with Michelle Kilcoyne, Legal Assistant on 26 April 2017.
- 1.5 We carry out follow-up reviews on a risk based approach. The Audit, Risk and Counter Fraud Manager will determine the need for a follow-up review of this report.
- 1.6 We appreciate the assistance of Legal Services staff during the conduct of our audit. Should you require any further assistance please contact Colin Carmichael.

2.0 AUDIT FINDINGS

- 2.1 The following key controls were found to be in place:
- there are comprehensive paper files for each licensed driver, supplemented by electronic records (Northgate and Iken);
 - a new application form was introduced in November 2016, to reflect the new 'right to work' verification requirements;
 - a new procedure for interviewing applicants and obtaining sight of 'right to work' documentation was introduced, in accordance with legislative requirements;
 - copies are retained on file of 'right to work' evidence and a current / valid driving licence;
 - there is a process for undertaking vetting of applicants by Police Scotland;
 - there are arrangements for the medical assessment of applicants, where required.

- 2.2 The procedures and controls in place were considered to be comprehensive, and the lack of any significant findings indicates these are being adhered to. However there was one 'low' finding from the audit (action plan ref: 3.1). We consider that there would be benefit in more formally documenting the procedures and controls.
- 2.3 The files have been maintained in excellent order by the licensing staff, and this assisted us in undertaking the audit.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Colin Carmichael



3.0 AUDIT FINDINGS

Ref	Findings & Risk	Suggested/Agreed Action	Importance Level
3.1	<p><u>Documented Procedures</u></p> <p>Whilst a 'Work Instruction' document has been seen this is basic, and it is considered that a procedural guide setting out clearly and in more detail the various steps entailed in taking an application through from receipt of the application form to issue of a licence, would be helpful in establishing the formal process to be followed.</p> <p><u>Risk</u></p> <p><i>Inconsistent processing of applications.</i></p>	A more comprehensive procedures document will be prepared as a point of reference for staff dealing with licensing applications.	Low
			Responsible Officer
			Michelle Kilcoyne
			Risk Identifier
			Risk Ref: WLC020
			Action Date
			31/07/17

AUDIT OPINION

Our overall opinion on the controls in place is based on the level of importance attached to the findings in our audit report. The overall audit opinions are as follows:

Overall Opinion	Definition
EFFECTIVE	No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.
SATISFACTORY	No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.
REQUIRES IMPROVEMENT	A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.
UNSOUND	A considerable number of findings ranked as 'High' importance resulting in an unsound system of control. There may also be a number of findings ranked as 'Low' and 'Medium' importance.



AUDIT COMMITTEE

INFORMATION SECURITY BREACHES – RISK ASSESSMENT – PROGRESS REPORT

REPORT BY HEAD OF CORPORATE SERVICES

A. PURPOSE OF REPORT

To provide an update to the Audit Committee on the progress with the action plan and review of procedures relating to risk assessment of information security breaches.

B. RECOMMENDATION

It is recommended that the Audit Committee notes the progress with the action plan and the procedures relating to risk assessment of information security breaches.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Being honest, open and accountable; making best use of our resources;
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The Council Information Security Policy and associated procedures set out an approach in the event of an Information Security breach.
III	Implications for Scheme of Delegations to Officers	None
IV	Impact on performance and performance Indicators	Weaknesses in internal control may have an adverse impact on performance.
V	Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsible to local people's needs.
VI	Resources - (Financial, Staffing and Property)	None
VII	Consideration at PDSP	None
VIII	Other consultations	None

D. TERMS OF REPORT

An internal audit of the council's processes for risk assessing information security breaches was conducted in 2016 and reported to the Audit and Governance Committee on 19 December 2016. The internal audit concluded that the level of control was unsound. 8 actions were agreed with the Head of Corporate Services and this report provides an update on progress against those actions.

All of the audit actions have been completed, as set out in Appendix 1.

D.1 Risk Assessment of Information Security Breaches

The majority of audit actions related to the procedure for risk assessing information security breaches. The audit concluded that the process was not being consistently followed, particularly in relation to the timescales for completing risk assessments and the requirement for these to be signed off by various officers, including the relevant Depute Chief Executive. This led to a conclusion that Security incidents are not properly investigated or resolved.

A revised risk assessment procedure has been agreed by the Information Management Working Group and the ICT Programme Board, as set out at Appendix 2. The revised risk assessment places responsibility for completion of the risk assessment on the Head of Service and introduces a two stage process for assessing risk. The first stage is to identify and contain the risk and take any necessary action to protect the council or data subject from the consequences of the data breach. The second stage is to identify any improvement actions or actions to mitigate the risk of further breach. Timescales for completion of these stages are clearly set out in the revised procedure.

The revised procedure retains a requirement for formal notification of the breach to relevant officers, but removes the requirement for those officers to attach a wet signature to a hard copy of the risk assessment, relying instead on email confirmation.

With the implementation of the Objective Electronic Content Management system, due in August 2017, an automated workflow will be developed to track and monitor the completion of the risk assessment.

D.2 Reporting of Information Security Breaches

The audit concluded that details of all high risk security breaches are to be reported to the ICT Programme Board. As from the date of the audit report, there have been no high risk security breaches to report.

Consideration will also be given to including details of any high risk information security breaches or breaches which have been reported to the ICO in the annual Compliance Statement. The 2016/17 Information Security Annual Compliance Statement has been compiled following consultation with Heads of Service and following review at the Governance and Risk working group.

E. CONCLUSION

The actions identified in the internal audit of the council's processes for risk assessing information security breaches have been completed. The revised risk assessment process shall ensure that risks related to information security breaches are appropriately assessed and any actions required to mitigate the risk of future breach are reported and monitored.

F. BACKGROUND REFERENCES

Report to Audit and Governance Committee on Internal Audit of Information Security breaches by Audit, Risk and Counter Fraud Manager dated 19 December 2016

Appendices/Attachments: 2

Appendix 1 – Action Plan progress report

Appendix 2 – Revised Risk Assessment procedure.

Contact Person: Julie Whitelaw, Head of Corporate Services, 01506 281626,
Julie.whitelaw@westlothian.gov.uk

Julie Whitelaw

Head of Corporate Services

Date of meeting: 30.06.17

Appendix 1

Findings and risk	Agreed Action	Status
<p>Overdue Risk Assessment</p> <p>In terms of the council's risk management protocols, there is a requirement that non-high risks are subject to an annual documented risk assessment in the council's corporate risk register, Covalent.</p> <p>The re-assessment of risk COR007 "Failure to implement effective information security policy and procedures" in Covalent was due to be undertaken by 29 October 2016 but, as at audit test date, remains overdue.</p> <p>Risk COR007 is a strategic risk and accordingly this matter was included in the Audit, Risk and Counter Fraud Manager's bi-monthly report to EMT on 9 November 2016.</p> <p>Risk</p> <p>Management of this risk is not effective.</p>	<p>A re-assessment of risk COR007 will be undertaken.</p>	<p>Complete</p>

Findings and risk	Agreed Action	Status
<p>Required Signatories</p> <p>The Risk Assessment Template guidance note 19 states: "The Risk Assessment Template must be signed off by the Lead Officer, Senior Manager (Service Manager), Chief Solicitor, Information Security Officer and the Depute Chief Executive." i.e. five signatures are required. However, there is no provision for a signature by the Senior Manager (Service Manager) in section 19 of the template.</p> <p>Completed templates are stored in Meridio, each having its own unique code and folder. A sample of 20 Meridio incident folders was reviewed for full risk assessment template sign-off, and only six were found to have been signed by all five required signatories. Of the remaining 14:</p> <ul style="list-style-type: none"> • six contained four signatures; • one contained three signatures; • two contained one signature; <p>Streamlining of the sign-off requirements would appear to be beneficial and should be considered.</p> <p>Risks</p> <p>The process for resolving an information security incident is unnecessarily delayed.</p> <p>Security incidents are not properly resolved.</p>	<p>The risk assessment process will be reviewed and new process presented to Information Management Working Group which introduces timescales for the key stages in the process – containment of the breach and consideration as to whether the data subject should be notified - with a longer timescale for assessing the risk and the measures to be introduced to prevent a re-occurrence.</p> <p>The review will include consideration of who requires to have sight of the document and who needs to sign it off. The signing off process could be done electronically rather than require the piece of paper to be circulated, which in itself appears to create delay.</p> <p>A review will be undertaken to assess the feasibility of introducing an electronic system for completion of risk assessment templates. This would be aimed at streamlining the system, to include an automated audit trail.</p>	<p>Complete.</p> <p>Revised risk assessment procedure has been approved by Information Management Working Group and ICT Programme Board.</p> <p>Revised risk assessment introduces timescales for key stages in the risk assessment process and removes the requirement for wet signature.</p> <p>Automated workflow process to be developed on the implementation of the Objective Electronic Content Management System, in August 2017.</p>

Appendix 1

Findings and risk	Agreed Action	Status
<p>Missing Templates From the sample of 20 Meridio incident folders reviewed, it was noted that:</p> <ul style="list-style-type: none"> three only contained Word documents which, by their nature, are unsigned; and two folders contained no risk assessment template at all. <p>For two of the 20 incident folders we have therefore not had sight of a risk assessment or planned corrective action.</p> <p>Risk Security incidents are not properly investigated or resolved.</p>	<p>As per 3.2 above, the risk assessment process will be reviewed.</p> <p>The introduction of an automated process for workflow control and escalation will also be investigated as part of the agreed action at 3.2.</p>	<p>Complete.</p> <p>Revised risk assessment procedure has been approved by Information Management Working Group and ICT Programme Board.</p> <p>Revised risk assessment introduces timescales for key stages in the risk assessment process and removes the requirement for wet signature.</p> <p>Automated workflow process to be developed on the implementation of the Objective Electronic Content Management System, in August 2017.</p>
<p>Reporting to IMWG & ICT Programme Board</p> <p>The council's Information Security Policy, clause 25 states: "All security incidents will be reported on a 6 weekly basis to the IMWG and quarterly to the ICT Programme Board."</p> <p>Additionally, the Risk Assessment Template states that service ILOs are to present completed templates to the IMWG, and also that 'representatives' are to present these to</p>	<p>Details of high risk security incidents will be reported to the ICT Programme Board.</p>	<p>Complete.</p> <p>Since the audit was completed, there have been no high risk security incidents to report to ICT Programme Board.</p>

Appendix 1

<p>the ICT Programme Board.</p> <p>Not all incidents are being reported to the IMWG, and it is acknowledged that incident volumes (1,218 during the 2015/16 financial year, of which 796 were 'phishing' and 324 were computer viruses) mean full reporting is unrealistic.</p> <p>Although the IMWG action note is reported to the ICT Programme Board, we have not identified any instances of reporting of security incidents to the ICT Programme Board.</p> <p>It is suggested that policy be amended to adopt a more pragmatic and focussed approach whereby:</p> <ul style="list-style-type: none">• headline volumes are reported, categorised by type, risk level and service area;• high risk security incidents are reported in more detail to both IMWG and ICT Programme Board;• trends are reported. <p>Risks</p> <p>Lack of awareness of trending higher risk incidents.</p> <p>Security incidents are not properly resolved.</p> <p>Potential that lessons are not learned.</p>		
---	--	--

Findings and risk	Agreed Action	Status
<p>Overdue / Risk Assessment Templates</p> <p>The introductory preamble to the Risk Assessment Template states: ".....a completed risk assessment, signed off by the relevant Depute Chief Executive is required within 7 working days of an information security breach." (This has been taken to mean within seven working days of the breach being discovered).</p> <p>From 20 incidents sampled, only three were found to have been signed at DCE level within the required timescale (appendix B). In addition, a review of a sample of reports to the IMWG disclosing overdue risk assessments was undertaken. Of the 17 overdue risk assessments at 6 October 2016, four were between one and six months overdue, and 13 were beyond six months overdue. (refer appendix C)</p> <p>Whilst the trend is downwards, the expectation should be for a completion rate of 100% within the timescale set out in procedures.</p> <p>Risk</p> <p>Security incidents are not properly resolved.</p>	<p>The 7 day timescale for completion of risk assessments requires to be reviewed and reported to IMWG. The 7 days is not sufficient to allow a thorough review of the reasons for the data breach and to identify improvement actions and to ensure that these have been implemented. A review of the process will be progressed to identify the key stages, e.g. containment of breach and assessment as to whether the data subject requires to be notified – all to be completed within strict timescale – with the identification and implementation of improvement actions to follow with these being reported and monitored via Covalent.</p> <p>The possibility of introducing an electronic system, with automated workflow control and escalation, will be investigated as detailed in agreed actions 3.2 and 3.3.</p>	<p>Complete</p> <p>The revised risk assessment procedure requires a 2 stage risk assessment to be conducted; the first stage, to be completed within 2 days, is to :-</p> <ul style="list-style-type: none"> • identify and take any steps which require to be taken to contain the breach/recover the data and prevent further breach. • identify and take any steps which require to be taken to protect any individual from any effects of the breach. <p>Thereafter, a decision on whether to notify the ICO Of the breach is to be taken within 3 days.</p> <p>The risk assessment form is to be completed within 7 days and all actions to be logged in Covalent within 14 days.</p> <p>Automated workflow process to be developed on the implementation of the Objective Electronic Content Management System, in August 2017.</p>

Appendix 1

Findings and risk	Agreed action	Status
<p>WLC Annual Compliance Statement</p> <p>The audit sample identified an instance of an information security breach having been reported to the Information Commissioner's Office during May 2015. This should have been detailed in the council's 2015/16 Annual Compliance Statement. However, the compliance statement states: "During 2015/16 there were 45 Risk Assessments conducted on security incidents. This is a decrease of 39% on the previous year. None of the incidents were considered significant enough to notify the Information Commissioner."</p> <p>This is clearly incorrect.</p> <p>Risk</p> <p>Assurance on compliance with information security matters cannot be relied on.</p>	<p>The current process will be reviewed to ensure that incidents reported to the ICO are clearly communicated internally, thereby allowing accurate completion of the council's compliance statement.</p>	<p>Complete.</p> <p>Heads of Service have completed compliance statement checklists and draft 2016/17 Compliance statements have been reviewed at Audit and Governance working group to ensure that any instances of breach which have, or will have, a material or significant impact on the operations or finances of the council are accurately reported.</p>

Findings and Risk	Agreed Action	Status
<p>Template Sign-Off Process / Referral To ICO</p> <p>The ICO's guidelines state: "Although there is no legal obligation on data controllers to report breaches of security which result in loss, release or corruption of personal data, the IC believes serious breaches should be brought to the attention of his Office."</p> <p>The council process is for Information Security Breach Risk Assessment Templates to be referred to the council's Chief Solicitor to a) sign-off, and b) take a decision on whether referral to the Information Commissioner's Office is required. It has become evident during the audit that not all templates are reaching the Chief Solicitor, hence there is no record of her sign-off or view on referral.</p> <p>Risk Failure to disclose a reportable breach is discovered at a later date by the ICO, resulting in an increased penalty and / or adverse publicity.</p>	<p>As per 3.2 and 3.3 above, the risk assessment process will be reviewed and it will be ensured that in all cases there is an audit trail for referral to the Chief Solicitor for a decision on referral to the ICO</p>	<p>Complete</p> <p>Revised risk assessment procedure has been approved by Information Management Working Group and ICT Programme Board.</p> <p>Revised risk assessment states that within 3 days of the information security breach, the Chief Solicitor will advise the Depute Chief Executive by email whether the ICO should be notified of the breach. Depute Chief Executive to confirm by email, acceptance or otherwise of the Chief Solicitor's advice. Depute Chief Executive to provide a reason where their decision is against the recommendation of the Chief Solicitor.</p> <p>Automated workflow process to be developed on the implementation of the Objective Electronic Content Management System, in August 2017.</p>

Appendix 1

Findings and Risk	Agreed Action	Status
<p>Overdue Policy Reviews</p> <p>Reviews of the council's information security and records management policies were due in September 2016, and are now overdue.</p> <p>The council's data protection policy is undated and the associated guidelines are dated 31 August 2005, and neither contains version control information. Whilst the bodies of these documents do contain reference to reviews, they are non-specific in terms of timescale.</p> <p>Risk Policies become out-dated and fail to reflect up-to-date practice.</p>	<p>The review of the information security and records management policies has been completed and this was reported to the Modernisation Board on 22 November. The report will now go through the usual reporting channels.</p> <p>Version control information on all documents will be reinstated.</p>	<p>Complete</p> <p>Information Management policies were reported to the Partnership and Resources PDSP on 28 April 2017 and the revised Information Security Policy will be considered at Council Executive on 20 June 2017.</p> <p>Version control added to documents.</p>

Data Breach occurs

First 24 hours

Responsible officer – Head of Service or nominated officer.

Step 1 – identify the data which has been subject of the breach. Confirm whether this includes personal data.

Step 2 - Notify service manager and IT Service desk of the breach.

Step 3 – if personal data is involved, notify the Chief Solicitor. If not, the Chief Solicitor does not need to be involved.

Service desk will notify Head of Service and Depute Chief Executive.

Within 2 days

Step 4 – identify and take any steps which require to be taken to contain the breach/recover the data and prevent further breach.

Step 5 – identify and take any steps which require to be taken to protect any individual from any effects of the breach.

Step 6 - Head of Service or nominated officer to complete Stage 1 risk assessment template (including the risk assessment table), save in the records management system and email a link to the document to the Depute Chief Executive, Chief Solicitor and Information Security Officer, for information. Where a nominated officer has conducted the risk assessment, the link to the document is also to be emailed to the Head of Service.

Step 7 – Where a breach is likely to result in a high risk to the rights and freedoms of individuals, Head of Service or nominated officer to notify those concerned directly. **Within 3 days**

Step 8 – Chief Solicitor to advise the Depute Chief Executive by email whether the ICO should be notified of the breach. Depute Chief Executive to confirm by email, acceptance or otherwise of the Chief Solicitor's advice. Depute Chief Executive to provide a reason where their decision is against the recommendation of the Chief Solicitor.

Step 9 – ICO to be notified by Chief Solicitor, where appropriate.

Within 7 working days

Step 10 – Identify timeline of events which led to the data breach including names of staff involved, details of events, decisions made and actions taken in containing and recovering data at risk

Step 11 – Identify outcomes and remedial actions which will prevent or mitigate the risk of future data breach.

Step 12 - identify any disciplinary issues to be investigated/actioned in relation to the staff involved in the breach.

Step 13 – Head of Service or nominated officer to complete the risk assessment table, save in the records management system and email a link to the document to the Depute Chief Executive, Chief Solicitor and Information Security Manager. Where a nominated officer has conducted the risk assessment, the link to the document is also to be emailed to the Head of Service.

Step 14 – Final details of incident to be notified by the Chief Solicitor to the ICO where necessary.

Within 10 working days

Step 15- Copy of risk assessment and email confirmation from Depute Chief Executive regarding notification (or not) to ICO to be saved in Meridio.

Within 14 days

Step 16 – All outcomes and remedial actions to be logged in Covalent as risk actions. .

Stage 1 Risk Assessment Template – to be completed within 48 hours of data breach:

1. Incident Reference Number: 000000 (this number is provided by the IT Service Desk)
2. Title/Short Description: (do not include names or personal data - has the data been lost, shared, stolen or unlawfully processed, the amount of data involved and how many people will be affected?)
3. Head of Service
4. Nominated officer conducting the risk assessment
5. Data Sets & Systems Involved/Affected: (include contact details for each service area)
6. Provide details of data involved in breach including volume of records, how many people are involved, is the information encrypted etc.
7. Data Classification - [As per council classifications of Classified, Protect Internal or Public)
8. Is the information which has been lost sensitive – see note below.
9. Confidentiality - [Include details of consents from data subjects (clients)
10. Steps taken to contain the breach/recover the personal data
11. Description of the likely consequences of the breach
12. Description of steps taken to mitigate the likely consequences of the breach

Risk Description	Impact	Likelihood	Risk Rating	Further Information/Controls in place
Risks To Data Subjects				
[Detail – Add more lines as necessary]	[Category & Justification]	Category & Justification]	E.g. Low	

The Risk Assessment Grid

Impact	Catastrophic	Medium	High	Very High
	Significant	Medium	High	High
	Moderate	Medium	Medium	High
	Minor	Low	Low	Medium
	Negligible	Low	Low	Medium
		Rare	Unlikely	Possible
		Likelihood		

Overall Risk Rating

Low
Medium
High
Very High

GUIDANCE NOTE

In assessing the level of risk associated with the information security breach, there should be an assessment of the impact of the breach on the data subject and any steps which the data subject may require to take to protect themselves as a result of the breach – for example, would the information released allow a third party to access bank or other financial records; is the information released sensitive personal data which may cause upset or distress to the data subject if it is shared again with third parties?

“Sensitive personal data” is defined in the DPA as information relating to:-

- (a) The racial or ethnic origin of the data subject.
- (b) His political opinions.
- (c) His religious beliefs or other beliefs of a similar nature.
- (d) Whether he is a member of a trade union.
- (e) His physical or mental health or condition.
- (f) His sexual life.
- (g) The commission or alleged commission by him of any offence; or
- (h) Any proceedings for any offence committed or alleged to have been committed by him, the disposal of such proceedings or the sentence of any court in such proceedings.

Where there is sensitive personal data belonging to a third party, this should not be released unless

- (a) explicit consent from the third party is provided or
- (b) it is reasonable in all the circumstances to disclose the information without consent.

In addition, third party sensitive personal data should not be disclosed unless one of the conditions in Schedule 2 of the DPA is met and at least one of the conditions in Schedule 3 of the DPA is also met.

Stage 2 Risk Assessment Template:

- 1. Incident Reference Number:** 000000 (this number is provided by the IT Service Desk)
- 2. Title/Short Description:** (do not include names or personal data)
- 3. Name of Lead Officer and Author of this Report:** (include Name, title and contact details)
- 4. Background:** (full description of incident)
- 5. Timeline of Events:** (include details of events, decisions made and actions taken in containing and recovering data at risk)

Date: 00/00/17

[Detail]

Date: 00/00/17

[Detail]

- 6. Staff Involved/Affected:** (names, titles)
- 7. Service Area(s) Involved/Affected:** (include contact details for each service area)
- 8. Data involved in breach including volume of records, how many individuals are involved, is the information encrypted etc.**
- 9. Details of any previous incidents involving the same individuals, staff, service area, information, systems:** (include contact details for each service area)
- 10. Data Classification** - [As per council classifications of Classified, Protect Internal or Public]
- 11. Is the information involved in the breach sensitive (see note below)?**
- 12. Confidentiality** - [Include details of consents from data subjects (clients)]
- 13. Contracts, Data Processing Agreement, Data Sharing Agreements, Third Party Access Agreements etc.**

14. Risk Analysis:

[Names of individuals involved in the Risk Assessment Process and for approval of the Risk Assessment Table]

Information Security Breach -Risk Assessment Template





Risk Assessment Table

Risk Description	Impact	Likelihood	Risk Rating	Further Information/Controls in place
Risks To Data Subjects				
[Detail – Add more lines as necessary]	[Category & Justification]	Category & Justification]	Low	
Risks to Council Staff				
[Detail]			Low	
Risk to Council through action from ICO				
[Detail]			Medium	
Risk of being reported to ICO				
[Detail]			Medium	
Risk of Disruption to Council Services				
[Detail]			High	
Risk of Disruption to IT Systems				
[Detail]			High	
Risk to Council Finances				
[Detail]			High	

Information Security Breach -Risk Assessment Template

The Risk Assessment Grid

Impact	Catastrophic	Medium	High	Very High	Very High	Very High
	Significant	Medium	High	High	Very High	Very High
	Moderate	Medium	Medium	High	High	High
	Minor	Low	Low	Medium	Medium	High
	Negligible	Low	Low	Medium	Medium	Medium
		Rare	Unlikely	Possible	Probable	Almost Certain
		Likelihood				

Overall Risk Rating	
	Low
	Medium
	High
	Very High

Information Security Breach -Risk Assessment Template

15. Notifications:

Recipient	Notify (Y/N)	Notification by	Justification
Data Subject			
ICO		Chief Solicitor	
[Others (please specify)]			
[Add more lines as required]			

16. Outcomes & Remedial Actions:

Outcome/Action (Detail)	Responsible Officer	Completion Date	Review Date
[e.g. Staff Retraining]	[name]	[date]	[date]

17. Disciplinary Actions

Disciplinary Action (Detail)	Responsible Officer	Completion Date	Review Date
[e.g. Counselling]	[name]	[date]	[date]

Information Security Breach -Risk Assessment Template

18. Officer notifications

Role	Name		Date
Head of Service			
Nominated officer		<p>Stage 1 risk assessment emailed to:</p> <p>Head of Service</p> <p>Depute Chief Executive</p> <p>Chief Solicitor</p> <p>Information Security Manager</p> <p>Stage 2 risk assessment emailed to:</p> <p>Head of Service</p> <p>Depute Chief Executive</p> <p>Chief Solicitor</p> <p>Information Security Manager</p>	

Information Security Breach -Risk Assessment Template

Chief Solicitor		Advice emailed to Depute Chief Executive regarding notification to ICO	
Depute Chief Executive		Confirm to Chief Solicitor whether notification to be made to ICO	
ICO Notification		Notification by Chief Solicitor	



West Lothian
Council

AUDIT COMMITTEE

INTERNAL AUDIT OF MONITORING OF VOLUNTARY AND NOT FOR PROFIT ORGANISATIONS

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the outcome of an audit of the monitoring of voluntary and not for profit organisations.

B. RECOMMENDATION

It is recommended that the Audit Committee notes that control is considered to be effective in relation to Social Policy funded organisations, and unsound in relation to other areas.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Weaknesses in internal control may have an adverse impact on performance.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Senior managers as part of the audit process.

D. TERMS OF REPORT

In accordance with the annual audit plan for 2016/17, we have undertaken an audit of the monitoring of voluntary and not for profit organisations. The audit objective was to determine whether adequate procedures are in place for the monitoring of these organisations, following payments having been made to them by the council. The resultant audit report is attached as an appendix to this report and includes an action plan with agreed management actions.

E. CONCLUSION

We have concluded that control is effective in relation to Social Policy funded organisations, and unsound in relation to other areas.

F. BACKGROUND REFERENCES

Report to Audit and Governance Committee 29 February 2016: Internal Audit Plan 2016/17.

Appendices/Attachments: Internal audit report dated 13 June 2017: Payments to Voluntary and Not for Profit Organisations.

Contact Person: Kenneth Ribbons, kenneth.ribbons@westlothian.gov.uk Tel No. 01506 281573

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 30 June 2017



CW1601

INTERNAL AUDIT REPORT

COUNCIL WIDE

PAYMENTS TO VOLUNTARY AND NOT FOR PROFIT ORGANISATIONS

13 June 2017



CONTENTS

No.	Section	Page
1	Executive Summary	1 - 2
2	Remit	3
3	Action Plan – Social Policy	4 - 6
4	Action Plan – Other Areas	7 - 15
Appendix A	Definitions of Audit Findings & Audit Opinion	16
Appendix B	Health Check Questionnaires Completion & Reporting	17

1.0 EXECUTIVE SUMMARY

1.1 In accordance with the annual audit plan for 2016/17, we have undertaken a review of payments to voluntary and not-for-profit organisations within the council. A natural divide was evident whilst undertaking the audit, with payments made falling into two categories, i.e. Social Policy and 'Other Areas'. 'Other Areas' comprises largely, but not exclusively, what was previously Area Services and is now subject to oversight by Planning, Economic Development & Regeneration. We have concluded from the audit work undertaken that the level of control:

- in relation to Social Policy funded organisations is **effective**;
- in respect of organisations funded outwith Social Policy is **unsound**.

1.2 The audit remit is set out in section two.

1.3 On an annual basis, the council makes payments either by way of grants or commissioned on a contractual basis to voluntary and not-for-profit organisations. In the 2015/16 year these totalled £22,802,595. Individually, these payments range from a few hundred pounds up to large six figure sums, with one organisation receiving a seven figure sum. The purpose of these payments is very diverse, ranging from support for small local organisations to the purchase of services from national not for profit service providers. The largest amount payable to a single not for profit organisation in 2015/16 was £1.39M, paid to ENABLE (specialist physical disability, learning disability and autism services provision).

1.4 In the main, Social Policy payments are made through contractual arrangements whereby there is a formal monitoring framework. 'Other Areas' include grants and other documented funding awards with a range of approaches adopted towards monitoring. Payments are split approximately 89% / 11% between Social Policy and 'Other Areas' respectively, and distributed as detailed in the following table:

Adults	£8,849,203
Children	£8,286,863
Communities	£2,191,555
Older People	£2,169,404
Vulnerable Youth	£ 720,564
Other	£ 585,005
TOTAL	£22,802,595

1.5 The following key controls were found to be in place:

Social Policy

- There is a contract management framework which aims to ensure quality, value for money and adherence to contractual standards;
- There is a Contract Advisory Group which provides oversight of contract awards and monitoring arrangements;
- There is a comprehensive contract register;
- Link Officers are allocated to individual organisations for monitoring purposes;
- There is a formal contract / contractor risk assessment process;
- There is risk based contract monitoring which determines the extent of monitoring to be undertaken for individual contractors;
- Bespoke training is provided to meet the needs of individual Link Officers;
- There is standardised contract documentation.

Other Areas

- A bespoke health check questionnaire is used;
- There is a Red Amber Green ("RAG") rating process to assess organisational health;
- Link Officers are allocated to individual organisations;
- There is standardised contract documentation;

1.6 The following findings ranked as 'high' importance were found:

Other Areas

- There is no accurate and up to date list of funded organisations and their corresponding link officers. (ref. 4.2);
- We sought copies of funding agreements for a sample of five organisations covering their funding for the 2015/16 financial year, however no agreements were provided to us (ref. 4.4);
- Omissions and inconsistencies were noted in reporting to PDSP (ref. 4.6);
- We identified issues with adherence to the health check process (ref. 4.8)

1.7 We also undertook a high level overview of the arrangements in place for the monitoring of a sample of grant payments as noted below. These tend to be grant monies of smaller denominations which are issued to a range of groups or individuals. The arrangements in place for monitoring were found to be proportionate to the value of the grants.

- Pensioners Christmas Funds;
- Youth and Communities Groups;
- Arts Grants;
- Twinning Associations;
- Sports Grants; and
- Community Council Grants.

1.8 Two separate action plans have been prepared detailing audit findings, and these are included as section three (Social Policy) and section four (Other Areas). The action plans detail our findings, grade their importance (see appendix A for definitions) and include agreed actions. Appendix B of our report provides further clarification in respect of findings 4.6 and 4.8. The implementation of agreed actions will help improve control.

1.9 We appreciate the assistance of staff across the council during the conduct of our audit. Should you require any further assistance please contact Colin Carmichael.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

2.0 REMIT

- 2.1 The audit objective was to determine whether adequate procedures are in place for the monitoring of voluntary and not for profit organisations, following payments having been made to them by the council.
- 2.2 Our review concentrated on the key controls and our testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 2.3 We agreed the draft report for factual accuracy with Alan Bell, Senior Manager and Rachel McKay, Contracts and Commissioning Manager (for Social Policy); and with Alice Mitchell, Economic Development and Regeneration Manager (for Other Areas).
- 2.4 The Head of Social Policy and Head of Planning, Economic Development and Regeneration are responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.5 We carry out follow-up reviews on a risk based approach. The Audit, Risk and Counter Fraud Manager will determine the need for a follow-up review of this report.
- 2.6 In accordance with the council's risk management arrangements, services are required to record internal audit findings graded as being of 'high' importance in Covalent as risk actions and to link these to the corresponding risks.
- 2.7 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Governance and Risk Board and Audit Committee and considered for inclusion in the Annual Governance Statement.

3.0 ACTION PLAN – SOCIAL POLICY

Ref	Findings & Risk	Agreed Action	Importance Level
3.1	<p><u>Contract Performance Reporting to Social Policy PDSP & Council Executive</u></p> <p>In terms of the Council's Standing Orders, there is a monitoring reporting requirement under CHCP Health, Care and Support Services Procurement Procedures SO 8.16, which states:</p> <p><i>"Information on <u>contract performance</u> will be gathered on a biannual basis and reported to the Social Policy PDSP", and also that: "An annual report of <u>contract performance</u> outcomes and recommendations for future procurement will also be reported to the Council Executive".</i></p> <p>Whilst biannual reports have been submitted, these have not provided information on contract performance, and have only been provided in response to SO 6.2 in relation to contract awards.</p> <p>It has been confirmed during the audit, by the responsible officer in Social Policy, that biannual performance reports to Social Policy PDSP and annual reports to Council Executive will henceforth be undertaken.</p> <p><u>Risk</u></p> <p><i>Lack of effective oversight by members in accordance with the requirements of Standing Orders.</i></p>	Following initial audit feedback, this omission has been addressed and reporting in accordance with SO 8.16 will in future be undertaken.	Medium
			Responsible Officer
			Alan Bell
			Risk Identifier
			WLC022
			Action Date
			Complete

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><u>Contract Monitoring</u></p> <p>From a sample of five contracts reviewed, one instance (Answer Project, who provide day care) was noted where monitoring is stated not to have been undertaken in accordance with standard procedures for a period of around three years during re-negotiation of the contract. The contract has since been renewed from 1 February 2016.</p> <p><u>Risk</u></p> <p><i>Monitoring outwith established procedures resulting in the potential delivery of a substandard service not being identified and therefore no corrective action taken.</i></p>	<p>During the period of the Day Care Redesign formal monitoring fell to the Day Care Project Board. The format of this monitoring did not follow the contract monitoring framework paperwork but did apply the same principles. Monitoring of all day care providers post project completion follows the contract monitoring framework.</p>	Low
			Responsible Officer
			Alan Bell
			Risk Identifier
			WLC022
			Action Date
			Complete

Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><u>Use of Contract Extensions</u></p> <p>From a sample of five contracts reviewed, one instance was noted of contract extensions being used beyond the available period. The initial Carers of West Lothian (CoWL - £30k pa) contract covered the period 01/04/11 to 31/03/14, with provision to be ".....extended by a further two years in total", extending it to 31/03/16 at the latest. However, documentation has been seen which extends the contract to 31/03/2018, a total of four years.</p> <p><u>Risk</u></p> <p><i>Contract extended beyond permissible period, outwith contract terms and conditions, and on historic terms which may not reflect current practice, pricing or documentation requirements and may not represent best value to the council.</i></p>	<p>The COWL contract was extended to ensure continuity of service during the period of development of the Carer's Legislation. The commissioning process will be applied in the lead up to the expiration of this contract, which will take into account the new requirements of the legislation, and the service to meet the needs of carers in West Lothian will then be put out to tender.</p>	Medium
			Responsible Officer
			Alan Bell
			Risk Identifier
			WLC022
			Action Date
			31 March 2018

4.0 ACTION PLAN - OTHER AREAS

Ref	Findings & Risk	Agreed Action	Importance Level
4.1	<p><u>Policy and Procedures Documents</u></p> <p>Policy on monitoring has been established through the correct reporting channels of PDSP & Council Executive, while the health check questionnaire provides an annual process and contains a two page preamble with information to aid completion.</p> <p>However, this falls short of a formal procedures document setting out the wider, ongoing duties and responsibilities of Link Officers ("LOs") and how these should be discharged.</p> <p><u>Risk</u></p> <p><i>Potential inconsistencies in how organisations are dealt with, to the potential detriment of the organisation and the council.</i></p> <p><i>Lack of procedural understanding on the part of organisations.</i></p>	The introduction of a formal policy and procedures document is currently under review, and will be reported to the appropriate PDSP (the future of the Voluntary Organisations PDSP is currently under review).	Medium
			Responsible Officer
			Alice Mitchell
			Risk Identifier
			WLC022
			Action Date
			30 September 2017

Ref	Findings & Risk	Agreed Action	Importance Level
4.2	<p><u>Link Officer List</u></p> <p>There is no accurate and up to date list of funded organisations and their corresponding link officers. This initially hampered the progress of the audit work, and resulted in a significant amount of work, as contact had to be made with officers across the council to establish where responsibilities lay at that time.</p> <p><u>Risk</u></p> <p><i>No comprehensive list of link officers, resulting in lack of clear responsibility and accountability.</i></p>	<p>The list of LOs will be brought up to date, and accurately maintained, with additional training to take place where required.</p> <p>Meantime, health check questionnaires are to be completed in conjunction with Business Gateway Advisers for 2017/18.</p>	High
			Responsible Officer
			Alice Mitchell
			Risk Identifier
			WLC022
			Action Date
			30 September 2017

Ref	Findings & Risk	Agreed Action	Importance Level
4.3	<p><u>Link Officer Training</u></p> <p>From the information available, it is evident that:</p> <p>a) only some of the LOs have received training (8 per the 2014 Partnering for Success Report);</p> <p>b) there is no apparent plan for sweep up training to cover those previously missed yet there are substantially more LOs than were covered; and</p> <p>c) there is no apparent provision for training of new LOs.</p> <p><u>Risk</u></p> <p><i>Lack of training, combined with a lack of written policy and procedures for reference, could result in an inconsistent and inadequate approach being adopted by link officers and expected standards not being maintained.</i></p>	<p>LO training may become irrelevant if it is decided to continue a new process being adopted for 2017/18. This will see health checks addressed through Business Gateway Advisers to ensure that the organisations are viable, have capacity and are able to respond to changes in their future cashflow positions.</p> <p>The need for LO training will be dependent on the future process, and will only be undertaken if considered appropriate.</p>	Medium
			Responsible Officer
			Alice Mitchell
			Risk Identifier
			WLC022
			Action Date
			31 March 2018

Ref	Findings & Risk	Agreed Action	Importance Level
4.4	<p><u>Completion of Funding Agreements</u></p> <p>On seeking copies of Funding Agreements for a sample of five organisations covering their funding for the 2015/16 financial year, no agreements were provided to us.</p> <p>Agreements were, however, provided in relation to four of these for the 2013/14 year, all of which were out of date. The documented funding amounts for these four organisations during the 2013/14 year totalled £156,199 and ranged individually from £7,712 to £70,873.</p> <p>In terms of the (historic) agreements seen, these set out among other things: service to be provided, amount of funding, term, conditions applicable, monitoring etc. and, as such, represent important contractual documents.</p> <p><u>Risk</u></p> <p><i>Lack of accountability due to terms of support not having been documented.</i></p> <p><i>Reduced potential for recourse in the event of non/under-performance.</i></p>	A fundamental review of the process for assessing, documenting and monitoring the funding of voluntary and not-for-profit organisations is being undertaken. The policy and procedures document (ref: 4.1) will set out these new procedures, specifically outlining requirements in relation to the use of funding agreements.	High
			Responsible Officer
			Alice Mitchell
			Risk Identifier
			WLC022
			Action Date
			30 September 2017

Ref	Findings & Risk	Agreed Action	Importance Level
4.5	<p><u>Standard Conditions in Generic Funding Agreement</u></p> <p>The generic funding agreement includes a requirement for the funded organisation to provide various items of monitoring information, including provision of audited accounts. Arguably, these prescriptive requirements are excessive for smaller, less complex organisations which lack sophisticated accounting and administrative procedures, and which are not required by legislation to have their accounts audited.</p> <p>A two tier approach to funding agreements would appear beneficial, with differentiation between smaller more straight forward organisations, and those of a larger and more complex nature.</p> <p><u>Risk</u></p> <p><i>Ineffective monitoring as a result of inappropriate documentation</i></p>	<p>Process changes have already taken place for smaller funding amounts to ensure a proper audit trail.</p> <p>Agreements to be used for organisations receiving larger levels of funding are under consideration as part of a wider review (ref: 4.4).</p>	Medium
			Responsible Officer
			Alice Mitchell
			Risk Identifier
			WLC022
			Action Date
			30 September 2017

Ref	Findings & Risk	Agreed Action	Importance Level																		
4.6	<p>PDSP Reporting</p> <p>Reports were submitted to the Voluntary Organisations PDSP during March and June 2015, and March 2016. These reports were reviewed as part of the audit, and the following omission and inconsistencies noted:</p> <ul style="list-style-type: none">2015 reports: The data attached to the June 2015 report is inconsistent with the data referred to in the body of the reports, per table 1: <table><tr><td>Table 1</td><td>RED</td><td>AMBER</td><td>GREEN</td><td>N/A</td><td>TOTAL</td></tr><tr><td>Body of March & June Reports</td><td>25</td><td>95</td><td>1265</td><td>31*</td><td>1416</td></tr><tr><td>June 2015 Attachment</td><td>19</td><td>90</td><td>1279</td><td>28</td><td>1416</td></tr></table> <p>*Extrapolated figure – not detailed in report</p> <ul style="list-style-type: none">2016 report: during the audit we have been advised that a truncated health check process was undertaken in February 2016 covering the 2015/16 year. The use of a truncated process was not disclosed at the PDSP. More detailed information on these material discrepancies is included as Appendix B. <p>Risk</p> <p><i>Reporting inaccuracy / inconsistency and lack of disclosure may impact members’ understanding and oversight</i></p>	Table 1	RED	AMBER	GREEN	N/A	TOTAL	Body of March & June Reports	25	95	1265	31*	1416	June 2015 Attachment	19	90	1279	28	1416	<p>The reporting for Voluntary Organisations is under review and will be the responsibility of a new Community Planning & Regeneration Manager, once appointed.</p> <p>Refer 4.1 regarding future PDSP reporting.</p>	High
		Table 1	RED	AMBER	GREEN	N/A	TOTAL														
		Body of March & June Reports	25	95	1265	31*	1416														
		June 2015 Attachment	19	90	1279	28	1416														
		Responsible Officer																			
		Alice Mitchell																			
Risk Identifier																					
WLC022																					
Action Date																					
30 September 2017																					

Ref	Findings & Risk	Agreed Action	Importance Level
4.7	<p><u>Improvement Plans</u></p> <p>Sight of Improvement Plans (IP) was requested for a sample of six organisations. These were received for five, but we were advised that an IP was not required for the sixth organisation (Craigshill Good Neighbourhood Network) as there were '<i>no red or amber scores</i>'.</p> <p>However, there were in fact three amber scores recorded for the organisation in the 2015/16 Health Check (2014/15 - three reds and nine ambers) and an IP should therefore have been in place.</p> <p><u>Risk</u></p> <p><i>Incorrect and inadequate monitoring resulting in organisational deficiencies not being properly addressed.</i></p>	The 2017/18 health check process is being carried out by Business Gateway Advisers, and steps will be taken by them to ensure that Improvement Plans are put in place for all organisations showing a red or amber finding.	Medium
			Responsible Officer
			Alice Mitchell
			Risk Identifier
			WLC022
			Action Date
			Ongoing

Ref	Findings & Risk	Agreed Action	Importance Level
4.8	<p><u>Adherence to Health Check Process</u></p> <p>We have been advised that the 2015/16 HCQ process undertaken by the Policy Officer and Senior Policy Officer in February 2016 was 'truncated', being a review of the 2014/15 HCQs. Notwithstanding this, we would have expected HCQ forms to be completed or as a minimum other documentation retained, recording the HCQ findings and evidencing that the process was indeed undertaken and when it was undertaken. Following repeated requests for a sample of five HCQ forms from the February 2016 process, the following HCQ forms were eventually received:</p> <ul style="list-style-type: none"> • Pit Stop – completed HCQ dated <u>July 2015</u> by <u>LO</u> • Bennie Museum – completed HCQ dated <u>May 2015</u> by <u>LO</u> • Daisy Drop-In - completed HCQ dated <u>January 2016</u> by <u>Senior Policy Officer</u> • Regal Community Theatre - completed HCQ dated <u>March 2015</u> by <u>LO</u> • Ladywell Neighbourhood Network – completed HCQ dated <u>August 2016</u> by <u>Senior Policy Officer</u> <p>The only HCQ received within the sample requested which evidences a Health-Check process around February 2016, is the one dated January 2016 which was completed by the Senior Policy Officer. There remains uncertainty over why this was available for audit purposes but no others from around that time were. Appendix B provides further information in respect of the 2015/16 Health-Check process.</p> <p><u>Risk</u></p> <p><i>Failure to identify and address issues with supported organisations which may impact on their ability to provide the agreed services.</i></p>	<p>As outlined above, a fundamental review is being undertaken which it is anticipated will result in a tightening of processes and procedures to ensure that the health checks are carried out in a timely and thorough manner.</p> <p>The new Community Planning & Regeneration Manager will have responsibility for ensuring adherence to policy and procedures.</p>	High
			Responsible Officer
			Alice Mitchell
			Risk Identifier
			WLC022
			Action Date
			30 September 2017

Ref	Findings & Risk	Agreed Action	Importance Level
4.9	<p><u>Monitoring Procedures</u></p> <p>It is noted that Social Policy have an embedded and effective approach to the monitoring of organisations funded by them, including a risk assessed approach to the level of monitoring required for individual organisations.</p> <p>A similar approach could be applied to payments made across the council resulting in a more effective and consistent council-wide approach being adopted to payments to voluntary and not for profit organisations.</p> <p><u>Risk</u></p> <p><i>Different approaches to the monitoring of organisations funded by the council resulting in organisations being treated inconsistently.</i></p>	Monitoring procedures are being reviewed as part of the overall review mentioned above, and will be incorporated into the new policy and procedures document.	Medium
			Responsible Officer
			Alice Mitchell
			Risk Identifier
			WLC022
			Action Date
			30 September 2017

DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION**AUDIT FINDINGS**

Each finding has a level of importance attached to it and will be ranked as '**High**', '**Medium**' or '**Low**'.

AUDIT OPINION

Our overall opinion on the controls in place is based on the level of importance attached to the findings in our audit report. The overall audit opinions are as follows:

Overall Opinion	Definition
EFFECTIVE	No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.
SATISFACTORY	No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.
REQUIRES IMPROVEMENT	A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.
UNSOUND	A considerable number of findings ranked as 'High' importance resulting in an unsound system of control. There may also be a number of findings ranked as 'Low' and 'Medium' importance.

HCQ COMPLETION & REPORTING

As part of the audit testing a request was made for a sample of five completed February 2016 Health Check Questionnaires (HCQs), but these requests were not fully satisfied. We were advised that the 2015/16 HCQ process was 'truncated' and comprised of officers examining the 2014/15 HCQs with the organisations and updating previous findings based on this process.

We were advised that the data presented to PDSP was based on the 'truncated' process. However, this 'truncated' process was not disclosed in the March 2016 Voluntary Organisations PDSP. The report simply refers to "*the 2015/16 round of health checks completed during February 2016*". Regardless of this, we would consider it reasonable to expect completion of a fresh HCQ for each organisation, or as minimum documented evidence of what work was undertaken and when it was completed, thereby providing a complete and auditable record of the inspection of funded organisations.

We were eventually provided with five HCQs but these did not contain information that was consistent with that reported to PDSP, leaving us with the following concerns:

- Two of the HCQ forms received were for:
 - i) the Bennie Museum, completed May 2015 by its LO; and
 - ii) the Pit Stop, completed July 2015 by its LO.

The March 2016 PDSP report details both of these as "*due to be completed in the next few weeks*". Inclusion of these HCQs would have substantially changed the complexion of the data presented with the report, with the addition of 5 red and 24 amber findings, increasing the total reds and ambers by 17.2% and 43.6% respectively, against the figures actually reported.

- If the Bennie Museum and Pit Stop HCQ data had been included in the PDSP data, a worsening position would have been highlighted for both organisations in 2015/16 over 2014/15. This would have been marginal for one, but by a considerable degree for the other, as outlined in table 2:

Organisation	Red Findings		Amber Findings	
	2014/15	2015/16	2014/15	2015/16
Bennie Museum	0	0	8	9
Pit Stop	2	5	4	15

- The above is all the more significant in that the PDSP report, in the absence of these organisations' data, states the health check process to "*highlight continuous improvement by all organisations*". This is not the case when the 2015/16 HCQs completed by Link Officers for the two organisations noted above are taken into consideration.
- The HCQ received in respect of the Ladywell Neighbourhood Centre shows 2014/15 on the front sheet, was signed on 31 August 2016 and contains one amber finding. Neither of these dates would point to this being a valid 2015/16 HCQ yet it was presented to us as such. In addition, the data presented to PDSP indicated the findings for this organisation all to have been green, failing to recognise the amber finding in the HCQ which was presented to us.
- The HCQ presented to us in respect of the Regal Community Theatre details several reds and ambers (although half the pages were missing so the totals cannot be verified), yet the data presented to PDSP in March 2016 shows no red findings. The HCQ received by us is dated 31 March 2015.



AUDIT COMMITTEE

INTERNAL AUDIT OF FINANCIAL MONITORING & REPORTING IN RELATION TO WEST LOTHIAN LEISURE

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the outcome of an internal audit of the council's processes for monitoring and reporting on West Lothian Leisure's financial position.

B. RECOMMENDATION

It is recommended that the Audit Committee notes that control is considered to require improvement.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Weaknesses in internal control may have an adverse impact on performance.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Senior managers as part of the audit process.

D. TERMS OF REPORT

By agreement with the West Lothian Leisure Chief Executive and West Lothian Council Head of Finance and Property Services, we have undertaken a review of the processes within the council for monitoring and reporting on the West Lothian Leisure financial position. The resultant audit report is attached as an appendix to this report and includes an action plan with agreed management actions.

E. CONCLUSION

Our review of the processes within the council for monitoring and reporting on West Lothian Leisure's financial position has concluded that the level of control requires improvement.

F. BACKGROUND REFERENCES

N/a

Appendices/Attachments: Internal audit report: "Financial Monitoring and Reporting in relation to West Lothian Leisure" dated 7 February 2017.

Contact Person: Kenneth Ribbons, kenneth.ribbons@westlothian.gov.uk Tel No. 01506 281573

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 19 June 2017



UF1610

INTERNAL AUDIT REPORT

WEST LOTHIAN COUNCIL

FINANCIAL MONITORING / REPORTING IN RELATION TO WEST LOTHIAN LEISURE

7 February 2017



westlothian.gov.uk

CONTENTS

No.	Section	Page
1.	Executive Summary	1 – 2
2.	Remit	3
3.	Action Plan	4 – 9
	<u>Appendix A</u> – Schedule of Meetings	10
	<u>Appendix B</u> – WLL – Financial Reporting	11
	<u>Appendix C</u> – Definitions of Audit Findings & Audit Opinion	12

1.0 EXECUTIVE SUMMARY

- 1.1 By agreement with the West Lothian Leisure Chief Executive and West Lothian Council Head of Finance and Property Services, we have undertaken a review of West Lothian Leisure financial reporting arrangements.
- 1.2 This report relates to the monitoring process within West Lothian Council, and we consider that the level of control **requires improvement**.
- 1.3 A separate report has been prepared which includes findings to be addressed by West Lothian Leisure.
- 1.4 West Lothian Leisure (WLL) was established on 1 February 1998 and provides sports and leisure facilities and activities to the community of West Lothian. WLL was a registered society under the Co-operative and Community Benefit Societies Act 2014. However in August 2016 it converted to a Company Limited by Guarantee with the council as the sole member of the company.
- 1.5 WLL's operations are managed by its Senior Management Team and Chief Executive, and guided by a Board of Management, which is supported by an Audit and Finance Sub Committee.
- 1.6 WLL is primarily funded by membership income, and WLC also provides an annual Management Fee to the company, which for 2016/17 was approximately £1.9 million and will account for around 20% of WLL's total income.
- 1.7 There is an agreed schedule of meetings in place within the council in relation to WLL which includes the WLL Advisory Committee and WLL Review Group. This was provided by WLL and is included as appendix A. A summary of WLL financial reporting is included as appendix B.
- 1.8 The following findings were identified from the audit work undertaken:
 - financial reports have not been regularly received from WLL in advance of the WLL Review Group meetings, resulting in it not being possible for council staff to review them in detail in advance of the meetings (finding 3.1);
 - the West Lothian Leisure Review Group remit requires to be reviewed and updated (finding 3.1);
 - it was noted that at the July 2016 meeting of the WLL Review Group there was no attendance from Finance and Property Services (finding 3.2);
 - reports on WLL internal audits are currently not submitted to the WLL Review Group, however it would be appropriate for the group to have sight of relevant internal audit reports in future (findings 3.3);
 - the WLL Advisory Committee minutes do not routinely record officer attendance (finding 3.4);
 - WLL financial performance is not reported on separately to the WLL Advisory Committee, and is currently only part of a wider performance report (finding 3.5);
 - WLL changed its status to a Company Limited by Guarantee in August 2016, with WLC as the sole member. In these circumstances it would be prudent for the

council to review its relationship with WLL with reference to the relevant guidance on arms-length organisations (finding 3.6).

- 1.9 The action plan in section three details our findings, grades their importance (appendix C) and includes agreed actions. The implementation of agreed actions will help improve control.
- 1.10 We appreciate the assistance of both West Lothian Leisure and West Lothian Council staff during the conduct of our audit. Should you require any further assistance please contact Sharon Leitch.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

2.0 REMIT

- 2.1 The objective of the audit was to undertake an audit of the arrangements for reporting West Lothian Leisure's financial performance to the council.
- 2.2 The scope of the audit was financial reporting to the council, including the West Lothian Leisure Advisory Board and the WLL Review Group. The audit involved a review of the effectiveness of the processes for reporting on performance against budgets, including projected surplus / deficit.
- 2.3 Our review concentrated on the key controls and our testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 2.4 We agreed the draft report for factual accuracy with Donald Forrest, Head of Finance and Property Services on 9 January 2017 and Jim Cameron, Head of Education (Learning, Policy and Resources) on 1 February 2017.
- 2.5 The Head of Finance and Property Services and Head of Education (Learning, Policy and Resources) are responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.6 We carry out follow-up reviews on a risk based approach. The Audit, Risk and Counter Fraud Manager will determine the need for a follow-up review of this report.
- 2.7 In accordance with the council's risk management arrangements services are required to record internal audit findings graded as 'high' importance in Covalent as risk actions and to link these to the corresponding risks.
- 2.8 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Governance and Risk Board and Audit and Governance Committee and considered for inclusion in the Annual Governance Statement.

3.0 ACTION PLAN

Ref	Findings & Risk	Agreed Action	Importance Level
3.1	<p><u>West Lothian Leisure Review Group</u></p> <p>West Lothian Council operates the West Lothian Leisure Review Group which is an officer group with the remit '<i>To review financial and contractual operation of the society</i>'. The group reports to the Education Services Management Team. This group meets every two months and the lead officer is Jim Cameron, Head of Education (Learning, Policy and Resources). The Group, as detailed in its formal remit, is made up of the following:</p> <ul style="list-style-type: none"> the Head of Education (Learning, Policy and Resources) as lead officer. the Active Schools and Community Sport Manager who provides the main support to the lead officer. a WLC accountant who provides the financial advice and monitoring service for the West Lothian Leisure finance function (this is intended to be council officer). the Chief Executive of West Lothian Leisure. the WLL Director of Finance, who oversees the financial operations of WLL. <p>We were advised by council officers that financial reporting information was only being received on the day of the meeting itself. As a result, there was not adequate time to review the reports in preparation for the meeting. WLL should therefore be requested to timeously provide financial reporting information to the council.</p> <p>The Group remit was last reviewed in June 2016, however we were advised by the Active Schools and Community Sport Manager that due to the decision of the Council Executive on 25 October 2016 to agree to transfer the management and operation of certain sports, leisure and cultural facilities to the modernised WLL, the remit of the group is out of date and requires to be reviewed and updated.</p>	<p>1. A request will be made to WLL to ensure that financial information, in an acceptable format and with appropriate content, is provided to council officers four days in advance of meetings.</p> <p>2. There remit of the Group will be reviewed and updated to reflect the planned revised arrangements.</p>	High
			Responsible Officer
			1. Donald Forrest 2. Jim Cameron
			Risk Identifier
			WLC029
			Action Date
			<p>1. Immediate</p> <p>2. 31 March 2017</p>

	<p><u>Risk</u></p> <p><i>Failure to obtain and review financial information in advance of arranged meetings may negatively impact on the effectiveness of scrutiny arrangements.</i></p> <p><i>Out of date West Lothian Leisure Review Group remit resulting in a less effective review process..</i></p>		
--	--	--	--

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><u>West Lothian Leisure Review Group</u></p> <p>From a review of the minutes of the WLL Review Group we noted that at the May and July 2016 meetings there was no attendance from Finance and Property Services. However we were subsequently advised that the May minutes were incorrect and the Accountant from FMU did in fact attend the May meeting. It was confirmed that the Accountant did not attend the July meeting due to annual leave.</p> <p>There should be representation from Finance and Property Services at all meetings, via a substitute if necessary, and future minutes should accurately reflect those attending.</p> <p><u>Risk</u></p> <p><i>Implications of the financial information presented may not be properly understood or communicated.</i></p>	<p>1. There will be FMU attendance at all future meetings.</p> <p>2. Meeting minutes will in future include accurate attendance details.</p>	Medium
			Responsible Officer
			1. Donald Forrest 2. Jim Cameron
			Risk Identifier
			WLC029
			Action Date
3.3	<p><u>West Lothian Leisure Review Group</u></p> <p>The council's internal audit service provides the internal audit service for WLL, and following agreement with the WLL Audit and Finance Sub-Committee, conducts audit work on WLL risks.</p> <p>Subject to receiving the agreement of WLL, it would be appropriate for the WLL Review Group to have sight of relevant internal audit reports.</p> <p><u>Risk</u></p> <p><i>Issues in relation to the management of WLL finances may not be timeously identified by WLC.</i></p>	<p>With the agreement of the WLL Chief Executive future audit reports will be presented to the WLL Review Group.</p>	Medium
			Responsible Officer
			Kenneth Ribbons
			Risk Identifier
			WLC029
			Action Date
			Ongoing

Ref	Findings & Risk	Agreed Action	Importance Level
3.4	<p><u>West Lothian Leisure Advisory Committee Attendance</u></p> <p>The West Lothian Leisure Advisory Committee is a formally constituted Committee of West Lothian Council and has seven appointed members. Up until 2015 the Committee met four times per calendar year, and in 2016, at the request of the Active Schools and Community Sport Manager, the meeting frequency was increased and the Committee met five times.</p> <p>A review of the attendance at meetings over the last two years found the only officer recorded as regularly attending the meetings is the West Lothian Leisure Chief Executive. There is no regular West Lothian Council officer attendance recorded at the meetings.</p> <p>We were subsequently advised that the Head of Education (Learning, Policy and Resources) and the Active Schools and Community Sport Manager did in fact attend the Committee meetings. Committee Services confirmed that it is not standard practice for officer attendance to be recorded in meeting minutes.</p> <p>In view of the fact the West Lothian Leisure is significantly funded by the council, and is the council's only material arms-length organisation, governance arrangements would be improved by the accurate recording of officer attendance.</p> <p><u>Risk</u></p> <p><i>Inadequate evidence of West Lothian Council officer attendance at the West Lothian Leisure Advisory Committee meetings creating uncertainty as to the effectiveness of the monitoring process.</i></p>	Officer attendance at all future WLL Advisory Committee meetings will be recorded in the meeting minutes.	Medium
			Responsible Officer
			Carol Johnston
			Risk Identifier
			WLC029
			Action Date
			Immediate

Ref	Findings & Risk	Agreed Action	Importance Level
3.5	<p><u>West Lothian Leisure Advisory Committee – Financial Reporting</u></p> <p>The performance report currently presented to the West Lothian Leisure Advisory Committee includes a ‘Performance Dashboard’ which summarises Customer Results, People Results, Society Results and Business Results. Business Results covers financial performance and there is also a WLL trading account and balance sheet included. The report is in the name of the Head of Education (Learning, Policy and Resources).</p> <p>The separation of reporting of financial performance and service/operational performance would be beneficial and would improve upon the current governance and financial reporting arrangements. As part of any revised reporting arrangements an officer from Finance and Property Services should also attend the Committee meetings.</p> <p><u>Risk</u></p> <p><i>Unclear of confusing financial reporting resulting in the financial position not being properly understood, and a lack of effective corrective action.</i></p>	<p>1. A separate financial report will be prepared for future meetings and will be presented in the name of the Head of Finance and Property Services, with an officer from Finance and Property Services also attending the Committee.</p> <p>2. The service/operational performance report will continue to be presented in the name of the Head of Education (Learning, Policy and Resources). A review will be undertaken of the information contained in it. This will ensure that the performance measures reported are appropriate, fit for purpose and adequately reflect the expectations of the council in terms of the services delivered by WLL.</p> <p>3. In addition, the timetable for meetings with WLL will be reviewed to ensure that the information reported to WLC is as up to date as possible at the time of reporting.</p>	Medium
			Responsible Officer
			1. Donald Forrest 2-3. Jim Cameron
			Risk Identifier
			WLC029
			Action Date
			1. Immediate 2-3. 1 June 2017

Ref	Findings & Risk	Agreed Action	Importance Level
3.6	<p><u>West Lothian Council relationship with West Lothian Leisure</u></p> <p>It is noted that in August 2016 West Lothian Leisure changed its status to a Company Limited by Guarantee with West Lothian Council as its sole member.</p> <p>In light of this change in status it is important that the council reviews its overall relationship with West Lothian Leisure with reference to the guidance available on the council's relationship with arms-length organisations.</p> <p><u>Risk</u></p> <p><i>Reporting and governance arrangements which existed in the past may no longer be appropriate or fit for purpose, resulting in potential financial or other exposure for the council.</i></p>	<p>The financial reporting and overall governance arrangements between the council and West Lothian Leisure will be reviewed in conjunction with the implementation of the audit actions and the overall review of the financial reporting for West Lothian Leisure.</p> <p>The revised arrangements will be documented to ensure that roles and responsibilities are fit for purpose and clear going forward.</p>	Medium
			Responsible Officer
			Donald Forrest / Jim Cameron
			Risk Identifier
			WLC029
			Action Date
			31 March 2017

APPENDIX A

West Lothian Leisure/West Lothian Council- Key Dates

Month	WLL Audit and Finance Sub Committee	WLL Board	WLC/WLL Review Group	WLL Advisory Committee	Culture and Leisure PDSP
Nov-15	25th				
Dec-15		10th	1st	10th	10th
Jan-16	27th				
Feb-16		25th			4th
Mar-16	30th		8th		
Apr-16		28th		14th	14th
May-16	25th		3rd		
Jun-16		30th		2nd	2nd
Jul-16			19th		
Aug-16	10th			25th	25th
Sep-16		8th (AGM)	12th		
Oct-16		27th		13th	13th
Nov-16	30th		8th		
Dec-16		15th		8th	8th
Jan-17	25th		16th		
Feb-17		23rd		2nd	2nd
Mar-17	29th		14th		
Apr-17		26th		13th	13th
May-17	31st		9th		
Jun-17		29th		1st	1st
Jul-17			11th		
Aug-17	9th			TBC	TBC
Sep-17		7th (AGM)	12th		
Oct-17				TBC	TBC
Nov-17					
Dec-17					

West Lothian Leisure – Summary of Financial Reporting from May 2016

<u>Reporting Year</u>	<u>Body</u>	<u>Meeting</u>	<u>Date of Meeting / Report</u>	<u>Period Reporting to</u>	<u>Outturn Reported</u>
<i>2015/16</i>	<i>WLL</i>	<i>Board</i>	<i>28 April 2016</i>	<i>31 March 2016</i>	<i>£108,000 deficit</i>
<i>2015/16</i>	<i>WLC</i>	<i>Review Group</i>	<i>3 May 2016</i>	<i>31 March 2016</i>	<i>£108,312 deficit</i>
2016/17	WLL	Audit and Finance Sub Committee	25 May 2016	30 April 2016	£427,104 deficit
<i>2015/16</i>	<i>WLC</i>	<i>WLL Advisory Committee</i>	<i>2 June 2016</i>	<i>31 March 2016</i>	<i>£110,989 deficit</i>
2016/17	WLL	Board	30 June 2016	31 May 2016	£307,000 deficit
2016/17	WLC	Review Group	19 July 2016	31 May 2016	£307,000 deficit
2016/17	WLL	Audit and Finance Sub Committee	10 August 2016	30 June 2016	£333,410 deficit
2016/17	WLC	WLL Advisory Committee	23 August 2016	31 May 2016	no figure stated (WLC decision)
2016/17	WLL	Board	8 Sept 2016	31 July 2016	£353,000 deficit
2016/17	WLC	Review Group	12 Sept 2016	31 July 2016	£353,000 deficit
2016/17	WLL	Board	27 October 2016	30 Sept 2016	£610,359 deficit

Note: the figures in italics signify reporting in respect of the 2015/16 financial year.

DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

AUDIT FINDINGS

Each finding has a level of importance attached to it and will be ranked as '**High**', '**Medium**' or '**Low**'.

AUDIT OPINION

Our overall opinion on the controls in place is based on the level of importance attached to the findings in our audit report. The overall audit opinions are as follows:

Overall Opinion	Definition
EFFECTIVE	No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.
SATISFACTORY	No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.
REQUIRES IMPROVEMENT	A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.
UNSOUND	A considerable number of findings ranked as 'High' importance resulting in an unsound system of control. There may also be a number of findings ranked as 'Low' and 'Medium' importance.



West Lothian
Council

AUDIT COMMITTEE

CONSIDERATION OF 2016/17 ANNUAL ACCOUNTS (UNAUDITED)

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

To request that the Audit Committee considers the 2016/17 Annual Accounts of the Council (unaudited).

B. RECOMMENDATION

It is recommended that the Audit Committee considers the 2016/17 Annual Accounts prior to submission to Ernst and Young LLP for audit.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	In accordance with the provisions of the Local Authority Accounts (Scotland) Regulations 2014 the Audit and Governance Committee is required to consider the unaudited accounts.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	None.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Head of Finance and Property Services and relevant officers as per the Annual Accounts Procedure 2016/17 issued to senior management.

D. TERMS OF REPORT

The Local Authority Accounts (Scotland) Regulations 2014 include a number of provisions in relation to the unaudited accounts, annual governance statement and audited accounts and, in particular, the consideration of the annual accounts.

The regulations state that the unaudited accounts must be considered by the council, or a committee whose remit includes audit or governance, prior to submission to the council's auditor. The annual accounts must be submitted to the auditor no later than 30 June immediately following the year end to which they relate.

The Annual Accounts detail the council's financial position for 2016/17 and the Management Commentary on pages 2 to 11 of the accounts provides:

- A description of the council's strategy and business model;
- A review of the council's business including the development and performance of the council during the financial year and a review of the position of the council's business at the end of the year;
- A description of the principal risks and uncertainties affecting the council;
- The main factors likely to affect the future development, performance and position of the council's business.

The 2016/17 Annual Accounts are subject to audit. On completion of the Ernst and Young LLP review the Audited Accounts will be presented to Council on 26 September. This is compliant with the provisions of the 2014 Regulations.

E. CONCLUSION

The arrangements will supplement the council's governance arrangements and ensure compliance with the Local Authority Accounts (Scotland) Regulations 2014. The implications of these regulations were reported to, and approved by, the Council Executive on 24 March 2015.

F. BACKGROUND REFERENCES

Report to the Council Executive 24 March 2015: Consideration of the council's Annual Accounts, Annual Governance Statement and Audited Accounts

Appendices/Attachments: West Lothian Council Annual Accounts (unaudited) 2016/17

Contact Person: Donald Forrest –01506 281294 donald.forrest@westlothian.gov.uk

Donald Forrest
Head of Finance and Property Services

Date of meeting: 30 June 2017

West Lothian Council

Annual Accounts

Year ended 31 March 2017 (unaudited)



CONTENTS

Accounts of West Lothian Council for the year ended 31 March 2017, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Accounts

Statutory Accounts		Page
Audit Arrangements		1
Assurance Statements		
Management Commentary by the Head of Finance and Property Services		2
Introduction to the Annual Accounts		12
Statement of Responsibilities	Statement 1	13
Annual Governance Statement	Statement 2	14
Remuneration Report	Statement 3	19
Principal Financial Statements		
Expenditure and Funding Analysis	Statement 4	25
Comprehensive Income and Expenditure Statement	Statement 5	26
Movement in Reserves Statement	Statement 6	27
Balance Sheet	Statement 7	28
Cash Flow Statement	Statement 8	29
Notes to the Annual Accounts	Statement 9	
General Accounting Policies and Assumptions		
Accounting Policies	Note 1	30
Accounting Standards Issued, Not Adopted	Note 2	35
Critical Judgements in Applying Accounting Policies	Note 3	36
Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	Note 4	36
Notes to Expenditure and Funding Analysis		
Note to Expenditure and Funding Analysis and Income Received	Note 5	37
Expenditure and Income Analysed by Nature	Note 6	38
Notes to Comprehensive Income and Expenditure Statement		
Other Operating Expenditure	Note 7	39
Financing and Investment Income and Expenditure	Note 8	39
Taxation and Non-Specific Grant Income	Note 9	39
Notes to Movement in Reserves Statement		
Transfers to or (from) Other Statutory Reserves	Note 10	39
Adjustments between Accounting Basis and Funding Basis under Regulations	Note 11	40
Notes to Balance Sheet		
Property, Plant and Equipment	Note 12	41
Heritage Assets	Note 13	45
Intangible Current Asset – Carbon Reduction Commitment	Note 14	46
Financial Instruments	Note 15	47
Long Term Debtors	Note 16	49
Inventories	Note 17	49
Short Term Debtors	Note 18	49
Short Term Creditors	Note 19	50

Annual Accounts (Continued)

Notes to the Annual Accounts	Statement 8	Page
Notes to the Balance Sheet (Continued)		
Provisions	Note 20	50
Long Term Creditors	Note 21	50
Pensions	Note 22	50
Usable Reserves	Note 23	53
Unusable Reserves	Note 24	54
Notes to Cash Flow Statement		
Operating Activities	Note 25	55
Investing Activities	Note 26	56
Financing Activities	Note 27	56
Cash and Cash Equivalents	Note 28	56
Other Notes		
Agency Services	Note 29	56
Trading Operations	Note 30	57
External Audit Costs	Note 31	57
Contingent Liabilities	Note 32	58
Post Reporting Period Events	Note 33	58
Grant Income	Note 34	58
General Fund Balance	Note 35	59
Leasing and PPP Payments	Note 36	59
Related Parties	Note 37	60
West Lothian Integration Joint Board (IJB)	Note 38	61
Supplementary Financial Statements		
Housing Revenue Account - Income and Expenditure Statement	Statement 10	62
Movement on the HRA Statement	Statement 11	63
Council Tax Income Account	Statement 12	64
Non-Domestic Rate Income Account	Statement 13	65
Trusts and Mortifications	Statement 14	66
Common Good Account	Statement 15	67
Group Financial Statements		
Group Comprehensive Income and Expenditure Statement	Statement 16	68
Group Movement in Reserves Statement	Statement 17	69
Group Balance Sheet	Statement 18	70
Group Cash Flow Statement	Statement 19	71
Notes to the Group Accounts	Statement 20	72

AUDIT ARRANGEMENTS

Audit Arrangements

Under arrangements approved by the Accounts Commission for Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the accounts of West Lothian Council for the year ended 31st March 2017 is:-

Stephen Reid, CPFA, CA
Partner
Ernst and Young LLP
Ten George Street
Edinburgh
EH2 2DZ

Statement

The audit of the Council's Accounts for 2016/17 is yet to be undertaken, i.e. the figures are subject to audit.

The unaudited accounts will be presented to the Audit Committee on 30 June 2017.

The certified Accounts will be presented to the Council for approval on 26 September 2017 following completion of the audit.

MANAGEMENT COMMENTARY

by Donald Forrest, Head of Finance and Property Services

The Council

West Lothian Council lies at the heart of Central Scotland midway between the cities of Glasgow and Edinburgh. It sits astride the M8 and M9 motorways and contains a mixture of small rural communities and towns such as Livingston, Broxburn, Bathgate, Whitburn, Armadale and Linlithgow. It borders the City of Edinburgh, Falkirk, North Lanarkshire, South Lanarkshire and the Scottish Borders.

West Lothian Council provides a diverse range of essential services, such as:

- Education
- Social services
- Housing
- Environmental health
- Planning
- Economic development
- Highways
- Transport

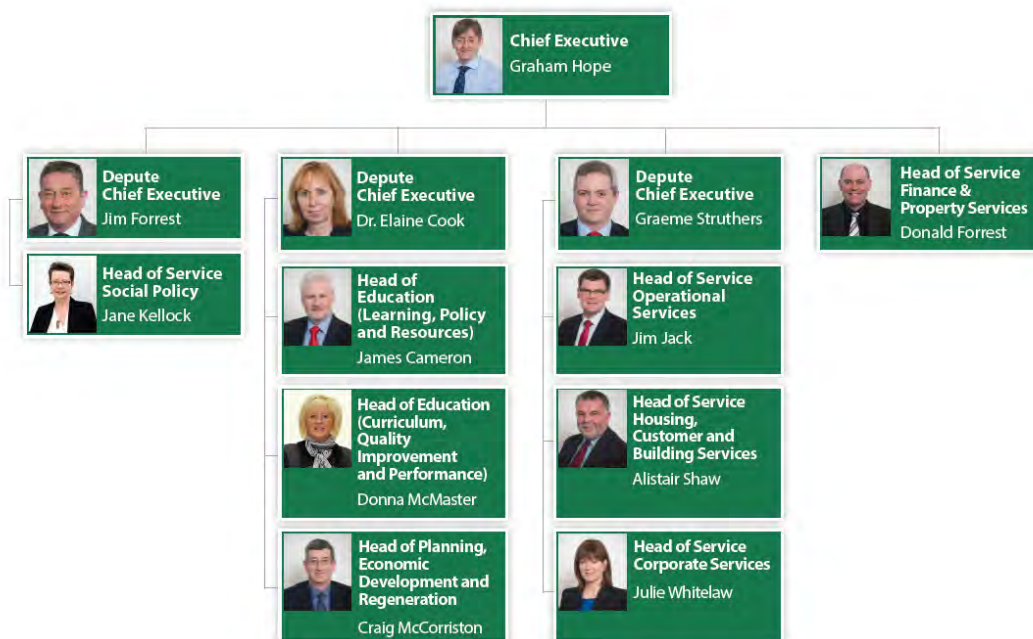
Over 175,000 people both within and outwith West Lothian use these services. The quality and effectiveness of these services relies on the commitment, dedication and ability of the council's 6,810 (Full Time Equivalent) employees, who on a daily basis make a difference to the lives of our customers.

The council is made up of 33 locally elected members who serve the constituents of nine multimember wards. The area also has two Scottish Parliament constituencies Almond Valley and Linlithgow, and two UK parliamentary constituencies Livingston and Linlithgow and East Falkirk.

At 31 March 2017, the council had 33 locally elected members, 16 of which were Labour, 15 Scottish National Party (SNP), 1 Conservative and 1 Independent. Following Local Elections on 4 May 2017, the make-up of the council is now 13 SNP, 12 Labour, 7 Conservative and 1 Independent.

The elected members meet every six weeks at full council. Below the full council, there is a structure of other bodies which are designed to make decisions and set council policy in an efficient and transparent way.

The council's Management Team consists of the Chief Executive, three Depute Chief Executives, and eight Heads of Service including the Section 95 Officer (Head of Finance and Property Services). Details of salaries and pensions for these senior officers can be found in the remuneration report on pages 19 to 24.



MANAGEMENT COMMENTARY

by Donald Forrest, Head of Finance and Property Services

West Lothian

With a growing younger population and a large increase in the older population, West Lothian is fairly unique in Scotland.

West Lothian is proud of its school estate which is one of the best in Scotland in terms of condition and suitability, and has, over a number of years, invested considerable sums to ensure school pupils have the best possible environment to learn and develop. Within the current general services capital programme for 2017/18, there are a number of significant planned improvements, projects and other investment which will sustain and improve the condition, suitability, sufficiency, accessibility and sustainability of our school estate.

The construction of a new West Calder High School through a design, build, finance and maintain (DBFM) contract will provide one of the most modern learning environments of any secondary school in Scotland and will also provide the community of West Calder with local access to facilities including a swimming pool and sports and leisure accommodation. The building will be fully operational from August 2018.

West Lothian Council is committed to delivering 1,000 new council houses, which is the most significant local authority new build programme in Scotland, and will provide new council homes for rent. Expenditure on the 1,000 Houses New Build Programme amounted to £27.309 million in 2016/17. There were 105 new build completions during the financial year across West Lothian, including: Pumpherston, Bridgend, Broxburn, Blackburn, Bathgate as well as Kirkhill, Philpstoun and Linlithgow Bridge. Construction works are progressing across a range of locations, with additional handovers in the coming months.

A community benefits clause within procurement contracts provides an innovative partnership to support local suppliers and employability measures. The West Lothian Council Housing Capital programme includes unprecedented levels of planned expenditure to support both the new build programme and continued investment in housing infrastructure to ensure that homes are suitable for 21st century living.

West Lothian Council is committed to partnership working as a key to improving the quality of life for local people. Providing seamless services is at the heart of the council's ethos and this can clearly be demonstrated by an active Community Planning Partnership and other partnership arrangements such as the West Lothian Community Safety Unit partnership with Police Scotland.

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament in February 2014 and established the framework for the integration of health and social care in Scotland. In line with this, a health and social care partnership in the form of the West Lothian Integration Joint Board (IJB) has been set up in West Lothian. The new arrangements require the delegation of relevant functions and resources by the council and NHS Lothian to the West Lothian IJB. This was effective from 1 April 2016. The level of resources associated with council functions delegated to the IJB in 2016/17 is £60.584 million.

The central location, infrastructure and range of industrial and commercial properties, along with the support of the council's Enterprise Centre, property and business advisors, ensure that new businesses are attracted to invest and locate in the area.

West Lothian has three fantastic country parks, Almondell and Calderwood, Beecraigs and Polkemmet; the area boasts a range of outdoor activities from golf courses and horse-riding to a renowned skate park, while the council's partners West Lothian Leisure provide leisure, sports and swimming facilities across the area.

MANAGEMENT COMMENTARY

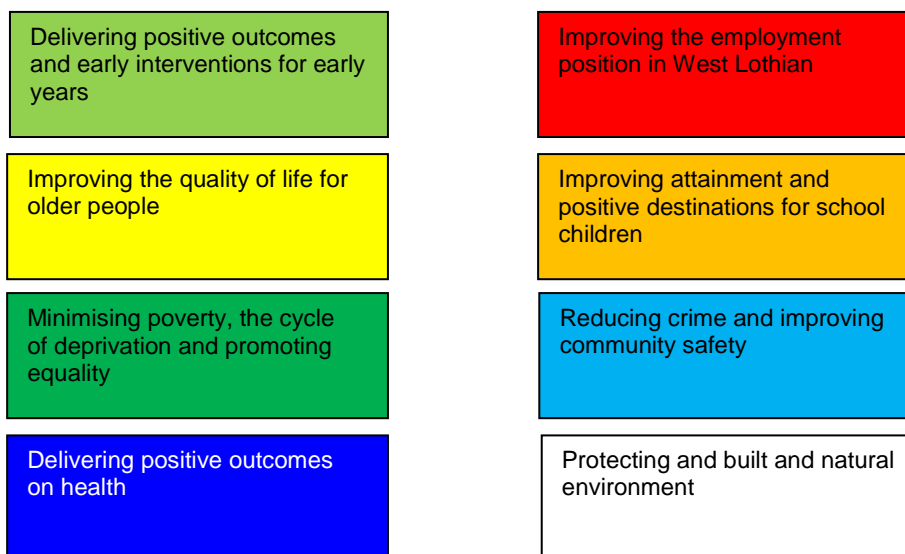
by Donald Forrest, Head of Finance and Property Services

Corporate Strategy

The council's Corporate Plan can be accessed using the following link

<https://www.westlothian.gov.uk/media/3641/West-Lothian-Council-Corporate-Plan-2013-2017/pdf/corporateplan.pdf>

The Plan sets the strategic priorities for West Lothian Council from 2013 to 2017. These priorities provide the focus for all services, as the council works to deliver better outcomes for West Lothian. The council's overall aim is to improve the quality of life for people in West Lothian. The Corporate Plan contains eight key priorities that aim to make a lasting and sustainable impact on the local area and improve the lives of residents in West Lothian. The priorities are:



West Lothian Council has an integrated set of strategies designed to support the delivery of the council's priorities and also to contribute to Strategic Outcomes of the West Lothian Community Planning Partnership.

Corporate Strategies are developed to support the delivery of the Corporate Plan priorities by achieving specific, linked outcomes. These strategies capture cross-cutting council activity that will affect all, or a significant proportion of, council services within the corporate planning period.

West Lothian produces a Factfile on an annual basis which provides an essential guide to the council's performance in relation to the eight priorities. The most recent publication for 2015/16 can be found on the council's website: <https://www.westlothian.gov.uk/factfile>. The 2016/17 publication can be found on the same link and is scheduled for publication in October 2017.

Budget Strategy and Budget Setting

The annual general services and housing revenue budgets form part of the council's integrated approach to financial strategy, corporate planning, delivery of outcomes and performance monitoring. The activity budget links the council's activities, resources and outcomes and is a core element of the council's financial strategy and annual management plans. The 2017/18 activity budget is published on the council's intranet. The council's budget setting process is subject to statutory, regulatory and governance requirements. The Local Government Finance Act 1992 section 93(2) requires councils to formally agree council tax levels before 11 March each year, and the Housing (Scotland) Act 1987 requires the housing budget and rent increases to be reported to Council each year for approval.

The general services capital programme supports the delivery of the council's eight priorities incorporated in the Corporate Plan. The programme also takes into consideration comments received during budget consultations where there was support for the managing of our assets and reducing energy use workstreams. It is important that resources are prioritised on an ongoing basis to ensure investment has the maximum impact on the core assets required to sustain existing service delivery. The current Corporate Asset Management Strategy was agreed in January 2013 and individual Asset Management Plans for each asset category were approved throughout 2013. Asset management provides appropriate structures and governance arrangements to ensure the council's assets are utilised appropriately in support of service delivery.

MANAGEMENT COMMENTARY

by Donald Forrest, Head of Finance and Property Services

The Prudential Code requires councils to approve, on an annual basis, a defined set of prudential indicators, covering both general fund and housing capital investment, at the same council meeting that approves the revenue budget for the forthcoming year. The key objective of the Prudential Code is to ensure that the capital investment plans are affordable, prudent and sustainable. The Code has nine prudential indicators designed to support and record local decision making, which require to be approved and monitored by the Council. In doing so, the council is fulfilling its duty to ensure that spending plans are affordable, prudent and sustainable and also confirming that the treasury management function operates in accordance with the requirements of the CIPFA Treasury Management in the Public Services Code of Practice.

The 2017/18 budgets for general services revenue, the housing revenue account (HRA), the general services capital programme and the housing capital programme were approved by full Council on 20 February 2017, and the treasury management plan for 2017/18 was approved on 7 March 2017.

Performance Overview

Performance management is the way that West Lothian Council measures achievement in key activities and processes. It enables the council to track the progress made in achieving outcomes and priorities and to demonstrate that services are delivered efficiently and effectively.

West Lothian Council has a strong, well established approach to performance management and reporting of performance. Aligned to the council priorities (and Corporate Plan) and outcomes for West Lothian, the performance framework supports a balanced, multifaceted view of impact. The framework requires indicators that track overall impact and quality of services through measures of efficiency, effectiveness and satisfaction with the service.

A range of information is published on corporate and council service performance:

<http://www.westlothian.gov.uk/article/6283/Serviceand-Public-Performance>

and on comparative performance:

<http://www.westlothian.gov.uk/benchmarking>

The council has a rigorous programme of self-assessment – using a European Foundation for Quality Management (EFQM) based approach, which has been in place for over ten years, to ensure challenge and performance focus are embedded in the council culture. External scrutiny is also used to improve service performance and challenge practice against the best in class in the public, private and third sectors. The council retained Customer Service Excellence (CSE), Investors in People (IIP) and Investors in Young People at Gold (the highest level) accreditations following external assessment in 2016/17. The council achieved European Foundation for Quality Management (EFQM) at five-star level following an external assessment and won the overall Scottish Award for Business Excellence (SABE) in 2016/17. The council also won a special award for Leadership at the SABE in 2016/17.

A range of performance information is published on all council services, this includes:

Customer satisfaction with the service: We consult with customers on the services and the quality of the service that they receive from the council. This information that customers provide is used to identify ways to improve our services. Measurable indicators of customer satisfaction are also tracked and monitored from surveys with customers, demonstrating if the council is providing high quality customer-focused services to customers. The council holds Investor in People status across the organisation and every team is involved in service improvement and Customer Service Excellence.

How we perform against Service Standards: Service Standards are the promises that the council makes to our customers about the quality of the service that we will deliver. The standards set out what customers accessing our services can expect regarding customer service, timeliness and overall quality.

We monitor our performance against the standards with customer satisfaction results and the measurable aspects of service provision, such as time taken to deliver services and the number of complaints received or upheld. Telling people how our services are performing is important. It helps the council to demonstrate that we are open and honest with the public, and that we are working to improve the value and impact of our services for the people living, working and learning in West Lothian.

The efficiency of the service: The council has a responsibility to achieve value for money and report our performance to the public, explaining how efficiently we deliver services. There are different ways to determine the efficiency of a service and the council uses a range of indicators. This includes indicators measuring the unit cost of services and indicators measuring productivity. This information is used to increase efficiency and also to compare the cost and efficiency of our services with other similar services.

Benchmarking is an improvement process that allows West Lothian Council to compare our performance with other organisations, such as other Scottish local authorities. Benchmarking is used to identify what we are doing and how we can learn from the high performance and good practice of others.

MANAGEMENT COMMENTARY

by Donald Forrest, Head of Finance and Property Services

The impact of the service: The council has set challenging outcomes and priorities for West Lothian with our Community Planning Partners. Each service will contribute to achieving those outcomes and priorities and the impact of a service is determined by the ongoing measurement of key activities and processes that they deliver.

Financial Performance Review

The financial performance review outlines the key financial issues affecting the council during the year and the overall financial position of the council.

Financial Ratios

The following ratios assist evaluation of the council's financial sustainability and affordability of financial plans.

Council Tax	2016/17	2015/16	Notes on Ratios
In-year collection rate	95.3%	95.0%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of funding relating to previous financial years.
Council Tax income as a percentage of overall funding	18.9%	18.4%	This shows the proportion of total funding that is derived from Council Tax.
Debt and Borrowing – Prudence			
Capital Financing Requirement (£'000)	£652,362	£624,099	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets.
Debt and Borrowing – Affordability			
Financing costs to net revenue stream – General Fund	7.3%	6.7%	These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year.
Financing costs to net revenue stream – HRA	26.6%	25.3%	
Impact of capital investment on Council Tax (£'000)	£188,820	£183,293	These ratios show incremental impact of financing costs (the increase in financing costs from the previous financial year) as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents (£'000)	£463,542	£440,806	

Financial Out-turn

Net expenditure on General Services is met from government grants and council tax. In 2016/17 government grants accounted for 81.1% (81.6% 2015/16) of the council's external funding with the remaining 18.9% (18.4% 2015/16) from council tax. The in-year collection rate for council tax in 2016/17 was 95.3% (95.0% 2015/16).

In 2016/17 the council incurred net expenditure of £442.610 million against a budget of £444.421 million, utilising 99.6% of available budget. The Expenditure and Funding Analysis (EFA), Statement 4, on page 25 shows how the annual net expenditure is used, how it is funded from resources and how expenditure is allocated for decision making purposes between the council's services.

The figures in the first column of the EFA detail the financial position before the charging of accounting entries such as depreciation, pensions and accumulating absences in line with the council's monitoring procedures throughout the year.

As shown in the EFA, the General Fund recorded a net deficit for the year of £0.347 million. This was made up of the following:-

- A net service underspend of £1.811 million
- A breakeven position in non-service expenditure
- A breakeven position in council tax income
- A net spend of £2.158 million in relation to General Fund committed balances

MANAGEMENT COMMENTARY

by Donald Forrest, Head of Finance and Property Services

The service underspend of £1.811 reflects additional funding received from the Scottish Government in March 2017 of £1.736 million to fund investment linked to employability and economic regeneration which will be carried forward to fund expenditure in 2017/18. The remaining underspend of £75,000 is the net effect of the following movements in a number of demand led areas.

- A mild winter which resulted in savings within the winter maintenance budget.
- Partially offset by an overspend in Social Policy Children's services due to additional residential school and secure unit placements during the latter part of the financial year.
- Demand led pressures across social care which include growth in elderly care numbers and requirements and also growth in learning disability clients.
- Homelessness costs, within Housing, Customer and Building Services, increased. An action plan has been implemented to manage the costs of homelessness on a recurring basis and the financial progress against this plan will be reviewed on a regular basis during 2017/18.

Key demand led areas of the budget will be closely monitored during 2017/18 and any overspend risks will be highlighted on a timely basis to ensure action is taken to mitigate pressures.

The net deficit of £0.347 million decreases the General Fund balance to £18.700 million at 31 March 2017. Existing commitments against the balance are £16.625 million, including a Modernisation Fund of £3.764 million and time limited projects of £4.861 million. The uncommitted balance of £2.075 million (£2.070 million 2015/16) or 0.5% of budgeted net expenditure is £0.075 million above the council's target minimum uncommitted General Fund balance of £2 million.

The council holds a provision of £0.174 million to meet the remaining liabilities arising from equal pay claims. West Lothian is currently finalising discussions with claimants' representatives to establish settlement terms on the small number of claims outstanding. To date £1.276 million has been paid to claimants and their representatives. During 2016/17 £0.257 million (£0.811 million 2015/16) was paid from the provision. The remaining balance in the equal pay provision is deemed sufficient to cover any further payments which may be required.

In June 2010 a Modernisation Fund was established to assist in funding potential termination costs for staff. To date £14.605 million has been paid from the Modernisation Fund. As at 31 March 2017, the balance of the Modernisation Fund is £3.764 million.

Included in the Comprehensive Income and Expenditure Statement is £1.122 million of expenditure in relation to the cost of employee exit packages paid to 42 staff during 2016/17 as part of the council's strategy to balance the budget.

During the normal fixed assets revaluation cycle, community centres, day centres, old people's homes, partnership centres, pavilions, miscellaneous land and schools were revalued. As a result, £3.275 million was charged to the Comprehensive Income and Expenditure Account. £0.644 million of this relates to the downward revaluation of the Economic Development Properties and the remaining £2.631 million relates to revaluations of other land and buildings. The revaluation charge has no impact on the General Fund Balance carried forward.

Revenue Budget – Housing 2016/17

Statement 10 (page 62) the HRA – Income and Expenditure Statement includes depreciation and impairment on housing assets. The deficit for the year is £3.997 million. Statement 11 (page 63) the Statement of Movement on the HRA Balance adjusts this deficit as a result of amounts which are required by statute to be debited or credited to the HRA Balance for the year, the net credit for these items is £3.997 million. The overall position was breakeven for the year, which maintains the HRA balance carried forward at £0.926 million.

For 2016/17, capital financing charges were less than budgeted resources, with underspends also noted in employee costs and supplies and services. These underspends were offset, in part, by an overspend in premises costs and an under recovery of income. The combination of these allowed an increased contribution in Capital Funded from Current Revenue (CFCR). The enhanced CFCR provision ensures not only a breakeven position, but provides a cost effective means of financing housing capital investment.

Capital Budget 2016/17

Under the provisions of the CIPFA Prudential Code for Capital Finance in Local Authorities, councils can decide locally on capital investment strategy on the basis that spending plans must be affordable, prudent, sustainable and meet Best Value requirements. Compliance with these criteria is demonstrated by defined prudential indicators.

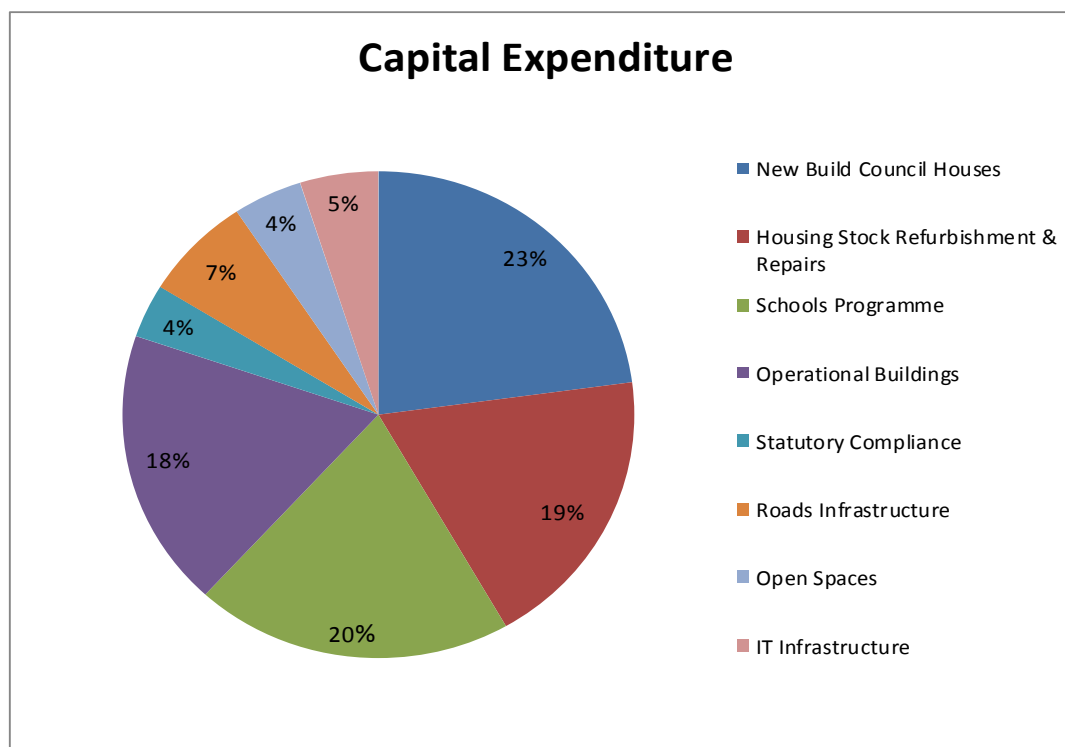
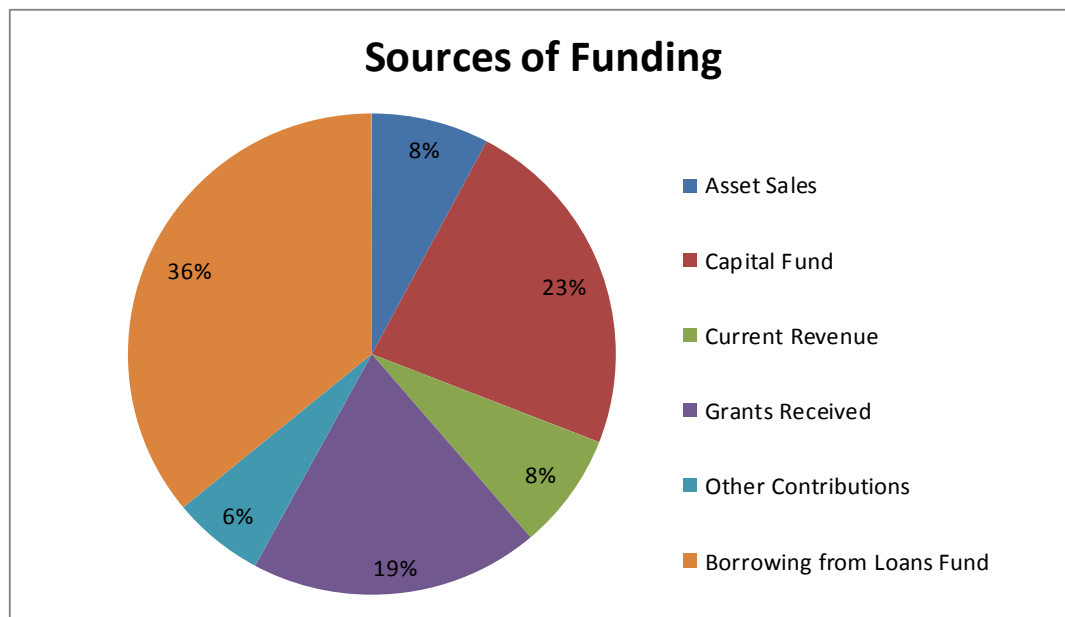
MANAGEMENT COMMENTARY

by Donald Forrest, Head of Finance and Property Services

Based on approved indicators, the council was able to demonstrate the affordability of capital plans. The capital financing requirement for 2016/17 was £652.362 million, £463.542 million for general services and £188.820 million for Housing Revenue Account. External debt levels were £668.084 million during 2016/17. The ratio of financing costs to net revenue stream for General Fund and HRA were 7.3% and 26.6% respectively.

Capital expenditure of £119.403 million was incurred in 2016/17. This expenditure was split between two distinct blocks with £49.787 million spent on the Housing Programme and £69.616 million on the General Services Programme.

Capital Programme 2016/17



The 2016/17 General Services Capital Programme had a budget of £63.304 million and the final outturn for 2016/17 was £69.616 million. The variance of expenditure compared to budget for the year was £6.312 million due to accelerated spend on major projects from future years. There was net acceleration of £4.532 million within property projects, mainly due to better than anticipated progress in the major projects at West Calder High School and the new Whitehill Service Centre.

MANAGEMENT COMMENTARY

by Donald Forrest, Head of Finance and Property Services

The HRA Capital Programme had a budget of £62.450 million and actual expenditure of £49.787 million resulting in a net variance of £12.663 million. This was mainly due to slippage on the 1,000 Houses New Build programme, due to the timescales for statutory consents and permissions relating to planning, utilities and Scottish Water.

Of the total capital expenditure of £119.403 million, £67.180 million was funded by asset sales and contributions from third parties / funds, £9.308 million was raised from revenue contributions to capital, and the remaining £42.915 million was funded by borrowing. Total internal capital debt outstanding at 31 March 2017 was £603.931 million.

PPP Contracts

PPP Contracts are assessed under International Financial Reporting Standards (IFRS) which looks at aspects of control of an asset, such as specifying services and the price paid for these services. The net value of all PPP assets in the balance sheet at 31 March 2017 is £103.134 million.

The outstanding liabilities on the PPP contracts are £65.464 million of which £2.392 million is shown under current liabilities and £63.072 million under long term liabilities.

Details of the annual costs of these contracts are shown in note 36.

Significant Trading Operations (STO)

The Local Government in Scotland Act 2003 introduced new requirements to maintain and disclose significant trading operations. Consequently, a trading account has been prepared for the only significant trading operation, Economic Development Properties, in accordance with guidance issued by CIPFA/LASAAC.

During 2016/17 the STO achieved an in-year surplus of £0.485 million. In the three years to 31 March 2017 the trading account sustained a statutory aggregate loss of £4.855 million, therefore not achieving the statutory financial requirement to breakeven over a three year period. This was a result of accounting charges for impairment of £4.477 million in 2015/16 and £0.644 million in 2016/17 on assets from the Economic Development Property Portfolio. Note 30 provides further details.

Capital Funding and Borrowing

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 have been made and are effective from 1 April 2016, this affects:

- The borrowing of money by the local authority
- The purposes for which borrowing can be incurred
- The statutory changes to the General Fund / HRA for borrowing, and
- The governance of borrowing by an authority.

Pension Reserve and IAS19

The pensions accounting standard IAS 19 is fully adopted in the accounts and details are available in Statement 9 note 1 on accounting policies. The requirement to recognise the council's share of the net liabilities of the Lothian Pension Fund in the balance sheet has resulted in a Pension Reserve debit balance of £290.290 million at 31 March 2017 (£176.148 million 31 March 2016).

The balance sheet deficit has increased during 2016/17 due to a significant decrease in the net discount rate over this period. The effect of this has been partially offset by much greater than expected asset returns achieved over this period. The negative reserve does not impact on the council's available resources.

The figures presented in the actuary's valuation are prepared only for the purposes of IAS19 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, and have no impact on the employers' pension contribution rate.

MANAGEMENT COMMENTARY

by Donald Forrest, Head of Finance and Property Services

Other Reserves

The following table details the usable reserves held by the council for the five year period 2012/13 to 2016/17.

Fund	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Committed General Fund	23,212	20,571	17,307	16,977	16,625
Uncommitted General fund	2,000	2,000	2,000	2,070	2,075
HRA Fund	926	926	926	926	926
Capital Fund	74,338	79,008	84,765	88,214	65,526
Insurance Fund	12,269	12,193	13,570	13,715	11,835
Total	112,745	114,698	118,568	121,902	96,987

Group Accounts

Local authorities are required to consider their interests in all types of entity, including companies, joint ventures and statutory bodies such as Valuation Boards. Where they have a material interest in such entities, authorities are required to prepare a full set of group accounts in addition to their own council's accounts.

The council does not have any subsidiary companies but West Lothian Leisure Ltd and the Lothian Valuation Board are deemed to be associates under group accounts guidance.

In addition, the council has joint venture relationships with a 50% holding in West Lothian Recycling Ltd and a joint venture in relation to the health and social care partnership in the form of the West Lothian Integration Joint Board (IJB). Full details of the group accounts are on pages 68 to 74.

Risk and Uncertainty

West Lothian Council approved its revenue budget for 2017/18 at the council meeting of 20 February 2017. In order to maintain a balanced budget for 2017/18, the council will be required to deliver total budget savings of £8.783 million. The annual budget report also highlighted a number of risks in 2017/18 that will be monitored, including risks surrounding pay and inflation, demand-led risks to social care budgets, and risks around the pupil teacher ratio if pupil numbers exceed forecasts.

The council has an established risk based approach to budget monitoring which ensures that effective action is taken to manage risks. During 2017/18, officers will continue to provide updates on risks as part of the quarterly budget monitoring to Council Executive.

At present, there are no confirmed Scottish Government budget allocations for local government beyond 2017/18 and there are significant risks and uncertainties associated with long term financial assumptions. Some of the key risks and uncertainties are:

- Economic uncertainty and impact on public sector expenditure arising from the impact of the vote to leave the European Union.
- Funding is not provided to fully cover the costs of introducing new legislation.
- Policy changes by the UK or Scottish Governments which restrict the council's local flexibility to decide how to deliver budget savings, or constrain how local authorities allocate their resources to delivering local priorities.
- Increases to pay, inflation and demand led expenditure are higher than currently forecast.

Despite the level of uncertainty around the level of funding the council will receive in future years, it is reasonable to assume at this stage that the council will face a very significant funding gap over the five year period 2018/19 to 2022/23.

MANAGEMENT COMMENTARY
by Donald Forrest, Head of Finance and Property Services

Given the magnitude of the challenge that the council will face in delivering essential services whilst resources are constrained, and to effectively focus on medium to long term sustainability, the council agreed on 20 February 2017 to the following:

- The council will continue to adopt the approach of integrating corporate planning and financial planning over the 2018/19 to 2022/23, with a Corporate Plan, revenue plan, capital plan and treasury management plan to be considered at the same council meeting, to ensure that a joined up approach is taken.
- In accordance with Audit Scotland and CIPFA best practice, the council will prepare a priority based revenue financial plan for 2018/19 to 2022/23, to set out how the Corporate Plan priorities will be delivered over the period.
- Officers will prepare a consultation with West Lothian citizens, to include council tax levels to be set over the next five years.

This approach will ensure that the council continues to develop its medium term financial strategy in line with best practice to ensure budgets are balanced, priority outcomes are met and performance is maintained or improved. Officers are currently developing the five year corporate and financial strategy for consideration by elected members during 2017/18.

Donald Forrest CPFA
Head of Finance and Property Services

Graham Hope
Chief Executive

Councillor Lawrence Fitzpatrick
Leader of the Council

26 September 2017

MANAGEMENT COMMENTARY

by Donald Forrest, Head of Finance and Property Services

INTRODUCTION TO THE ANNUAL ACCOUNTS

1. INTRODUCTION

The annual accounts present the financial position of the council for the year to 31 March 2017.

2. THE FINANCIAL STATEMENTS

The Council's Accounts for the year 2016/17 are set out in Statements 4 to 20 on pages 25 to 74. The Annual Accounts provide a true and fair view of the financial transactions of the Council during the year ended 31 March 2017.

The statements are supported by Statement 1 which sets out the respective responsibilities of the authority and the Head of Finance and Property Services for the accounts; Statement 9 note 1 which outlines the Council's accounting policies and Statement 2 which reports on the Annual Governance of the Council.

The Annual Accounts has been prepared under the 2016 Code of Practice based on International Financial Reporting Standards (IFRS).

The format of the Financial Statements includes:-

- Remuneration Report (Statement 3) – this provides information on the remuneration and pension benefits for senior officers, senior councillors and councillors with responsibility as convenors / vice-convenors of Joint Boards.
- Expenditure and Funding Analysis (Statement 4) – this shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
- Comprehensive Income and Expenditure Statement (Statement 5) - this is a summary of the resources generated and consumed by the Council in the year.
- Movement in Reserves Statement (Statement 6) - this shows the movement in the year on different reserves held by the Council. These reserves are categorised into usable i.e. available to fund services and unusable accounting reserves.
- Balance Sheet (Statement 7) - this brings together all the assets and liabilities of the Council. It is a statement of the resources of the Council and the means by which they have been financed.
- Cash Flow Statement (Statement 8) - this summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital activities.

These are followed by Statement 9 the Notes to the Annual Accounts and Supplementary Financial Statements (Statements 10 to 20), which include the Housing Revenue Account (HRA), Council Tax and Non-Domestic Rate Income Accounts and the Group Accounts.

3. AUDIT

The Accounts are subject to Audit by the Council's external auditors Ernst and Young LLP.

STATEMENT OF RESPONSIBILITIES**STATEMENT 1****THE AUTHORITY'S RESPONSIBILITIES**

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Head of Finance and Property Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by West Lothian Council at its meeting on 26 September 2017.

Signed on behalf of West Lothian Council

Councillor Lawrence Fitzpatrick
Leader of the Council
26 September 2017

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance and Property Services is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).


In preparing the Annual Accounts the Head of Finance and Property Services, has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Head of Finance and Property Services has also:

- kept adequate accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2017.



Donald Forrest CPFA
Head of Finance and Property Services
19 June 2017

ANNUAL GOVERNANCE STATEMENT**STATEMENT 2****1. Corporate Governance**

- 1.1 The governance framework is the systems, processes, culture and values by which the council is directed and controlled, and the activities through which it is accountable to, engages with and leads the West Lothian community. These are the arrangements put in place to ensure that the intended outcomes for West Lothian residents and other stakeholders are defined and delivered. They must always be used in the public interest.
- 1.2 The council has overall responsibility for good governance arrangements – for establishing its values, principles and culture, for ensuring the existence and review of an effective governance framework, and for putting in place monitoring and reporting arrangements.
- 1.3 In practice, as with most of its business, the council to a large extent entrusts the delivery of those tasks to committees and to appropriate council officers. That delegation does not remove or avoid the responsibility of all the council's elected members for governance.
- 1.4 In the council's Corporate Plan 2013/17 the place of corporate governance as an “enabler” is recognised and established. It is one of the essential back-office corporate services necessary to assist the setting, monitoring, achievement and reporting on corporate priorities and outcomes. The Corporate Plan acknowledges the wide understanding that good governance promotes good decision-making.

2. Governance framework

- 2.1 The framework is made up of corporate documents, policies and procedures which are designed to guide and assist the council in doing its business in accordance with the law and with proper standards and principles; ensuring that public money is safeguarded and used economically, efficiently and effectively; and fulfilling its statutory duty to secure best value.

3. System of internal control

- 3.1 A significant part of the council's governance framework is its system of internal control (financial and other). It is an ongoing process designed to identify risks to the achievement of the council's objectives; to evaluate the likelihood of those risks occurring; to consider the potential impact of the risks; and to manage them effectively. Those controls can never eliminate risk or failure to achieve objectives entirely – they can only provide reasonable and not absolute assurance. The design, development and management of the system of internal control is undertaken by managers within the council.
- 3.2 The system of internal financial control is designed to provide assurance on the effectiveness and efficiency of operations and the reliability of financial reporting. It is based on a framework, which includes financial regulations and a system of management supervision, delegation and accountability, supported by regular management information, administrative procedures and segregation of duties. Its key elements include a documented internal control framework relating to financial processes, procedures and regulations; a comprehensive budgeting and monitoring framework; scrutiny of periodic and annual financial and operational performance reports; performance management information; and project management disciplines.
- 3.3 Reporting to members on the effectiveness of the system of internal control is carried out by the Audit Risk & Counter Fraud Manager in his Internal Audit Annual Report to committee (June 2017). His conclusion is that the framework of governance, risk management and control is generally sound. He identified areas where improvements could be made and confirmed that recommendations would be followed up and reported as required. Of those, four areas were identified where the conclusion was that control was unsound - information security breaches, grants to voluntary organisations, information asset register and procurement business case exemptions. The agreed actions in relation to those areas will be followed up in the next year.

4. Audit & Governance Committee

- 4.1 The Audit & Governance Committee monitors the independence and effectiveness of the Audit, Risk and Counter Fraud Unit. It is given assurance in relation to non-internal audit functions through the internal audit manager of Falkirk Council. The committee considers annual reports by the Audit, Risk and Counter Fraud Manager and the Governance Manager which provide an opinion and assurance on the overall adequacy and effectiveness of the council's framework and code of governance, risk management and control. This statement forms part of that process and was approved at committee in June 2017.
- 4.2 The committee meets four times each year. Reports by the Audit, Risk and Counter Fraud Manager are presented and considered in public unless there is clear legal justification for excluding the public. The outcome of internal audit and counter-fraud investigations judged to be significant are reported. They express an opinion as to whether controls are satisfactory or require improvements. They set out improvement actions which have been agreed with relevant managers. The findings, actions and times for completion are presented for committee approval. The committee periodically receives a report by the Audit, Risk and Counter Fraud Manager in relation to agreed actions which have been reported to committee but which have not been fulfilled.
- 4.3 The committee also receives reports in relation to governance matters, principally reports issued by the Accounts Commission and/or Audit Scotland in relation to the council or local government as a whole. It can consider those reports from the councillors' perspective and recommend any action which it considers should be taken in response. The committee also receives the annual report on corporate governance and the annual governance statement for approval.
- 4.4 The committee includes one non-councillor member recruited for a three-year tenure. That member is entitled to the same papers and reports as councillor members of the committee and brings a different non-council and non-councillor perspective to the work of the committee.

ANNUAL GOVERNANCE STATEMENT**STATEMENT 2****5. Code of Corporate Governance**

5.1 The council's governance arrangements are reflected in a Local Code of Corporate Governance based on a framework produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The six principles on which the Code is currently based are:-

- Focusing on the purpose of the council, outcomes for the community and a vision for the local area
- Elected members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the council and demonstrating good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of elected members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

5.2 That framework is based on governance principles and sub-principles and is informed by standards and evidence-based compliance and monitoring arrangements. The Code is maintained on the council's performance system, Covalent, with a settled scoring methodology applied and used to measure compliance and monitor progress against each of the requirements of the Code. An annual report is presented to committee annually to provide members with assurance as to the degree of compliance with the standards in the Code. The annual report will be published when it is reported to Council Executive. The annual report includes information about compliance through a list of scores against the Code's standards.

6. Compliance statements

6.1 As part of the annual report a set of compliance statements are produced. They deal with compliance with the law and with the policies, procedures and practices of significance to good governance. They are prepared after wide consultation with services and senior officers and take into account oversight by external bodies of the council's compliance. They are signed by the responsible senior officer and are designed to bring to the attention of elected members any incidents of non-compliance which are significant to the council's operations. They cover the following areas of activity:-

- Breaches of the law - Monitoring Officer
- Best Value Framework - Head of Finance & Property Services
- Procurement - Head of Corporate Services
- Fraud and Corruption - Head of Finance & Property Services
- Employee Whistleblowing - Head of Finance & Property Services
- Discipline and Grievances - Head of Corporate Services
- Occupational Health & Safety - Head of Corporate Services
- Protection of Vulnerable Groups - Head of Corporate Services
- Information Security - Head of Corporate Services
- Public Sector Equality Duty - Head of Corporate Services
- Covert Surveillance and Accessing Communications Data – Governance Manager

6.2 The statement by the Monitoring Officer is particularly important since the Monitoring Officer is one for the four statutory officer posts charged with ensuring the council's compliance with its statutory duties and responsibilities and reporting on any breaches of the law which are significant to the operation of the council.

6.3 Separate reports are provided to members in relation to the operation and compliance with the Councillors' Code of Conduct (by the Governance Manager) and in relation to compliance with the freedom of information legislation (Head of Corporate Services).

7. Scrutiny

7.1 The council deals with the remainder of its scrutiny function by members in three places.

- Policy Development & Scrutiny Panels are working groups of members and representatives from external community bodies. They consider quarterly performance reports from the service areas included in their remit. The reports are drawn from the council's well-established performance monitoring and reporting system (Covalent) and reports are presented with graphs, charts and RAG analysis together with explanatory commentary. Members and external representatives are able to question officers on service performance and make recommendations to them about improvement actions.
- The Performance Committee is established to consider the performance of service units against the council's performance appraisal system, the West Lothian Assessment Model (WLAM). It receives written reports presented at public committee meetings by senior service managers and can question them and make recommendations to them about improvement actions.

ANNUAL GOVERNANCE STATEMENT**STATEMENT 2**

- The Education (Quality Assurance) Committee carries out a scrutiny role solely in relation to schools' performance and internal and external assessment reports. The committee includes the non-councillor members appointed by the council in relation to its education function. Representatives from the relevant school's Parent Council are invited to attend and take part in the committee's meetings.

7.2 Taking these into account for performance scrutiny the council has provided a set of forums for the effective scrutiny by members of service performance. Training on scrutiny was included in the induction programme for members to be delivered after the local government elections in May 2017.

8. Officer activity

- 8.1 The council is required by legislation to operate a professional and objective internal audit service. The Audit, Risk and Counter Fraud Unit includes internal audit which is an independent appraisal function which examines and evaluates systems of financial and non-financial control. Internal audit operates in accordance with the "Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector" (PSIAS). An annual audit plan is prepared based on an assessment of risk and is approved by the Audit & Governance Committee. Internal audit reports are issued to the committee in relation to the outcome of significant proactive and reactive reports. Reports are issued in the name of the Audit, Risk and Counter Fraud Manager who has the right, when deemed necessary, of direct access to the Chief Executive. There is annual reporting to the committee of internal audit activities and to give assurance about the independence, effectiveness and soundness of the service.
- 8.2 Legislation requires the council to appoint a Chief Financial Officer. That role is to be performed to conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. The CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out the requirement for the Chief Financial Officer to be professionally qualified and sets out the criteria for qualification. The council's Head of Finance & Property Services is the council's Chief Financial Officer. He operates in accordance with the council's Financial Regulations and Treasury Management plan, and reports regularly to members on revenue and capital budgetary performance and compliance. The role is undertaken in accordance with the relevant statutory rules, guidance and standards.
- 8.3 Governance and risk management are supervised on the officer side of the council by the Governance & Risk Board. It is chaired by a Deputy Chief Executive and its members include the Monitoring Officer, the Audit Risk and Counter Fraud Manager, the Governance Manager, the Chief Solicitor and senior managers from across the council's service areas. It receives reports from officer working groups on risk and corporate governance, and monitors corporate and high risks. It considers the annual report on corporate governance and the compliance statements before they are presented to committee. It provides an effective control and conduit for risk and governance issues and matters of concern.
- 8.4 Risk management is embedded at a service level across the council and management teams monitor, assess and mitigate risk at service level as a matter of routine at their management team meetings. That process continues at lower levels in each service's management structure. Risk assessment and monitoring and the progress towards agreed actions are carried out using Covalent.
- 8.5 Similarly, management teams routinely monitor their performance through Covalent, utilising the high-level performance indicators which are reported publicly as well as lower level management performance indicators. Services are divided into WLAM units which report on an agreed cycle to a panel chaired by the Chief Executive. It considers the evidence presented and allocates a score. The service unit then proceeds to report to the Performance Committee.

9. Assurance

- 9.1 In addition to the activities and procedures already described, throughout the year the council has considered, reviewed and approved numerous documents, strategies, policies and procedures which are reflected and assessed in the code of corporate governance. All of these can be found in the reports and minutes of the committees and other bodies in the council's decision-making structure. The following are small lists of examples of that work:-
- Significant document reviews - Corporate Plan 2013/17; ICT, Corporate Procurement and Information Strategies; Standing Orders and Scheme of Administration; Members' Role Descriptions; Officer/Member Protocols
 - Annual reports - System of Internal Control and External Auditors' Review of Key Internal Controls; Equality Outcome and Mainstreaming; Code of Corporate Governance and Annual Compliance Statements; Councillors' Code of Conduct; Chief Social Work Officer Report
 - Annual plans and progress/completion reports - Treasury Management Plan and Annual Report; Internal Audit Charter, Plan and Annual Report; Corporate Procurement Plans; Management Plans; People Strategy and Staff Engagement
 - Performance and scrutiny - General and HRA revenue fund and capital programme monitoring; procurement activity; complaints performance; service unit performance reports to Performance Committee; Public performance reporting, including Fact File and the End of Term Report
 - *Ad hoc* reporting and issues - Independent Review of the Planning Service; Public Protection Committee Biennial Report; Audit & Governance Committee on outstanding actions from risk-based audit reports; recording and broadcasting council meetings; monitoring of performance of Police Scotland and Fire & Rescue Service

ANNUAL GOVERNANCE STATEMENT**STATEMENT 2**

9.2 Based on the governance framework and arrangements already described, the council and the West Lothian community can be assured that the council's corporate governance standards have been substantially met in 2016/17.

10. Matters of concern from 2015/16

10.1 Two matters for action were highlighted in last year's annual governance statement and the annual report on corporate governance. They have been addressed in the last year as follows.

- Members' training was again seen as an area where improvements could be made. Especially in the current regime of reducing budgets for local government the engagement of members in a full understanding of the council's statutory duties and the impacts of budget reductions is essential. It was acknowledged in those reports that the best chance of progress would come after the local government elections in May 2017. With that in mind a working group of officers was established in September 2016 and met regularly with a view to designing and delivering the best possible post-election induction programme and ongoing training and briefing arrangements. Feedback from elected members was obtained and built into the programme. Training for all members, returning and newly-elected, was made compulsory for regulatory committees. The success of the induction programme will be assessed and experience used to inform ongoing training opportunities.
- Formal reviews of several elements of the council's constitutional arrangements were overdue. Those were Standing Orders for the Regulation of Meetings, the Scheme of Administration, the Multi-Member Ward Protocol for Officers, the Multi-Member Ward Protocol for Members and Elected Members' Role Descriptions. The review process was started in 2015/16 and was concluded for all five documents in November and December 2016. They fall to be reviewed again at least once before the next local government elections in 2022.

10.2 Another matter commented on in previous years is the streamlining of the Code of Corporate Governance to try to reduce its size and unwieldiness. That work has not progressed significantly in the current year but has been overtaken by the introduction of a new CIPFA/SOLACE Framework and Guidance (2016). That will require consideration of the extent to which the current Code requires to be amended to reflect and apply the new principles and standards. That is work to be carried out in the coming year.

11. Matters addressed and to be addressed

11.1 A selection of the issues which have been noted in the year are as follows. Actions have been taken during the year as described, and the last three of these are areas which will be taken forward to be addressed next year.

- The possibility of political change and uncertainty was recognised following the local government elections in May 2017. This was largely not capable of control. In preparation, a working group of officers was established and met from September 2016 to plan for the introduction and induction of elected members and for the legal requirements to be met in the immediate post-election period. The effectiveness of those arrangements will be reviewed in 2017/18.
- The proposed expansion of the services delivered for the council through West Lothian Leisure raised legal and governance concerns. A working group chaired by the Project Manager was set up and included the Governance Manager and Chief Solicitor. The actions identified included adequate measures to deal with the governance issues identified. The advice issued by the Standards Commission in 2016 on members' roles in ALEOs was incorporated.
- The implementation of the community empowerment regime called for new policies and procedures to be put in place in relation to asset transfer and participation requests and those were achieved.
- The continuing and developing relationship between the council and the Integration Joint Board was of potential concern. Arrangements were put in place during the year for reporting of IJB activity and decisions within the council and the provision of service delivery and financial performance information to the IJB for its meetings.
- The council's awareness of and compliance with its public sector equality duties was addressed through compulsory training at service level and increased attention to carrying out and reporting on equality impact assessments.
- The review was concluded of Standing Orders for the Regulation of Meetings, the Scheme of Administration, the Multi-Member Ward Protocol for Officers, the Multi-Member Ward Protocol for Members and Elected Members' Role Descriptions.
- The council was inspected by the Office of the Surveillance Commissioner in relation to its policies and procedures for compliance with its regulation of investigatory powers and duties. The inspection identified areas of concern and six principal actions required for improvement. An action plan has been put in place and this is covered in the annual compliance statements. They include the introduction of revised and up-to-date policy and procedures and regular training.
- Members' training remains an area of concern. It has been and will be addressed through the arrangements for post-election induction and training.

ANNUAL GOVERNANCE STATEMENT**STATEMENT 2**

- In 2016 a new CIPFA/SOLACE Framework “Delivering Good Governance” was introduced. It replaces the principles, sub-principles and standards found in the 2007 version with revised and updated versions. The Code of Corporate Governance currently reflects the 2007 version of the Framework. Detailed consideration will be given in the next year to transferring the current Code into the framework introduced in the 2016 version. In doing so, it is likely that more specific issues requiring action will be identified as the new principles are applied in the context of the council's present arrangements.
- The review of the system of internal control identified four areas where control was unsound (information security breaches, grants to voluntary organisations, information asset register and procurement business case exemptions). Actions for improvement have been agreed and progress will be monitored in the next year.

11.2 A list of actions and target completion dates in relation to these issues will be developed and followed up. It will incorporate the work required for consideration of translating the current code of corporate governance into the form required of the 2016 framework and guidance. Completion will be monitored through the governance and risk board and reported to committee as required.

Graham Hope
Chief Executive

Councillor Lawrence Fitzpatrick
Leader of the Council

26 September 2017

REMUNERATION REPORT

STATEMENT 3

1. INTRODUCTION

In accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2011, West Lothian Council is required to prepare a Remuneration Report to disclose remuneration information and details of West Lothian Council's remuneration policy for "relevant persons". The Regulations define "relevant persons" as senior councillors and senior employees.

All information disclosed in the tables at paragraphs 2.3, 2.4, 3.2, 3.3, 3.4, 4.2 and 4.3 in this Remuneration Report will be audited by Ernst and Young. The other sections of the Remuneration Report will be reviewed by Ernst and Young to ensure that they are consistent with the financial statements.

2. COUNCIL LEADER, PROVOST AND SENIOR COUNCILLORS

2.1 Remuneration Policy

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2016/17 the salary for the Leader of West Lothian Council was £33,789. The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2016/17 the salary of the Provost of West Lothian Council was £25,341. The council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2016/17 sets the level of payment in accordance with the regulations at the national maximum.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £295,643. The council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

In 2016/17 (2015/16) West Lothian Council had 11 senior councillors and the basic salary paid to these councillors totalled £299,510 (£275,990). The Regulations also permit the council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses which sets out details of the salary parameters for all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the Council Executive on 1 March 2016 and is available at <http://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=30191>

2.2 Remuneration Policy - Convenors and Vice Convenors for Police and Fire Functions and Joint Boards

In addition to the Senior Councillors of the council the Regulations also set out the remuneration payable to councillors with the responsibility of a convener or a vice-convener of a Joint Board. The Regulations require the remuneration to be paid by the council of which the convener or vice-convener is a member. The council is also required to pay any pension contributions arising from the convener or vice-convener being a member of the Local Government Pension Scheme.

In 2016/17 (2015/16) the amount recharged to Lothian Valuation Joint Board in respect of Councillor B Robertson until 13 December 2016 was £2,456 (£3,106) in respect of a vice-convener position.

2.3 Total Councillors Remuneration

The council paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year:-

Type of Remuneration	2016/17 £'000	2015/16 £'000
Salaries	676	666
Allowances	15	11
Expenses	31	28
Total	722	705

The annual return of Councillors' salaries and expenses for 2016/17 is available for any member of the public to view at all Council Information Services Offices and Libraries during normal working hours and is also available on the council's website at <http://www.westlothian.gov.uk/article/1956/Councillors-and-Wards>

REMUNERATION REPORT**STATEMENT 3****2.4 Council Leader, Provost and Senior Councillors Remuneration**

The following table provides details of the remuneration paid to the Council's Senior Councillors and remuneration paid to councillors with the responsibility of a convenor or vice-convenor of a Joint Board during 2016/17:-

Name	Post Title	Total Remuneration 2016/17 £	Total Remuneration 2015/16 £
Council Leader, Provost and Senior Councillors			
T Kerr	Provost (Civic Leader)	25,341	25,090
A Boyle	Chair Licensing Board and Licensing Committee	15,341	25,090
H Cartmill ¹	Chair of Audit and Governance Committee	18,109	25,090
F Toner ²	Chair of Audit and Governance Committee	24,125	-
T Conn	Executive Post – Environment	25,341	25,090
A Davidson	Chair Development Management Committee	25,341	25,090
J Dixon	Executive Post – Voluntary Organisations	25,341	25,090
L Fitzpatrick	Executive Post – Education	25,341	25,090
D King	Executive Post – Culture and Leisure (Depute Provost)	25,341	25,090
D Logue	Executive Post – Social Policy	25,341	25,090
J McGinty	Leader of Council	33,789	33,454
A McMillan	Executive Post – Health and Care	25,341	25,090
C Muldoon	Executive Post – Development and Transport (Depute Leader)	25,341	25,090
G Paul	Executive Post – Services for the Community	25,341	25,090
B Robertson ³	Lothian and Borders Joint Valuation	19,349	19,832
Total		374,123	354,366

1. Chair of Audit and Governance Committee until 23 May 2016.
2. Chair of Audit and Governance Committee from 24 May 2016.
3. West Lothian appointee on Lothian Valuation Joint Board until 13 December 2016.

With the exception of matters reserved to the full council or remitted to committees for consideration, the Council Executive has universal decision making powers and has 12 members, of which eight councillors and the Leader of the Council have been appointed with responsibility for Executive Posts.

The amount recharged to Lothian Valuation Joint Board in 2016/17 was £2,456 in respect of Councillor B Robertson (2015/16 £3,106).

3. SENIOR EMPLOYEES**3.1 Remuneration Policy**

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/148 sets the amount of salary for the Chief Executive of West Lothian Council for the period 2015 to 2017.

The salaries of the Depute Chief Executives are based on the nearest point on the national spinal column for Chief Officers, which equates to 87 per cent of the Chief Executive's salary in three spinal column points. Heads of Service are paid across two pay grades of three spinal column points. These pay grades are based on the nearest point on the national spinal column for Chief Officers which equates to one pay grade of 65 per cent and one of 72 per cent of the Chief Executives salary. Placing on the pay grade for Heads of Service is based on the outcome of a job evaluation exercise.

These pay arrangements were agreed through approval of the Organisational Review Report at a meeting of the Policy, Partnership and Resources Committee on 6 February 2002.

The West Lothian Integration Joint Board was legally established on 21 September 2015 and J Forrest was formally appointed as Chief Officer on 16 February 2016. The Depute Chief Executive / Chief Officer West Lothian Integration Joint Board is a joint appointment and the terms and conditions, including pay for the post, are set by NHS Lothian, who employ the post holder directly.

REMUNERATION REPORT

STATEMENT 3

3.2 Senior Employees Remuneration

The senior employees included in the table are any local authority employee:

- Who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the council,
- Who holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989, or
- Whose annual remuneration is £150,000 or more.

The full year equivalent salary has been provided for senior employees who have been in post for part year during 2016/17 or 2015/16.

Name and Post Title	Full Year Equivalent Salary £	Total Remuneration 2016/17 £	Total Remuneration 2015/16 £
G Hope¹ Chief Executive	-	138,180	141,821
J Forrest² Depute Chief Executive / Chief Officer West Lothian Integration Joint Board	99,656	49,828	47,237
R G Struthers Depute Chief Executive	-	116,627	115,472
M Niven³ Depute Chief Executive (Retired)	113,766	-	46,951
E Cook⁴ Depute Chief Executive	-	113,031	103,059
D Forrest Head of Finance and Property Services	-	95,078	94,136
J Jack Head of Operational Services	-	87,890	87,020
S Field⁵ Head of Area Services	-	-	87,020
A Shaw Head of Housing, Customer and Building Services	-	87,890	87,020
C McCorriston Head of Planning, Economic Development and Regeneration	-	87,890	87,020
J Whitelaw Head of Corporate Services	-	87,890	87,020
J Cameron Head of Education (Learning, Policy and Resources)	-	95,078	94,136
D McMaster⁶ Head of Education (Curriculum, Quality Improvement and Performance)	-	93,269	84,322
J Kellock Head of Social Policy	-	93,269	90,573
Total		1,145,920	1,252,807

1. Remuneration includes returning officer payment of £4,509 in 2016/17 (2015/16 £9,473).
2. The Depute Chief Executive/Chief Officer West Lothian Integration Joint Board, J Forrest, is remunerated by the National Health Service (NHS) with West Lothian contributing 50% of his total cost of employment. The total pension contribution paid by WLC in relation to J Forrest in 2016/17 (2015/16) is £7,424 (£7,417).
3. Depute Chief Executive until 13 September 2015.
4. Appointed to Depute Chief Executive from 17 August 2015. Previous post Head of Education (Quality Assurance) until 16 August 2015.
5. At the meeting of West Lothian Council on 23 February 2016, a report on organisational review was approved which resulted in the reduction in the number of heads of service from eight to seven from 1 April 2016. As a result, the post of Head of Area Services was removed from the Corporate Management Structure.
6. Appointed to Head of Education (Curriculum, Quality Improvement and Performance) from 1 October 2015.
7. There were no compensation payments for loss of employment or annual compensation payments in 2015/16 or 2016/17.

REMUNERATION REPORT**STATEMENT 3****3.3 Employee Information by Pay Band**

The number of officers whose remuneration, including benefits, in the year were £50,000 or more is detailed below:-

Remuneration Bands	Number of Employees	
	2016/17	2015/16
£50,000 - £54,999	104	99
£55,000 - £59,999	48	49
£60,000 - £64,999	16	19
£65,000 - £69,999	13	2
£70,000 - £74,999	4	7
£75,000 - £79,999	5	3
£80,000 - £84,999	1	1
£85,000 - £89,999	4	5
£90,000 - £94,999	2	3
£95,000 - £99,999	2	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	1	1
£120,000 - £124,999	-	-
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
£135,000 - £139,999	1	-
£140,000 - £144,999	-	1
Total	203	191

3.4 Employee Exit Packages

The number of employee exit packages with total cost per band is set out in the table below. There were no compulsory redundancies in 2015/16 or 2016/17.

Exit package cost band	Number of employee exit packages agreed		Total cost of employee exit packages in each band	
	2016/17	2015/16	2016/17 £'000	2015/16 £'000
£0 - £20,000	21	27	238	256
£20,001 - £40,000	18	12	657	333
£40,001 - £60,000	2	4	92	190
£60,001 - £80,000	-	1	-	65
£80,001 - £100,000	1	1	135	100
£100,001 - £150,000	-	1	-	152
Total	42	46	1,122	1,096

4. PENSIONS**4.1 Local Government Pension Scheme Details (LGPS)**

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is adjusted by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees the LGPS changed on 1 April 2015 from a final salary pension scheme to a career average scheme. In the 2015 scheme, normal retirement age for both councillors and employees is equal to the member's state pension age subject to a minimum of 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees.

REMUNERATION REPORT

STATEMENT 3

4.1 Local Government Pension Scheme Details (LGPS) (Continued)

The members contribution rates and ranges for 2016/17 remain the same as the 2015/16 rates and ranges.

Whole time pay	Range 2016/17	Range 2015/16	Contribution rate 2016/17	Contribution rate 2015/16
On earnings up to and including	£20,500	£20,500	5.5%	5.5%
On earnings above	£20,500 and up to £25,000	£20,500 and up to £25,000	7.25%	7.25%
On earnings above	£25,000 and up to £34,400	£25,000 and up to £34,400	8.5%	8.5%
On earnings above	£34,400 and up to £45,800	£34,400 and up to £45,800	9.5%	9.5%
On earnings above	£45,800	£45,800	12.0%	12.0%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

The Local Government Pension Scheme changed on 1 April 2015 from a Final Salary to a Career Average Scheme. For each year in the Scheme from 1 April 2015, a scheme member builds up pension at 1/49ths of pensionable pay. The pension is built up in the member's Pension Account which is revalued each scheme year by HM Treasury Revaluation Order which is currently the Consumer Prices Index (CPI).

If an employee was a member of the Scheme prior to 1 April 2015, the benefits built up under the Final Salary arrangement will continue to be worked out on the member's final pay when leaving. For scheme membership up to 31 March 2015, the pension accrues at 1/60th of final pay at leaving. There is no automatic lump sum but annual pension can be swapped for a tax free lump sum. For scheme membership up to 31 March 2009, pension accrues on the basis of 1/80th of the member's final pay at leaving plus an automatic lump sum of 3 times the pension.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

4.2 Pension Benefits Senior Councillors - Local Government Pension Scheme (LGPS)

The pension entitlements of Senior Councillors for the year to 31 March 2017 are shown in the table below, together with the contribution made by the council to each Senior Councillor's pension during the year.

Name	Post Title	In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2017	For year to 31 March 2016	As at 31 March 2017		Difference from 31 March 2016	
		£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
T Kerr	Provost (Civic Leader)	5,170	5,145	4	2	(1)	(1)
A Boyle	Chair Licensing Board and Licensing Committee	5,170	5,118	2	-	-	-
H Cartmill ¹	Chair of Audit and Governance Committee	3,694	5,118	2	-	-	-
F Toner ²	Chair of Audit and Governance Committee	4,922	-	1	-	1	-
T Conn	Executive Post – Environment	5,170	5,118	4	2	-	-
L Fitzpatrick	Executive Post – Education	5,170	5,118	4	2	-	-
D King ³	Executive Post – Culture and Leisure (Depute Provost)	4,646	5,185	7	2	3	-
D Logue	Executive Post – Social Policy	5,170	5,118	4	2	-	-
A McMillan	Executive Post – Health and Care	5,170	5,118	2	-	-	-
C Muldoon	Executive Post – Development and Transport (Depute Leader)	5,170	5,118	4	2	-	-
G Paul	Executive Post – Services for the Community	5,170	5,237	4	2	-	-
B Robertson ⁴	Lothian and Borders Joint Valuation	3,947	4,046	2	-	-	-
Total		58,569	55,439	40	14	3	(1)

1. Chair of Audit and Governance Committee until 23 May 2016.
2. Chair of Audit and Governance Committee from 24 May 2016.
3. Included in the pension scheme until 22 February 2017 up to age 75.
4. West Lothian appointee on Lothian Valuation Joint Board until 13 December 2016.

REMUNERATION REPORT**STATEMENT 3****4.2 Pension Benefits Senior Councillors - Local Government Pension Scheme (LGPS) (Continued)**

All senior Councillors shown in the tables are members of the LGPS.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a council subsidiary body, and not just their current appointment.

Councillors A Davidson, J Dixon and J McGinty are not members of the LGPS. All Councillors under 75 years of age are eligible for participation in the LGPS.

4.3 Pension Benefits Senior Employees - Local Government Pensions Scheme (LGPS)

The pension entitlements of Senior Employees who are members of the LGPS for the year to 31 March 2017 are shown in the table below, together with the contribution made by the council to each Senior Employee's pension during the year.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

		In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2017	For year to 31 March 2016	As at 31 March 2017		Difference from 31 March 2016	
Name	Post Title	£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
G Hope	Chief Executive	27,269	28,933	55	108	2	1
R G Struthers	Depute Chief Executive	23,792	23,556	43	86	2	1
M Niven ¹	Depute Chief Executive (Retired)	-	9,578	-	-	-	-
E Cook ²	Depute Chief Executive	23,058	21,024	54	-	7	-
D Forrest	Head of Finance and Property Services	19,396	19,204	37	70	2	-
J Jack	Head of Operational Services	17,930	17,752	37	75	2	1
S Field ³	Head of Area Services	-	17,752	-	-	(41)	(91)
A Shaw	Head of Housing, Customer and Building Services	17,930	17,752	49	111	2	1
C McCorrison	Head of Planning, Economic Development and Regeneration	17,930	17,752	37	75	2	1
J Whitelaw	Head of Corporate Services	17,930	17,752	26	41	2	1
J Cameron	Head of Education	19,396	18,827	65	-	2	-
D McMaster ⁴	Head of Education	19,026	9,213	50	-	28	(65)
J Kellock	Head of Social Policy	19,026	18,477	28	44	3	1
Total		222,683	237,572	481	610	13	(149)

1. Depute Chief Executive until 13 September 2015.

2. Appointed to Depute Chief Executive from 17 August 2015. Previous post Head of Education (Quality Assurance) until 16 August 2015.

3. At the meeting of West Lothian Council on 23 February 2016, a report on organisational review was approved which resulted in the reduction in the number of heads of service from eight to seven from 1 April 2016. As a result, the post of Head of Area Services was removed from the Corporate Management Structure.

4. Appointed to Head of Education (Curriculum, Quality Improvement and Performance) from 1 October 2015.

Graham Hope
Chief Executive

Councillor Lawrence Fitzpatrick
Leader of the Council

26 September 2017

EXPENDITURE AND FUNDING ANALYSIS

STATEMENT 4

PURPOSE

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

**EXPENDITURE AND FUNDING ANALYSIS
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments Between the Funding and Accounting Basis (Note 5) £'000	Transfers to or from other Statutory Reserves £'000	Net Expenditure In the Comprehensive Income and Expenditure Statement £'000
2015/16					
Schools, Education Support		137,195	37,875	-	175,070
Planning, Economic Development and Regeneration		4,070	3,611	-	7,681
Operational Services		57,702	11,100	-	68,802
Housing, Customer and Building Services		5,720	11,348	-	17,068
Corporate Services		12,039	(11,463)	-	576
Social Policy – IJB, Adult and Elderly Services		10	-	-	10
Social Policy – non IJB, Children's Services		90,455	11,806	-	102,261
Chief Executive, Finance and Property		24,103	6,225	-	30,328
Joint Boards		1,214	-	-	1,214
Time Limited Expenditure		340	-	-	340
Other Services		10,991	(1,356)	(9,340)	295
Net Cost of General Fund Services		343,839	69,146	(9,340)	403,645
Housing Revenue Account		-	58,106	-	58,106
Net Cost of Services		343,839	127,252	(9,340)	461,751
Other Income and Expenditure		(343,579)	(23,656)	(885)	(368,120)
(Surplus) or Deficit	6	260	103,596	(10,225)	93,631
		General Fund	HRA Fund	Total	
Opening General Fund and HRA Balance		(19,307)	(926)	(20,233)	
Deficit on General Fund and HRA Balance in Year		260	-	260	
Closing General Fund and HRA Balance as at 31 March		(19,973)	(926)	(19,973)	
2016/17					
Schools, Education Support		142,039	70,534	-	212,573
Planning, Economic Development and Regeneration		5,031	1,501	-	6,532
Operational Services		57,675	12,771	-	70,446
Housing, Customer and Building Services		5,126	11,177	-	16,303
Corporate Services		11,072	(10,669)	-	403
Social Policy – IJB, Adult and Elderly Services		60,584	-	-	60,584
Social Policy – non IJB, Children's Services		28,223	6,425	-	34,648
Chief Executive, Finance and Property		23,250	6,510	-	29,760
Joint Boards		1,214	-	-	1,214
Time Limited Expenditure		-	-	-	-
Other Services		10,385	(8,261)	(2,259)	(135)
Net Cost of General Fund Services		344,599	89,988	(2,259)	432,328
Housing Revenue Account		-	(2,073)	-	(2,073)
Net Cost of Services		344,599	87,915	(2,259)	430,255
Other Income and Expenditure		(344,252)	(23,373)	(846)	(368,471)
(Surplus) or Deficit	6	347	64,542	(3,105)	61,784
		General Fund	HRA Fund	Total	
Opening General Fund and HRA Balance		(19,047)	(926)	(19,973)	
Deficit on General Fund and HRA Balance in Year		347	-	347	
Closing General Fund and HRA Balance as at 31 March		(18,700)	(926)	(19,626)	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**STATEMENT 5****PURPOSE**

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2016/17			2015/16 (Restated)		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support		218,577	6,004	212,573	181,831	6,761	175,070
Planning, Economic Development and Regeneration		11,478	4,946	6,532	15,098	7,417	7,681
Operational Services		79,497	9,051	70,446	79,052	10,250	68,802
Housing, Customer and Building Services		21,761	5,458	16,303	22,146	5,078	17,068
Corporate Services		1,067	664	403	1,178	602	576
Social Policy – IJB, Adult and Elderly Services		85,003	24,419	60,584	10	-	10
Social Policy – non IJB, Children's Services		39,200	4,552	34,648	122,886	20,625	102,261
Chief Executive, Finance and Property		35,277	5,517	29,760	34,867	4,539	30,328
Joint Boards		1,214	-	1,214	1,214	-	1,214
Time Limited Expenditure		-	-	-	340	-	340
Other Services		58,171	58,306	(135)	59,285	58,990	295
Net Cost of General Fund Services		551,245	118,917	432,328	517,907	114,262	403,645
Housing Revenue Account		44,375	46,448	(2,073)	105,295	47,189	58,106
Net Cost of Services		595,620	165,365	430,255	623,202	161,451	461,751
Other Operating Expenditure	7	(2,559)	-	(2,559)	(1,877)	-	(1,877)
Finance and Investment Income and Expenditure	8	67,121	34,060	33,061	68,621	30,355	38,266
Taxation and Non-Specific Grant Income	9	-	398,973	(398,973)	-	404,509	(404,509)
(Surplus) or Deficit on Provision of Services		660,182	598,398	61,784	689,946	596,315	93,631
Items that will not be reclassified to the (surplus) / Deficit on the Provision of Services							
(Surplus) / Deficit on revaluation of property, plant and equipment				(423,583)			(7,875)
Actuarial (gains) / losses on pension assets and liabilities				102,920			(114,318)
Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services				(320,663)			(122,193)
(Surplus) / Deficit on revaluation of available for sale financial assets				(28)			(35)
Other Comprehensive Income and Expenditure				(320,691)			(122,228)
Total Comprehensive Income and Expenditure				(258,907)			(28,597)

MOVEMENT IN RESERVES STATEMENT**STATEMENT 6**

PURPOSE	The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the Statutory General Fund Balance and Housing Revenue Account Balance Movements in year following those adjustments.
----------------	---

**MOVEMENT IN RESERVES STATEMENT
AS AT 31 MARCH 2017**

	Note	General Fund £'000	Housing Revenue Account £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 1 April 2015		19,307	926	13,570	84,765	118,568	484,085	602,653
Movement in Reserves during 2015/16								
Total comprehensive income and expenditure		(28,758)	(64,873)	-	-	(93,631)	122,228	28,597
Adjustments between accounting basis and funding basis under regulations	11	38,723	64,873	-	(6,631)	96,965	(96,965)	-
Net increase (decrease) before transfers to other statutory funds		9,965	-	-	(6,631)	3,334	25,263	28,597
Transfers to / (from) other statutory funds	10	(10,225)	-	145	10,080	-	-	-
Increase (decrease) in year		(260)	-	145	3,449	3,334	25,263	28,597
Balance at 31 March 2016		19,047	926	13,715	88,214	121,902	509,348	631,250
General Fund analysed over:								
Amounts Earmarked	35	16,977						
Amounts Uncommitted		2,070						
Total General Fund Balance at 31 March 2016		19,047						
Movement in Reserves during 2016/17								
Total comprehensive income and expenditure		(57,787)	(3,997)	-	-	(61,784)	320,691	258,907
Adjustments between accounting basis and funding basis under regulations	11	60,545	3,997	-	(27,673)	36,869	(36,869)	-
Net increase (decrease) before transfers to other statutory funds		2,758	-	-	(27,673)	(24,915)	283,822	258,907
Transfers (to) / from other statutory funds	10	(3,105)	-	(1,880)	4,985	-	-	-
Increase (decrease) in year		(347)	-	(1,880)	(22,688)	(24,915)	283,822	258,907
Balance at 31 March 2017		18,700	926	11,835	65,526	96,987	793,170	890,157
General Fund analysed over:								
Amounts Earmarked	35	16,625						
Amounts Uncommitted		2,075						
Total General Fund Balance at 31 March 2017		18,700						

BALANCE SHEET**STATEMENT 7****PURPOSE**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

		As at 31 March 2017 £'000	As at 31 March 2016 £'000
LONG TERM ASSETS	Note		
Property, Plant and Equipment			
- Council Dwelling		447,833	419,966
- Other Land and Buildings		1,012,265	628,251
- Vehicles, Plant, Furniture and Equipment		19,287	18,729
- Infrastructure Assets		211,219	207,853
- Community Assets		570	570
- Assets under construction		39,690	27,614
- Surplus Assets, not yet held for disposal		23,187	23,062
	12	1,754,051	1,326,045
Heritage Assets	13	779	677
Long Term Investments	15.1	277	249
Long Term Debtors	16	-	11
TOTAL LONG TERM ASSETS		1,755,107	1,326,982
CURRENT ASSETS			
Short Term Investments	15.1	125,585	100,466
Inventories	17	1,137	971
Short Term Debtors	18	36,535	35,979
Cash and Cash Equivalents	28	15,084	27,802
Intangible Assets	14	592	622
TOTAL CURRENT ASSETS		178,933	165,840
CURRENT LIABILITIES			
Short Term Borrowing	15.1	(100,290)	(100,066)
Short Term Creditors	19	(85,276)	(84,447)
Provisions	20	(174)	(431)
TOTAL CURRENT LIABILITIES		(185,740)	(184,944)
NET CURRENT ASSETS (LIABILITIES)		(6,807)	(19,104)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,748,300	1,307,878
LONG TERM LIABILITIES			
Long Term Creditors	21	(1,140)	(1,345)
Long Term Borrowing	15.1	(503,641)	(433,671)
Defined Benefit Scheme Liability	22.3	(290,290)	(176,148)
Other Long Term Liabilities	21	(63,072)	(65,464)
TOTAL LONG TERM LIABILITIES		(858,143)	(676,628)
TOTAL NET ASSETS		890,157	631,250
Financed by:			
USABLE RESERVES			
General Fund Balance	35	18,700	19,047
HRA Balance		926	926
Capital Fund	23.2	65,526	88,214
Insurance Fund	23.1	11,835	13,715
TOTAL USABLE RESERVES		96,987	121,902
UNUSABLE RESERVES	24	793,170	509,348
TOTAL RESERVES		890,157	631,250

CASH FLOW STATEMENT**STATEMENT 8****PURPOSE**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Note	2016/17 £'000	2015/16 £'000
Net surplus or (deficit) on the provision of services		(61,784)	(93,631)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	115,267	160,413
Net cash flows from Operating Activities		53,483	66,782
Net cash flows from Investing Activities	26	(135,990)	(103,980)
Net cash flows from Financing Activities	27	69,789	39,759
Net increase (decrease) in cash and cash equivalents		(12,718)	2,561
Cash and cash equivalents at the beginning of the reporting period		27,802	25,241
Cash and cash equivalents at the end of the reporting period	28	15,084	27,802

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

1. ACCOUNTING POLICIES

General

The council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Following the Telling the Story review of the presentation of local authority financial statements, the 2016/17 Code changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement, introduced a new statement, the Expenditure and Funding Analysis, and streamlined the Movement in Reserves Statement. The changes are explained as follows:

- The requirement to report the cost of individual services in the Comprehensive Income and Expenditure Statement in accordance with the format specified in Section 3 of SeRCOP has been removed and replaced with the requirement to report on an organisational basis.
- The new Expenditure and Funding Analysis brings together the council's performance reported on the basis of expenditure measured under proper accounting practices with statutory defined charges to the General Fund and HRA.
- Both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement include a segmental analysis, which is required to allow the council to report performance on the basis of how it is structured and how it operates, monitors and manages financial performance.
- The 2016/17 Code introduces a new streamlined Movement in Reserves Statement, which presents the Total Comprehensive Income and Expenditure from the Comprehensive Income and Expenditure Statement as one line.

The 2015/16 figures in the Comprehensive Income and Expenditure Statement have been restated to organisational structure to provide comparator year figures. The 2015/16 figures in the Movement in Reserve Statement have been streamlined in keeping with the Code.

These changes do not impact on the Net Cost of Services as they are presentational in nature and there is no impact on the Balance Sheet as a result of this change in accounting policy.

Revenue Transactions

The Revenue Accounts of the council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the council during the year are included, whether or not the cash has actually been received or paid in the year. Provision has been made for possible bad or doubtful debts in both the General Fund Account and Housing Revenue Account. There is no de minimis level for inclusion in the annual accounts for revenue transactions.

Property, Plant and Equipment - Valuation

All expenditure on the acquisition, creation or enhancement of property, plant and equipment has been capitalised on an accruals basis.

Operational Property, plant and equipment have been included in the balance sheet at either existing use value or depreciated replacement cost, depending on whether or not there is assessed to be an active market for the assets being revalued. Assets under construction and Community Assets have been included at historical cost.

Surplus assets not yet available for sale have been included in the Balance Sheet on a fair value basis using the valuation techniques for level 2 inputs, i.e. open market value.

Plant, furniture and computer equipment costing below £6,000 are not treated as long term assets but are charged to the revenue account. This de minimis limit does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

Council houses have been valued at fair value using the Beacon Principle, existing use value for social housing, in accordance with the Royal Institution of Chartered Surveyors (RICS) Guidance. During 2015/16 the council houses were revalued by DM Hall LLP, an external firm of chartered surveyors.

Valuations have been provided by the council's Property Services and an external firm of chartered surveyors. Increases in valuations from 1 April 2007 have been credited to the Revaluation Reserve.

Property, Plant and Equipment - Capital Receipts

Receipts arising from the sale of property, plant and equipment are credited to capital receipts and used to finance new capital expenditure. These transactions are then credited to the capital adjustment account.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

Property, Plant and Equipment - Depreciation

Assets, other than land, are being depreciated using the straight line method over their useful economic lives as follows:-

- Council dwellings	50 years
- Council dwellings (Fixtures)	27 years
- Operational buildings	20 - 60 years
- Plant and equipment (Other)	10 - 25 years
- Plant and equipment (Books)	3 years
- Motor vehicles	4 - 10 years
- Fixtures and fittings	3 - 10 years
- Infrastructure assets	40 years

No depreciation is provided on Community Assets, Assets under construction, Surplus Assets not yet available for sale and Heritage Assets.

Under International Accounting Standard 16 (IAS 16), where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Significance is determined by comparing the cost of components against the overall cost of the asset. The significance threshold was initially set at £100,000 on assets with a value in excess of £1 million.

However, during 2016/17, all properties subject to material change in valuation; community centres, day centres, old people's homes, partnership centres, pavilions, miscellaneous land and schools were revalued. In total, they were collectively deemed to be significant in terms of their overall asset value and as such depreciation was charged on a componentised basis for all properties revalued as part of those groups regardless of the value of the asset.

The current policy of quinquennial revaluation will remain. However, in line with the requirements of the Code, only assets which were acquired, enhanced or revalued in 2016/17 had their useful lives updated, thereby achieving progressive compliance over 5 years.

In the case of council dwellings fixtures are depreciated over 27 years with the non-fixture element of council dwellings being depreciated over 50 years.

Property, Plant and Equipment - Revaluation

Where decreases in value are identified, they are accounted for as follows:-

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

Property, Plant and Equipment - Impairment

Assets subject to revaluation that have suffered a reduction in value have been impaired. Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

Property, Plant and Equipment - Charges to Revenue

Service revenue accounts and the HRA have been charged with a capital charge for all property, plant and equipment assets used in the provision of the service. Such charges cover the annual provision for depreciation.

Heritage Assets

The council's Heritage Assets are held in various locations throughout the authority, there are two main categories of asset:- Artworks and Sculptures and Civic Regalia which includes Precious Metals, Fabric Items and Robes. All other assets are included in the Miscellaneous Other category.

As a general policy, heritage assets are recognised on the balance sheet where the cost or value of the asset is known. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the balance sheet.

Artworks & Sculptures

The art collection includes paintings, sketches and marble busts. These assets are reported in the balance sheet at insurance value which is based on market value. Valuations are provided by an external valuer with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions. The assets within the artwork and sculpture collections are deemed to have indeterminate lives and a high residual value hence the council does not consider it appropriate to charge depreciation.

There have been no acquisitions, one donation and no disposals during the previous five years. Two council owned additions to the Heritage Asset portfolio have been identified during the financial year 2016/17.

Civic Regalia

Civic regalia predominately relates to the council's collection of Chains of Office worn by office bearers at ceremonial and civic events (Provost, Magistrates and Convenors).

These are reported in the balance sheet at insurance value which is based on market value. Following the full valuation of civic regalia in 2017, further formal valuations will be commissioned where it is considered that there could potentially be a material change in the value of the assets held. In the absence of such circumstances a formal revaluation will be carried out on a quinquennial basis.

It would be exceptionally rare for the council to purchase or dispose of, items of civic regalia.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

Archives

These records include photographs, prints, negatives and slides, both original and copied from loans, recording the history of West Lothian.

These collections are not recognised on the balance sheet as cost information is not readily available and the council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items are believed to have an immaterial value.

The majority of items within the collections have been acquired by donation over time.

Archaeology

The council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently the council does not recognise these assets on the balance sheet.

The council does not make any purchases of archaeological items.

Memorials, Monuments and Public Art

The authority holds and maintains memorials, public art and monuments of historic significance, some of which are tributes to the war dead. These are recognised on the balance sheet where there has been capital spend to improve or refurbish the assets. It is considered that there is a lack of available, comparable market values to establish a 'fair value'. Assets which have not had enhancing capital spend are not recognised on the balance sheet as information on historical cost is not available.

It is unlikely that the council would procure such assets but is more likely to refurbish or enhance existing assets. In this respect, the cost of those works will be capitalised at cost.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment. It is likely that disposals of heritage assets will be made rarely. If this does occur, the proceeds of such items will be accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the annual accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Improvement Grants

All expenditure on improvement and other grants is charged to revenue in the year the expenditure is incurred.

Government Grants and Contributions

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account. Capital grants and contributions received to finance property, plant and equipment assets have been credited to the Comprehensive Income and Expenditure Account. They are reversed out of the General Fund Balance in the Movement in Reserves Statement and transferred to the Capital Adjustment Account.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement and Capital Adjustment Account until conditions attached to each grant have been satisfied.

Monies advanced as revenue grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the revenue grants are credited to the service line in the Comprehensive Income and Expenditure Statement and, for capital grants, to the Capital Adjustment Account.

Redemption of Debt

The council operates a Consolidated Loans Fund under the terms of the Local Government (Scotland) Act 1975. All loans raised are paid into the fund. Capital payments made by services are financed from the Loans Fund and repaid over 30 years using the annuity method.

Premiums and discounts on debt rescheduling have been transferred to the Financial Instruments Adjustment Account and have been designated as statutory premiums and discounts under statutory guidance issued by the Scottish Government. The annual charge to the General Fund is managed by movements to and from the Financial Instruments Adjustment Account and the Movement on Reserves Statement.

Investments

Long-term investments, held in Lothian Buses Limited (Formerly Lothian Buses Plc), have been shown in the Balance Sheet at fair value (Level 2 on the fair value hierarchy), based on the current share price multiplied by the council's shareholding. Changes in fair value are balanced by an entry in the Available-for-sale Financial Instrument Reserve and the loss or gain is recognised in the Comprehensive Income and Expenditure Account.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in values.

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

Prior Period Adjustments

Prior Period Adjustments arise as a result of a change in accounting policy. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts.

In 2016/17, the Code requirement to produce the Comprehensive Income and Expenditure Statement on the basis of organisational structure has required a restatement of the 2015/16 comparator figures from the SerCOP structure. Presentational changes have also been made to the Movement in Reserves Statement in line with the Code.

Financial Liabilities

Financial liabilities are carried in the balance sheet at amortised cost using the effective interest rate method. For market stepped Lenders Option Borrowers Option (LOBO) loans this involves calculation of the effective interest rate over the life of the loan. The difference between this and the actual interest paid to date on the loan is added to the carrying value of the loan. This increase in value of financial liabilities is offset by a corresponding debit to the Financial Instruments Adjustment Account.

Reserves

The council operates the following reserves under Schedule 3 of the Local Government (Scotland) Act 1975.

General Fund - to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events the council has agreed that the uncommitted General Fund Balance will be a minimum of £2 million.

Insurance Fund - this is the funding mechanism for the control of insurable risk and includes premiums and self-funded insurance costs. The fund covers all known insurance liabilities and is independently valued on a triennial basis.

Capital Fund - established to ensure that, following the introduction of the CIPFA Prudential Code for Capital Finance in Local Authorities in April 2004, borrowing decisions and capital programme management are based on Best Value considerations. General Fund treasury management balances in any given year will normally be transferred to or from the Capital Fund. The balance in the Capital Fund at 31 March 2017 was £65.526 million.

Revaluation Reserve

The Revaluation Reserve represents the net increase in the value of fixed assets as a result of these being shown in the Balance Sheet at revalued amounts rather than historical cost. The opening balance on the Revaluation Reserve at 1 April 2007 was zero. The balances on the former Fixed Asset Restatement Account and Capital Financing Account at 31 March 2007 were transferred into the Capital Adjustment Account.

Capital Adjustment Account

This Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation or impairment. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure.

Inventories

Stocks and stores held by the council are recorded at average cost, with the exception of deer and Highland Cows which have been valued at net realisable value. The valuation is in accordance with IAS 41 - Agriculture. The use of average cost rather than lower of cost and net realisable value is a departure from the Code but is not considered material.

External Interest Payable and Loans Fund Interest

External interest has been calculated and charged to the Income and Expenditure Account on an amortised cost basis over the life of the loan. For the majority of loans this represents the interest amount payable for the year per the loan agreement. However, for stepped LOBO loans, this results in a difference between the coupon rate and the amount charged to the Income and Expenditure Account. This difference is removed from the General Fund by a transfer to the Financial Instruments Adjustment Account.

These accounting adjustments ensure that the loans fund interest is calculated and allocated to the Revenue Account in accordance with LASAAC Guidance Note No. 2.

Interest on revenue balances is allocated on the basis of the monthly balances held on the respective accounts.

Central Support Services

Time recording systems and number of employees have been used as the bases for allocating costs to direct services, with the exception of the following:-

- Administration Buildings - The number of employees based at each building.
- Central Telephone Service - Based on number of extensions.
- Central Postal and Messenger Services - Based on actual usage.
- HR Pay and Reward – based on employee numbers within each Service.

Central Support Service charges allocated to the HRA and Building Services are a fixed amount agreed at the start of the financial year.

Corporate and Democratic Core

In accordance with CIPFA Guidance the costs of corporate and democratic core and of non-distributed costs have not been allocated to General Fund Services but gathered together and separately identified in the Comprehensive Income and Expenditure Statement.

Finance Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lesser to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, these elements are considered separately for classification.

Assets acquired under finance leases have been capitalised together with a liability to pay outstanding rentals. Payments have been apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

Employee Benefits

An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by an officer, in agreement with the council, to terminate their employment before the normal retirement date or an officer's decision to accept voluntary severance. The costs are charged on an accruals basis to the Other Services line in the Comprehensive Income and Expenditure Statement. Where the termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund or pensioners and any such amounts payable but unpaid at the year-end.

Public Private Partnership (PPP)

The treatment of PPP contracts, under International Financing Reporting Standards (IFRS) looks at aspects of control of an asset, such as specifying services and the price paid for these services. The PPP schools are recognised as property assets, with recognition of a liability for the financing of these assets. The unitary charge paid to the PPP contractor is allocated between operating costs, finance lease principal and interest, and any capitalised lifecycle costs.

Operating Leases

Current annual operating lease rentals have been charged to revenue.

Non Domestic Rates (NDR)

National Non-domestic Rate debtors were previously shown on local authority balance sheets as debtors of the authority. Following a review of all types of local taxation, CIPFA/LASAAC concluded that local authorities act as the agent of the Government when collecting NDR. The Code requires local authorities not to recognise NDR debtors in their balance sheets but instead recognise a creditor or debtor for cash collected from NDR debtors as agent of the Government but not paid or overpaid to the Government.

Pension Costs

The council participates in two different pension schemes which provide members with defined benefits related to pay and service and are as follows:-

Teachers: This is an unfunded scheme administered by the Scottish Government. Under the pensions accounting standard IAS 19 - 'Retirement Benefits' this scheme is treated as a defined contribution scheme as it does not allow the identification of liabilities consistently and reliably between participant authorities. The pension cost charged to the Accounts is the contribution rate set by HM Treasury on the basis of a notional fund.

Other Employees: Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (which is administered by the City of Edinburgh Council as the Lothian Pension Fund). The Lothian Pension Fund is a multi-employer scheme funded on the basis of triennial actuarial valuations of the required employers' contributions to ensure adequate assets in the scheme. As it is possible to identify the council's share of the assets and liabilities underlying the scheme on a consistent and reliable basis, it is accounted for as a defined benefit scheme under IAS 19.

IAS 19 is based on the premise that an organisation should account for retirement benefits when it is committed to give them, even if the actual payment will be many years in the future. The pension cost under IAS 19 is therefore not the cash contributions paid to the pension fund but the increase in the employers' attributable pensions liability during the year.

The IAS 19 actuarial valuation involves the actuary reviewing the most recent triennial actuarial valuation, updating it to reflect current conditions at the balance sheet date and apportioning assets and liabilities amongst employers. Assets are valued at fair value, principally bid value for investments. Liabilities are valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The 2016/17 discount factor was 2.6% (3.5% 2015/16). The inclusion of attributable scheme assets and liabilities in the balance sheet represents an authority's commitment to increase contributions to make up any shortfall, or its ability to benefit, via reduced contributions, from a surplus in the scheme.

The actuary identifies the following elements of pension cost charged to the Income and Expenditure account:

Actuarial gains and losses – these consist of experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effect of actuarial assumption changes in regard to financial and demographic assumptions.

Current Service Cost - the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Net Defined Benefit Liability (asset) – the present value of the defined benefit obligation less the fair value of the plan assets.

Net interest Income (expense) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time. This includes allowance for interest on the current service cost.

Past Service Costs – the change in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment

Any difference between the accounting cost (i.e. the IAS 19 based cost) and the funding cost (i.e. the contributions or payments made during the year) is appropriated from the Pensions Reserve to the Movement in Reserves Statement. This appropriation ensures the IAS 19 pension cost equals the pension payments funded from taxation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in the Notes to the Annual Accounts. Details of the liabilities are shown in note 32.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

Provisions

Provisions are made where an event has taken place that gives the council a Legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation. Provisions are charged as an expense to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. Details of the provisions are shown in note 20.

Carbon Reduction Commitment Scheme

The council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the second year of its second phase, which ends on 31 March 2019. The council is required to purchase allowances prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances and is measured at the best estimate of the expenditure required to meet the obligation, at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the council is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption. The allowances under the CRC Scheme are accounted for as current intangible assets.

VAT

Income and Expenditure excludes any amounts related to VAT, as all VAT collected and paid is payable to, or recoverable from, Her Majesty's Revenues and Customs (HMRC).

Fair Value Measurement

The council measures its non-financial assets such as surplus assets not yet held for sale and financial instruments equity shareholdings at fair value at each reporting date using valuation techniques. When measuring the fair value of an asset the council assumes highest and best pricing. Inputs to the valuation techniques are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2016/17 there are no accounting policy changes which require to be reported as issued but not yet adopted by the code in respect of West Lothian.

However, at its meeting on 9 November 2016 the CIPFA/LASAAC Local Authority Accounting Code Board decided to postpone the full implementation of the move to measuring the Highways Network Asset at Depreciated Replacement Cost in local authority Annual Accounts for 2016/17.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) is now proposed to take effect from 1 April 2017. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts and states that implementation will be on the same basis as planned for 2016/17.

Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. The new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. If the changes had been implemented in 2016/17, based on current estimates, the value of infrastructure assets would increase from £267 million to circa £2,439 million with an equivalent ten-fold increase in depreciation.

Therefore, there is no impact of this change on the accounts covering the 2016/17 financial year

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the annual accounts are:

- **PPP** - The council is deemed to control the services provided under the agreement for the provision of educational establishments in accordance with IFRC12. The council controls the services provided under the scheme and ownership of the schools will pass to the council at the end of the contract. The schools are therefore recognised on the council's balance sheet.
- **Associates** - The valuation joint board is included within the group accounts under the wider definition of an "associate" although the council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements in place.
- **Investment Properties** - All property, plant and equipment is used on the delivery of services or as part of the council's strategy for economic regeneration.
- **Uncertainty over future funding** - There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a reduction in funding.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Annual Accounts contain estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

PENSIONS LIABILITY

Uncertainties: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns, on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions:

The following table shows the sensitivity of the results to the changes in the principal assumptions used to measure the scheme liabilities.

Sensitivities at 31 March 2017	Approx % increase to Employer Liability	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	11%	137,565
0.5% increase in the Salary Increase Rate	4%	47,798
0.5% increase in the Pension rate	7%	85,496

For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3 -5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

FAIR VALUE MEASUREMENTS

Uncertainties: the fair values of Surplus Assets not yet available for sale and Financial Instruments cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation technique;

Level 2 – quoted prices for similar assets or liabilities in active markets at the balance sheet date;

Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements include considerations such as uncertainty and risk. Changes in the assumptions could affect the fair value of the council's assets and liabilities.

Information about valuation techniques and inputs used in determining the fair value of these assets is set out in note 15.

Effect if actual results differ from assumptions:

Significant changes in any of the observable inputs may result in a significantly lower or higher fair value measurement for assets and liabilities.

DEBTORS

Uncertainties: At 31 March 2017, the authority had a balance of debtors of £36.535 million. A review of balances suggested that an allowance for doubtful debts of £22.093 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

Effect if actual results differ from assumptions:

If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £3.654 million to be set aside as an allowance.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

5. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 5.1) £'000	Net change for the Pensions Adjustments (Note 5.2) £'000	Other Differences (Note 5.3) £'000	Total Adjustments £'000
Adjustments between Funding and Accounting Basis 2015/16				
Schools, Education Support	29,272	2,248	6,355	37,875
Planning, Economic Development and Regeneration	532	417	2,662	3,611
Operational Services	6,471	2,325	2,304	11,100
Housing, Customer and Building Services	4,452	1,634	5,262	11,348
Corporate Services	5,297	717	(17,477)	(11,463)
Social Policy – IJB, Adult and Elderly Services	-	-	-	-
Social Policy – non IJB, Children's Services	1,209	2,993	7,604	11,806
Chief Executive, Finance and Property	18,044	828	(12,647)	6,225
Joint Boards	-	-	-	-
Time Limited Expenditure	-	-	-	-
Other Services	(225)	(1,760)	629	(1,356)
Net Cost of General Fund Services	65,052	9,402	(5,308)	69,146
Housing Revenue Account	69,087	-	(10,981)	58,106
Net Cost of Services	134,139	9,402	(16,289)	127,252
Other income and expenditure from the Expenditure and Funding Analysis	(47,064)	8,860	14,548	(23,656)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	87,075	18,262	(1,741)	103,596
Adjustments between Funding and Accounting Basis 2016/17				
Schools, Education Support	60,555	1,346	8,633	70,534
Planning, Economic Development and Regeneration	(45)	239	1,307	1,501
Operational Services	9,003	1,432	2,336	12,771
Housing, Customer and Building Services	5,346	996	4,835	11,177
Corporate Services	6,140	410	(17,219)	(10,669)
Social Policy – IJB, Adult and Elderly Services	-	-	-	-
Social Policy – non IJB, Children's Services	(224)	1,774	4,875	6,425
Chief Executive, Finance and Property	8,436	479	(2,405)	6,510
Joint Valuation Board	-	-	-	-
Time Limited Expenditure	-	-	-	-
Other Services	(174)	(1,700)	(6,387)	(8,261)
Net Cost of General Fund Services	89,037	4,976	(4,025)	89,988
Housing Revenue Account	9,802	-	(11,875)	(2,073)
Net Cost of Services	98,839	4,976	(15,900)	87,915
Other income and expenditure from the Expenditure and Funding Analysis	(47,419)	6,246	17,800	(23,373)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	51,420	11,222	1,900	64,542

5.1 Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

5.2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

5.3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** – represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

5.4 Income received to the General Fund and HRA Balance

	2016/17 £'000	2015/16 £'000
Schools, Education Support	6,004	6,761
Planning, Economic Development and Regeneration	4,981	7,451
Operational Services	16,277	16,697
Housing, Customer and Building Services	33,397	32,062
Corporate Services	1,823	1,943
Social Policy – IJB, Adult and Elderly Services	24,420	-
Social Policy – non IJB, Children's Services	4,552	20,626
Chief Executive, Finance and Property	15,591	14,538
Joint Boards	-	-
Time Limited Expenditure	-	-
Other Services	49,075	49,638
General Fund Services Income	156,120	149,716
HRA	46,715	47,439
Total Service Income	202,835	197,155

6. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

	2016/17 £'000	2015/16 £'000
Expenditure		
Employee Benefits Expenses	229,881	225,898
Other Services Expenses	242,704	240,934
Support Services Recharges	19,053	20,242
Depreciation, Amortisation, Impairment	108,316	145,014
Interest Payments	62,787	59,735
Gain on the Disposal of Assets	(2,559)	(1,877)
Total Expenditure	660,182	689,946
Income		
Fees, Charges and Other Service Income	170,184	166,169
Interest and Investment Income	29,241	25,637
Income from Council Tax	62,186	60,937
Government Grants and Contributions	336,787	343,572
Total Income	598,398	596,315
(Surplus) or Deficit on Provision of Services	61,784	93,631

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

7. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE		2016/17 £'000	2015/16 £'000
Gain on disposal of non-current assets		2,559	1,877
		2,559	1,877

8. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - FINANCING AND INVESTMENT INCOME AND EXPENDITURE		2016/17 £'000	2015/16 £'000
Interest payable and similar charges		29,480	27,333
Net interest on the defined benefit liability (asset)		6,246	8,860
Interest receivable and similar income		(2,180)	(2,095)
(Surplus) / Deficit on trading operations		(485)	4,168
		33,061	38,266

9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - TAXATION AND NON-SPECIFIC GRANT INCOME		2016/17 £'000	2015/16 £'000
Council tax income		62,186	60,937
Non domestic rates distribution		87,726	94,216
Non ring-fenced government grants		218,861	217,938
Capital grants and contributions		30,200	31,418
		398,973	404,509

10. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2015/16	General Fund £'000	HRA £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	Transfer (to) / from Insurance Fund	(145)	-	145	-	-	-
	Transfer (to) / from Capital Fund	(10,080)	-	-	10,080	-	-
		(10,225)	-	145	10,080	-	-
TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2016/17							
	Transfer (to) / from Insurance Fund	1,880	-	(1,880)	-	-	-
	Transfer (to) / from Capital Fund	(4,985)	-	-	4,985	-	-
		(3,105)	-	(1,880)	4,985	-	-

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

11. MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS - 2015/16	General Fund £'000	HRA £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Depreciation and impairment of non-current assets	67,799	77,215	-	-	145,014	(145,014)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(31,418)	-	-	-	(31,418)	31,418	-
Net loss (gain) on sale of non-current assets	(1,106)	(771)	-	-	(1,877)	1,877	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(422)	-	-	-	(422)	422	-
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations	17,992	270	-	-	18,262	(18,262)	-
Statutory provision for repayment of debt	(9,962)	(3,806)	-	-	(13,768)	13,768	-
Statutory charge for lifecycle capital (PFI)	(93)	-	-	-	(93)	93	-
Capital expenditure charged to the General Fund and HRA	(2,748)	(8,035)	-	-	(10,783)	10,783	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	(1,319)	-	-	-	(1,319)	1,319	-
Capital receipts transferred to the Capital Fund	-	-	-	(6,631)	(6,631)	6,631	-
	38,723	64,873	-	(6,631)	96,965	(96,965)	-
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS - 2016/17	General Fund £'000	HRA £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Depreciation and impairment of non-current assets	90,618	17,698	-	-	108,316	(108,316)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(30,200)	-	-	-	(30,200)	30,200	-
Net loss (gain) on sale of non-current assets	(495)	(2,064)	-	-	(2,559)	2,559	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(422)	-	-	-	(422)	422	-
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations	10,941	281	-	-	11,222	(11,222)	-
Statutory provision for repayment of debt	(10,551)	(4,109)	-	-	(14,660)	14,660	-
Statutory charge for lifecycle capital (PFI)	(169)	-	-	-	(169)	169	-
Capital expenditure charged to the General Fund and HRA	(1,506)	(7,802)	-	-	(9,308)	9,308	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	2,329	(7)	-	-	2,322	(2,322)	-
Capital receipts transferred to the Capital Fund	-	-	-	(27,673)	(27,673)	27,673	-
	60,545	3,997	-	(27,673)	36,869	(36,869)	-

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

12. PROPERTY, PLANT AND EQUIPMENT

12.1 Movements in 2015/16

(Restated to remove Heritage Assets)

Cost or Valuation

At 1 April 2015

Additions

Revaluation increases / (decreases) recognised in the Revaluation Reserve

Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services

Derecognition - disposals

Other movements in cost or valuation

At 31 March 2016

Accumulated Depreciation and Impairment

At 1 April 2015

Depreciation charge

Depreciation written out to the Revaluation Reserve

Depreciation written out to the Surplus / Deficit on the Provision of Services

Derecognition - disposals

Other movements in depreciation and impairment

At 31 March 2016

Net Book Value

At 31 March 2016

At 31 March 2015

Cost or Valuation

At 1 April 2015

Additions

Revaluation increase / (decreases) recognised in the Revaluation Reserve

Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services

Derecognition - disposals

Other movements in cost or valuation

At 31 March 2016

Accumulated Depreciation and Impairment

At 1 April 2015

Depreciation charge

Depreciation written out to the Revaluation Reserve

Depreciation written out to the Surplus / Deficit on the Provision of Services

Derecognition - disposals

Other movements in depreciation and impairment

At 31 March 2016

Net Book Value

At 31 March 2016

At 31 March 2015

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra- structure Assets £'000
Cost or Valuation				
At 1 April 2015	548,470	783,389	56,352	241,704
Additions	34,893	17,825	7,175	14,573
Revaluation increases / (decreases) recognised in the Revaluation Reserve	175	(2,104)	-	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(144,962)	(27,649)	-	-
Derecognition - disposals	(3,293)	(8)	(513)	-
Other movements in cost or valuation	-	3,475	-	360
At 31 March 2016	435,283	774,928	63,014	256,637
Accumulated Depreciation and Impairment				
At 1 April 2015	85,290	128,341	37,706	42,556
Depreciation charge	15,831	34,095	7,093	6,228
Depreciation written out to the Revaluation Reserve	-	(9,572)	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	(85,290)	(5,722)	-	-
Derecognition - disposals	(514)	-	(514)	-
Other movements in depreciation and impairment	-	(465)	-	-
At 31 March 2016	15,317	146,677	44,285	48,784
Net Book Value				
At 31 March 2016	419,966	628,251	18,729	207,853
At 31 March 2015	463,180	655,048	18,646	199,148
	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation				
At 1 April 2015	529	10,534	23,062	1,664,040
Additions	-	21,429	-	95,895
Revaluation increase / (decreases) recognised in the Revaluation Reserve	281	-	(364)	(2,012)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(168)	-	-	(172,779)
Derecognition - disposals	(72)	-	(150)	(4,036)
Other movements in cost or valuation	-	(4,349)	514	-
At 31 March 2016	570	27,614	23,062	1,581,108
Accumulated Depreciation and Impairment				
At 1 April 2015	-	-	-	293,893
Depreciation charge	-	-	-	63,247
Depreciation written out to the Revaluation Reserve	-	-	(465)	(10,037)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	(91,012)
Derecognition - disposals	-	-	-	(1,028)
Other movements in depreciation and impairment	-	-	465	-
At 31 March 2016	-	-	-	255,063
Net Book Value				
At 31 March 2016	570	27,614	23,062	1,326,045
At 31 March 2015	529	10,534	23,062	1,370,147

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

12.1 Movements in 2016/17	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000
Cost or Valuation				
At 1 April 2016	435,283	774,928	63,014	256,637
Additions	48,087	21,837	8,501	9,813
Revaluation increase / (decreases) recognised in the Revaluation Reserve	700	313,902	(105)	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	(9,325)	-	-
Derecognition - disposals	(5,412)	(431)	(122)	-
Other movements in cost or valuation	1,050	15,176	-	164
At 31 March 2017	479,708	1,116,087	71,288	266,614
Accumulated Depreciation and Impairment				
At 1 April 2016	15,317	146,677	44,285	48,784
Depreciation charge	16,750	73,737	7,943	6,611
Depreciation written out to the Revaluation Reserve	(64)	(109,406)	(105)	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(6,510)	-	-
Derecognition - disposals	(192)	(11)	(122)	-
Other movements in depreciation and impairment	64	(665)	-	-
At 31 March 2017	31,875	103,822	52,001	55,395
Net Book Value				
At 31 March 2017	447,833	1,012,265	19,287	211,219
At 31 March 2016	419,966	628,251	18,729	207,853
	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation				
At 1 April 2016	570	27,614	23,062	1,581,108
Additions	-	29,652	-	117,890
Revaluation increase / (decreases) recognised in the Revaluation Reserve	244	-	-	314,741
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	-	-	(1,061)	(10,386)
Derecognition - disposals	(244)	-	-	(6,209)
Other movements in cost or valuation	-	(17,576)	1,186	-
At 31 March 2017	570	39,690	23,187	1,997,144
Accumulated Depreciation and Impairment				
At 1 April 2016	-	-	-	255,063
Depreciation charge	-	-	-	105,041
Depreciation written out to the Revaluation Reserve	-	-	-	(109,575)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	(601)	(7,111)
Derecognition - disposals	-	-	-	(325)
Other movements in depreciation and impairment	-	-	601	-
At 31 March 2017	-	-	-	243,093
Net Book Value				
At 31 March 2017	570	39,690	23,187	1,754,051
At 31 March 2016	570	27,614	23,062	1,326,045

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

12.2 Property, Plant and Equipment - PPP Schools

The value of assets held under two PPP contracts are as follows:-

	2016/17 £'000	2015/16 £'000
Value as at 1 April	121,288	121,195
Additions	169	93
Value as at 31 March	121,457	121,288
Aggregate Depreciation		
Value as at 1 April	15,934	13,549
Charge for year	2,389	2,385
Value as at 31 March	18,323	15,934
Net Book Value		
As at 31 March	103,134	105,354

12.3 Financial Liabilities - PPP Schools

The value of financial liabilities resulting from two PPP contracts are as follows:-

	2016/17 £'000	2015/16 £'000
As at 1 April	67,661	69,860
Principal repayments	(2,197)	(2,199)
As at 31 March	65,464	67,661
Split		
Short term Creditors	2,392	2,197
Long term Creditors	63,072	65,464
	65,464	67,661

12.4 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

	2016/17		2015/16	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		624,099		595,672
Capital Investment				
Property, Plant and Equipment		119,590		95,895
		743,689		691,567
Sources of Finance				
Capital Receipts	(36,980)		(11,448)	
Government Grants	(22,908)		(26,260)	
Contributions from Other Bodies	(7,292)		(5,158)	
Capital Financed from Current Revenue	(9,308)		(10,783)	
Long Term Debtors	(11)		42	
Finance Lease Principal (incl. PPP)	(2,470)		(2,533)	
Loans Fund Principal	(12,358)	(91,327)	(11,328)	(67,468)
Closing Capital Financing Requirement		652,362		624,099
Increase in Capital Financing Requirement		28,263		28,427

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

12.5 Fixed Asset Valuation

For assets included in the balance sheet at current value the undernoted valuation details apply:-

Date of Valuation	Council Dwellings £'000	Other Land & Buildings £'000	Surplus Assets £'000	Total £'000
1 April 2012	-	26,858	20,432	47,290
1 April 2013	1,030	43,863	887	45,780
1 April 2014	3,737	105,179	2,940	111,856
1 April 2015	397,328	82,475	150	479,953
1 April 2016	1,750	728,753	125	730,628
	403,845	987,128	24,534	1,415,507
Net historical cost alterations	75,863	507,121	(1,347)	581,637
Gross Valuation	479,708	1,494,249	23,187	1,997,144

Valuations of the above categories of assets were undertaken over a five year rolling programme by Chartered Surveyors of the council's Property Services Unit, in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The housing stock valuation at 1 April 2015, was carried out by D.M. Hall LLP, an external firm of chartered surveyors and included all Council Housing Stock.

Properties regarded by the council as operational were valued on the current value basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. The major components of each building are separately identified in the Plant and Equipment category and depreciated based on the assessed useful life of each component. The accounting policy for Componentisation is as detailed in Statement 9 note 1.

Plant and machinery for heating and lighting purposes is included in the valuation of the buildings, however items of specialised plant have been shown separately at depreciated historic cost. Non-operational assets have been valued on a fair value basis using the valuation techniques for level 2 inputs, i.e. open market value.

For assets other than those valued at 1 April 2016 the council considers that there is no permanent material change in value in 2016/17.

12.6 Depreciation

Assets other than land are being depreciated using the straight line method over their useful economic lives as follows:-

Council Dwellings	50 Years
Council Dwellings (Fixtures)	27 Years
Operational Buildings	20 - 60 Years
Plant and Equipment (Other)	10 - 25 Years
Plant and Equipment (Books)	3 Years
Motor Vehicles	4 - 10 Years
Fixtures and Fittings	3 - 10 Years
Infrastructure	40 Years

No depreciation is charged on Community Assets, Heritage Assets, Assets under Construction and Surplus Assets not yet available for sale.

The total depreciation charge for 2016/17 was £105.041 million (£63.247 million 2015/16).

12.7 Capital Commitments

At 31 March 2017 the council has commitments on capital contracts of £42.750 million (£79.890 million 2015/16) for the Housing Programme and £15.041 million (£35.443 million 2015/16) for the Composite Programme.

The Housing commitment of £42.750 million is a result of ongoing investment in the new council house build programme for 1,000 houses.

The committed expenditure in the Composite Programme is a consequence of several significant capital investment projects namely the refurbishment of primary schools (£1.685 million), the development of two partnership centres (£1.200 million), the construction of Whitehill Service Centre (£9.782 million) and expenditure in relation to various play areas (£0.751million). The remaining £1.623 million relates to committed expenditure on numerous projects.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

12.8 Finance Leases

Included within the analysis of fixed assets in note 12.1 are the following assets acquired by finance leases, excluding PPP assets which are detailed in note 12.2 :-

		2016/17 £'000	2015/16 £'000
Operational Buildings	- Gross Cost	1,157	1,157
	- Aggregate Depreciation	998	945
	- Depreciation for the year	53	157
Vehicles	- Gross Cost	399	344
	- Aggregate Depreciation	217	140
	- Depreciation for the year	41	38
Finance lease interest for the year		17	24
The future obligations (net of finance charges) under these finance leases are:-		2016/17 £'000	2015/16 £'000
2017/18	(2016/17)	107	102
2018/19 to 2021/22	(2017/18 to 2020/21)	277	358
2022/23 onwards	(2021 onwards)	3	13

13. HERITAGE ASSETS

13.1 Five-Year Summary of Transactions

For the period 2012/13 to 2016/17 there was no acquisition, impairment or disposals of Heritage Assets. The carrying value remained at £0.677 million for the period to 2015/16. Following the revaluation at 31 March 2017, the carrying value increased to £0.779 million. Details as follows:-

Reconciliation of carrying value of Heritage Assets held

Cost or Valuation

	Artworks and Sculpture £'000	Civic Regalia £'000	Other Assets £'000	Total Assets £'000
1 April 2015	337	279	61	677
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	-	-	-	-
31 March 2016	337	279	61	677
1 April 2016	337	279	61	677
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	64	22	16	102
31 March 2017	401	301	77	779

The council's collection of Civic Regalia, Artworks and Other miscellaneous Heritage Assets is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a quinquennial basis.

The council's external valuer for its art work (Bonhams – Fine Art Auctioneers & Valuers) carried out a valuation of the full collection as at 31 March 2017. The valuations were based on market values. The collection has not suffered any downward revaluation during the 5 years since the previous valuation but has taken ownership of one donated asset, the Jessie Brash wedding dress, which has been valued by Bonhams at £800. There have been no disposals during the year.

13.2 Heritage Assets – Further Information

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the council in pursuit of its overall objective in relation to the maintenance of heritage.

The council's Heritage Assets are held in various locations throughout the authority, there are two main categories of asset: - Artworks and Sculptures and Civic Regalia (which includes Precious Metals, Fabric Items and Robes). All other assets are included in the Miscellaneous Other category.

The revaluation of Artworks and Sculptures includes a mural at Lowport Outdoor Education Centre £0.030 million and a shallow relief plaster wall artwork at Howden Park Centre £0.021 million, both of which were deemed to have no value in 2012. The significant increase in the valuation of civic regalia since the previous revaluation is a direct result of the increase in the market price of precious metals.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

13.2 Heritage Assets – Further Information (Continued)

Heritage Assets are the responsibility of the Museums Service whose mission is to “enhance the quality of life by providing a museums service that serves the educational, cultural and leisure needs of the community now and in the future”. Its key objectives include collecting objects appropriate to the heritage of West Lothian and providing access to these collections through exhibitions, reminiscence work, education and other outreach services.

A full copy of the museum Acquisition and Disposal Policy 2012 - 2017 can be viewed at <http://www.westlothian.gov.uk/article/3794/Museum-Collections>

Artworks & Sculptures

The art collection includes paintings (both oil and watercolour), sketches and marble busts.

The most valuable assets are a full length portrait of John, Earl of Hopetoun, by Sir Henry Raeburn (1820) valued at £0.220 million, a full length portrait of Sir Alexander Hope by Sir John Watson Gordon (1835) valued at £0.030 million and a full length portrait of John Adrian Louis by Robert Brough (1904) valued at £0.030 million. A significant revaluation increase was the mural at Lowport Outdoor Education Centre by James Cumming (1988) valued at £0.030 million and a shallow relief plaster wall artwork by Michael Visocchi Arsa (2010) valued at £0.021 million. The majority of artworks and Sculptures are on display in Operational Buildings and Arts Facilities throughout West Lothian, the remainder are in storage but remain accessible on request.

Civic Regalia

Civic regalia predominately relates to the council's collection of Chains of Office worn by office bearers at ceremonial and civic events (Provost, Magistrates and Convenors). The Regalia held relates to chains of office for predecessor authorities (West Lothian County Council, Armadale, Whitburn and Bathgate Town Councils and West Lothian District Council). Also included in this category are precious metals in the form of trophies, cups, medals and rose bowls.

The valuation of the regalia has increased significantly due to the increase in the market value of precious metals. The collection of Chains of Office are stored at secure locations and worn for events as required, the majority of the other items are on display in the council's libraries and museum.

It would be exceptionally rare for the council to purchase or dispose of items of civic regalia.

Archives

The Museums Service has responsibility for the collection and preservation of records of historical interest in relation to West Lothian in order to ensure that their heritage will survive for the future. These records include photographs, prints, negatives and slides, both original and copied from loans, recording the history of West Lothian. The majority of items within the collections have been acquired by donation over time and are held in the Archives and Records Centre and the Local History Library.

Archaeology

The council does not make any purchases of archaeological items and has a small reference collection of Bronze Age items in storage used in outreach workshops for touring exhibitions.

Memorials, Public Art and Monuments

The authority holds and maintains memorials, Public Art and monuments of historic significance, some of which are tributes to the war dead. These are recognised on the balance sheet where there has been capital spend to improve or refurbish the assets. It is considered that there is a lack of available, comparable market values to establish a 'fair value'. Assets which have not had enhancing capital spend are not recognised on the balance sheet as information on historical cost is not available.

It is unlikely that the authority would procure such assets but is more likely to refurbish or enhance existing assets. In this respect, the cost of those works will be capitalised at cost.

The details of the council's public artworks can be found at <http://www.westlothian.gov.uk/publicart>

14. CURRENT INTANGIBLE ASSETS - CARBON REDUCTION COMMITMENT ALLOWANCE

	Balance of Allowances at 31 March 2016 £'000	Allowances Discharged In Year £'000	Purchase of Allowances In Year £'000	Balance of Allowances at 31 March 2017 £'000
Carbon Reduction Commitment Allowance	622	594	564	592

The expenditure of £0.564 million on Intangible Assets relates to Carbon Reduction Commitment (CRC) Allowances purchased in a forecast sale in April 2016 for the purpose of settling 2016/17 CRC liabilities during 2017/18.

It is anticipated that the allowances will meet the estimated CRC liability of £0.555 million arising from the council's energy consumption during 2016/17.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

15. FINANCIAL INSTRUMENTS

15.1 Types of Financial Instrument

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the council) shown in the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments".

	Long-term		Current	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Investments and Lending				
Loans, receivables and interest	-	-	125,585	100,466
Investments to cash equivalents	-	-	12,675	25,725
Long term investments	277	249	-	-
	277	249	138,260	126,191
Borrowing				
Financial liabilities at amortised cost	503,641	433,671	100,290	100,066
	503,641	433,671	100,290	100,066

Long Term Investments

The council has a shareholding in Lothian Buses Ltd, the shares in this company are not traded in an active market and therefore the fair value of £0.277 million has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on the current calculated share price multiplied by the council's shareholding.

15.2 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the balance sheet at amortised cost.

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- Interest rates at 31 March 2017 for PWLB vary from 2.09% to 10.25% depending on the maturity profile of the loans and for other market loans (LOBO's) from 3.75% to 4.85% again based on the maturity profile of the loans.
- No early repayments or impairment are recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is assumed to be the invoiced or billed amount.

For both lending and borrowing the valuation basis adopted in this report uses level 2 Inputs i.e. inputs other than quoted prices that are observable for the financial asset / liability. The accounting policy for the Fair Value Measurement is included in Statement 9 note 1 on page 30.

The fair values are calculated as follows:

	31 March 2017		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Lending				
Loans and receivables - Cash				
The loans and receivables valuation is made by the prevailing benchmark rates	12,675	12,680	25,725	25,736
Loans and receivables - Fixed Term Deposits				
The fixed term deposit valuation is made by comparison of the fixed term investment with a comparable investment with the same / similar lender for the remaining period of the deposit	125,585	125,872	100,466	100,735
	138,260	138,552	126,191	126,471

The fair value is more than the carrying amount because the council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. The commitment to receive interest above current market rates increases the amount that the council would receive if it agreed to early repayment of the loans. The fair value amount also includes accrued interest receivable on the loans of £0.585 million.

	31 March 2017		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing				
Financial liabilities - PWLB				
For loans from the PWLB, Capita Asset Services have provided fair value estimates using both redemption and new borrowing (certainty rate) discount rates.	535,203	719,664	464,980	599,168
Financial liabilities - LOBO's and Temporary borrowing				
For non PWLB loans Capita Asset Services have provided fair value estimates using both PWLB redemption and new market loan discount rates.	68,728	103,150	68,757	89,920
	603,931	822,814	533,737	689,088

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

15.2 Fair Value of Assets and Liabilities carried at Amortised Cost (Continued)

The fair value is more than the carrying amount because the council's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the council would have to pay if the lender requested or agreed to early repayment of the loans.

For both lending and borrowing the valuation basis adopted by Capita Asset Services uses level 2 Inputs i.e. inputs other than quoted prices that are observable for the financial asset / liability.

15.3 Nature and Extent of Risks arising from Financial Instruments

The council's management of treasury risks actively works to minimise the council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers. It is the policy of the council to place deposits only with a limited number of high quality UK banks and building societies whose credit rating is independently assessed as sufficiently secure by the council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The following analysis summarises the council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the council expects full repayment on the due date of deposits placed with its counterparties.

	Amount at 31 March 2017 £'000	Historical experience of non- payment adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and building societies	138,260	0%	-
Customers (council tax and other income)	36,782	2.25%	828

The council does not generally allow credit for customers, however, £29.818 million of the £36.782 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than three months	579
Three to six months	795
Six months to one year	3,789
More than one year	24,655
	29,818

The council has provided £22.093 million against possible bad debts at 31 March 2017 (£21.641 million at 31 March 2016).

Liquidity Risk

The council's main source of borrowing is the Treasury's Public Works Loan Board. There is no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments. The council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of possible uncertainty over interest rates. The council's policy is to ensure that not more than 15% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments. LOBO Loans are classified as maturing at the date of the next rate review but are unlikely to be repaid at that point.

The maturity analysis of financial liabilities, including LOBO Loans, is as follows:

	31 March 2017 £'000	31 March 2016 £'000
Less than one year	100,290	100,066
Between one and two years	25,000	25,030
Between two and five years	40,000	55,000
More than five years	438,641	353,641
	603,931	533,737

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

15.3 Nature and Extent of Risks arising from Financial Instruments (Continued)

Market risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates. An increase in interest rates would also mean an increase in the income received on lending at variable rates.

Changes in market rates also affect the notional "fair value" of lending and borrowing. For example, a rise in interest rates would reduce the fair value of both lending and borrowing at fixed rates. Changes in the fair value of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the council.

- It is the policy of the council to ensure its variable rate borrowing is limited to a maximum of 35% of total borrowing. At 31 March 2017 the council had no debt subject to variable rates.
- During periods of falling rates and where it is economically advantageous to do so, the council will consider the repayment and restructuring of fixed interest rate debt.
- The council takes daily advice from its specialist treasury adviser and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

To illustrate the impact of changes in interest rates upon the council, the following table shows the financial effect if rates had been 1% higher for the financial year 2016/17, with all other variables held constant.

Impact on tax-payer and rent-payers	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate lending	(11,571)
Net effect on Income and Expenditure Account	(11,571)
Housing Revenue Account's Share	(3,622)

Price Risk

The council has 25,000 ordinary shares in Lothian Buses Limited (formerly Lothian Buses Plc). While the value of the shares held is not significant, there remains a risk arising from the movement in the price of Lothian Bus shares.

Foreign Exchange Risk

The council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

16. LONG TERM DEBTORS

Loan Advances

Small Business Loans

	Balance at 1 April 2016 £'000	Advances £'000	Write-offs/ Repayments £'000	Balance at 31 March 2017 £'000
	11	-	(11)	-
	11	-	(11)	-

Soft Loans are defined as those where concessions are offered to borrowers such as long repayment terms, below-market rate of interest etc. The scheme detailed in the note above, Small Business Loans is categorised as a soft loan.

17. INVENTORIES

Building Maintenance

Transport

Printing

Canteens

Roads and Grounds Maintenance

Countryside Deer / Highland Cows

	2016/17 £'000	2015/16 £'000
	152	164
	109	127
	4	4
	98	104
	720	504
	54	68
	1,137	971

18. SHORT TERM DEBTORS

Central Government Bodies

Other Local Authorities

NHS Bodies

Public Corporations and Trading Funds

Other Entities and Individuals

- Council Tax Debtors
- Provision for Council Tax Debtors
- Trade Debtors
- Provision for Trade Debtors
- Other Entities and Individuals

	2016/17		2015/16 (Restated)	
	£'000	£'000	£'000	£'000
		13,281		15,057
		1,626		458
		2,287		204
		94		1,122
	27,282		28,358	
	(20,119)		(19,709)	
	4,623		4,526	
	(1,974)		(1,932)	
	9,435		7,895	
		19,247		19,138
		36,535		35,979

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

19. SHORT TERM CREDITORS

	2016/17 £'000	2015/16 £'000
Central Government Bodies	9,632	8,389
Other Local Authorities	2,648	3,216
NHS Bodies	378	338
Public Corporations and Trading Funds	372	103
Other Entities and Individuals	72,246	72,401
	85,276	84,447

20. PROVISIONS

	Balance at 31 Mar 2016 £'000	Provision in Year £'000	Payments in year £'000	Balance at 31 Mar 2017 £'000
Equal pay settlements	431	-	257	174

Equal Pay Provision

The council created an Equal Pay Provision in 2013/14 to meet the liability arising from the equal pay claims following the outcome of litigation involving Dumfries and Galloway Council. West Lothian is currently finalising discussions with claimants' representatives to establish settlement terms on the small number of claims outstanding. During 2016/17 £0.257 million was paid from the provision, leaving a remaining provision of £0.174 million to meet future claims.

21. LONG TERM CREDITORS

	Sum Outstanding 2016/17 £'000	Sum Outstanding 2015/16 £'000
Finance Leases - outstanding principal	280	371
Open Space Agreements	273	288
Economic Development Business Gateway	587	686
	1,140	1,345
OTHER LONG TERM LIABILITIES		
PPP1 Schools	12,976	13,894
PPP3 Schools	50,096	51,570
	63,072	65,464

22. PENSION SCHEMES**22.1 Pension Schemes**

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make payments and to disclose them at the time that employees earn their future entitlement.

As explained in Statement 9 note 1 of the Accounting Policies the council participates in two post-employment schemes:

- Local Government Pension Scheme**

The Local Government Pension Scheme (Lothian Pension Fund) is administered by City of Edinburgh council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2008. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

- Teachers' Pension Scheme**

The Teachers' Pension Scheme is administered by the Scottish Public Pensions Agency, an Executive Agency of the Scottish Government. It provides teachers with defined benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. However, as the Scheme is not able to identify each council's share of the underlying liabilities with sufficient reliability for accounting purposes, the pension costs are accounted for as if it were a defined contribution scheme.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to an extent by the statutory requirement to charge the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

In 2016/17 the council paid an employer's contribution of £12.430 million (2015/16 £11.588 million) at the prescribed rate 17.2% (of 14.9% pre 30 August 2015 and 17.2% from 1 September 2015) of pensionable pay to the Scottish Government in respect of teachers' pension costs. An actuarial valuation was carried out at 31 March 2005. In addition, the council is responsible for all pension payments relating to added years together with related increases. In 2016/17 (2015/16) these amounted to £0.436 million (£0.378 million) representing 0.38% (0.34%) of pensionable pay.

The council recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council Tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

22.2 Transactions Relating to Post-Employment Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement:

Comprehensive Income And Expenditure Statement**Cost of Services**

Current Service cost
Past Service Costs

Financing and Investment Income and Expenditure

Net Interest Expense

Remeasurement of the net defined benefit liability comprising:

Return on plan assets (excluding the amount included in the net interest expense)

Actuarial (gains) and losses arising on changes in demographic assumptions

Actuarial (gains) and losses arising on changes in financial assumptions

Other experience

Total Post-employment Benefits Charged to Comprehensive Income and Expenditure Statement

2016/17		2015/16	
£'000	£'000	£'000	£'000
28,769	29,038	32,993	33,259
269		266	
	6,246		8,860
	35,284		42,119
(147,763)		(12,772)	
-		-	
251,395		(93,050)	
(712)	102,920	(8,496)	(114,318)
	138,204		(72,199)

Movement in Reserves Statement

Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with Code

Actual Amount charged against the General Fund Balance of pensions in the year

Employer's contributions payable to the scheme

Contributions in respect of unfunded benefits

2016/17		2015/16	
£'000	£'000	£'000	£'000
	(114,142)		96,056
	(22,113)		(21,717)
	(1,949)		(2,140)
	(24,062)		(23,857)

The amount charged to taxation for the Lothian Pension Fund Scheme in 2016/17 (2015/16) was £23.808 million (£23.584 million).

22.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of Lothian Pension Fund is as follows:-

Fair Value of Assets

Present Value of Funded Liabilities

Share of net liabilities

Present value of unfunded liabilities

Net pension liabilities arising from defined benefit obligation

31 March 2017 £'000	31 March 2016 £'000
950,082	772,175
(1,208,740)	(916,992)
(258,658)	(144,817)
(31,632)	(31,331)
(290,290)	(176,148)

22.4 Reconciliation of the Movements in the Fair Value of Lothian Pension Fund Assets

Opening fair value of assets at 1 April

Interest income on plan assets

Remeasurement gain / (loss) - Return on plan assets (excluding the amount included in the net interest expense)

Employer's contributions payable to the scheme

Contributions by scheme participants

Benefits paid

Closing fair value of assets at 31 March

31 March 2017 £'000	31 March 2016 £'000
772,175	735,494
27,061	23,542
147,763	12,772
22,113	21,717
6,598	6,483
(25,628)	(27,833)
950,082	772,175

22.5 Reconciliation of the Present Value of Lothian Pension Fund Liabilities

Opening Balance at 1 April

Current Service costs

Interest cost

Contributions by scheme participants

Remeasurement gain / (loss):

- Actuarial (gains) and losses arising on changes in demographic assumptions

- Actuarial (gains) and losses arising on changes in financial assumptions

- Other experience

Past service costs

Benefits paid

Unfunded benefits paid

Closing balance of liabilities at 31 March

31 March 2017 £'000	31 March 2016 £'000
(948,323)	(1,007,698)
(28,769)	(32,993)
(33,307)	(32,402)
(6,598)	(6,483)
-	-
(251,395)	93,050
712	8,496
(269)	(266)
25,628	27,833
1,949	2,140
(1,240,372)	(948,323)

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

22.6 Lothian Pension Fund Assets by Category

The asset values below are at bid value as required by IAS 19

Equity Securities:

	2016/17		2015/16	
	£'000	%	£'000	%
*Consumer	142,635	15%	117,598	15%
*Manufacturing	144,029	15%	91,073	12%
*Energy and Utilities	70,498	7%	61,337	8%
*Financial Institutions	66,342	7%	65,402	8%
*Health and Care	55,690	6%	51,329	7%
*Information Technology	47,021	5%	46,263	6%
*Other	65,469	7%	44,198	6%

Private Equity:

*All	11,048	1%	8,666	1%
All	19,641	2%	25,103	3%

Investment funds and unit trusts:

*Equities	-	-	-	-
Equities	-	-	-	-
*Commodities	2,786	-	2,142	-
Commodities	-	-	-	-
*Infrastructure	6,036	1%	4,297	1%
Infrastructure	78,982	9%	47,061	6%
*Other	-	-	-	-
Other	20,268	2%	18,500	2%

Equity

730,445 77% 582,969 75%

Debt Securities:

*Corporate Bonds A (investment grade)	-	-	-	-
*Corporate Bonds (non-investment grade)	-	-	-	-
*UK Government	95,401	10%	49,690	6%
*Other	1,974	-	19,534	3%

Investment funds and unit trusts:

Bonds	11,963	1%	4,184	1%
*Bonds	2,128	-	2,072	-

Derivatives:

Inflation	-	-	-	-
Interest rate	-	-	-	-
*Foreign exchange	-	-	(45)	-
*Other	-	-	-	-

Bonds

111,466 11% 75,435 10%

Real Estate:

UK Property	64,103	7%	66,051	9%
Overseas Property	-	-	-	-

Property

64,103 7% 66,051 9%

Cash and cash equivalents

*All	44,068	5%	47,720	6%
------	--------	----	--------	----

Cash and cash equivalents

44,068 5% 47,720 6%

950,082 100% 772,175 100%

Assets marked with an asterisk (*) have quoted prices in active markets and equate to £755.125 million (2015/16 £611.276 million) with prices not quoted in active markets totalling £194.957 million (2015/16 £160.899 million).

22.7 Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit credit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31 March 2014 and updated for the following periods by Hymans Robertson, the independent actuaries to the Lothian Pension Fund. The significant assumptions used in the calculations for both the Lothian Pension Fund and discretionary payments are:

Mortality Assumptions

Life expectancy is based on the Fund's Vita Curves analysis (with improvements in line with the CMI2012 model) used in the formal funding valuation as at 31 March 2014. Based on these assumptions, the average future life expectancies at age 65 are summarised on page 53.

Investment Returns

The return on the Fund in market value terms for the period to 31 March 2017 is estimated based on actual fund returns as provided by the administering authority and index returns where necessary. Details are given below:

Actual Returns from 1 April 2016 to 31 December 2016	17.1%
Total Returns from 1 April 2016 to 31 March 2017	22.6%

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

22.7 Basis for Estimating Assets and Liabilities (Continued)

	2016/17 Years	2015/16 Years
Current Pensioners - Males	22.1	22.1
Females	23.7	23.7
Future Pensioners - Males	24.2	24.2
Females	26.3	26.3

Financial Assumptions

	2016/17 %	2015/16 %
Rate of inflation	2.4%	2.2%
Rate of increase in salaries	4.4%	4.2%
Increase in Pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%

22.8 Sensitivity Analysis

Accounting guidance requires disclosure of the sensitivity of the results to the methods and assumptions used. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

0.5% decrease in Real Discount Rate
 0.5% increase in the Salary Increase Rate
 0.5% increase in the Pension Increase Rate

	Approximate % Increase to Employer Obligation	Approximate Monetary Amount £'000
	11%	137,565
	4%	47,798
	7%	85,496

For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3 – 5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

22.9 Projected Pension Cost for period to 31 March 2018

The deficit has increased due to a significant decrease in the net discount rate over the period, the negative impact of which has been partially offset by much greater than expected asset returns.

The figures presented in the actuary's valuation are prepared only for the purposes of IAS 19 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes and have no impact on the employer's pension contribution rate.

The net pensions liability does not impact on the council's available reserves but the requirement to recognise the net pensions liability in the balance sheet has decreased the reported net worth of the council by 33% (28% 2015/16).

The projected pension expense for next year has also risen due to the lower net discount rate net of inflation, leading to a higher current service cost. The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2018, based on assumptions as at 31 March 2017:-

	31 March 2018			
	Assets £'000	Obligations £'000	Net £'000	% of pay
Current service cost	-	(39,977)	(39,977)	(37.3%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	-	(39,977)	(39,977)	(37.3%)
Interest income on plan assets	24,719	-	24,719	23.1%
Interest cost on defined benefit obligation	-	(32,476)	(32,476)	(30.3%)
Total Net Interest Cost	24,719	(32,476)	(7,757)	(7.2%)
Total included in Profit or Loss	24,719	(72,453)	(47,734)	(44.5%)

The estimated Employer's contributions for the year to 31 March 2018 will be approximately £21.840 million.

22.10 Impact on Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the schemes' actuary to achieve a funding level of 100% over the long term. Funding Levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2017.

The estimated Employer's contributions for the year to 31 March 2018 will be approximately £21.840 million. Employer contributions have been set at 20.0% for 2017/18 (20.0% 2016/17).

23. USABLE RESERVES

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and Notes 10 and 11.

23.1 Revenue Statutory Funds

	2016/17 £'000	2015/16 £'000
Insurance Fund		
Balance at 1 April	13,715	13,570
Appropriation	(1,880)	145
Balance at 31 March	11,835	13,715

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

23.2 Capital Fund	2016/17 £'000	2015/16 £'000
Balance at 1 April	88,214	84,765
Transfer (to) / from Capital Adjustment Account	(27,673)	(6,631)
Appropriation	4,985	10,080
Balance at 31 March	65,526	88,214

24. UNUSABLE RESERVES	2016/17 £'000	2015/16 £'000
Revaluation Reserve	528,616	148,128
Available for Sale Financial Instruments Reserve	252	224
Capital Adjustment Account	573,854	554,506
Financial Instruments Adjustment Account	(9,260)	(9,682)
Pensions Reserve	(290,290)	(176,148)
Accumulated Absences Account	(10,002)	(7,680)
Total Unusable Reserves	793,170	509,348

24.1 Revaluation Reserve	2016/17 £'000	2015/16 £'000
Balance at 1 April	148,128	147,840
Unrealised gains / (losses) on revaluation of fixed assets	423,583	7,875
Less: Depreciation on revaluations	(43,095)	(7,587)
Balance at 31 March	528,616	148,128

The Revaluation Reserve represents the store of gains on revaluation of fixed assets not yet realised through sales, and contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. The revaluations are depreciated over the life of the revalued assets with the corresponding credit charged to the Capital Adjustment Account.

24.2 Available-for-Sale Financial Instruments Reserve	2016/17 £'000	2015/16 £'000
Balance at 1 April	224	189
Revaluation of long-term investments at fair value	28	35
Balance at 31 March	252	224

24.3 Capital Adjustment Account	2016/17 £'000	2015/16 £'000
Balance at 1 April	554,506	627,363
Depreciation and impairment	(108,316)	(145,014)
Government grants written off	30,200	31,418
Loans fund principal repayments	14,660	13,768
Capital financed from current revenue (General Fund)	1,675	2,841
Capital financed from current revenue (HRA)	7,802	8,035
Gain/ (Loss) on disposal of non-current assets	2,559	1,877
Revaluation Reserve - Depreciation on revaluations	43,095	7,587
Transfer of Capital Receipts to Capital Fund	27,673	6,631
Balance at 31 March	573,854	554,506

The balances on the former Fixed Asset Restatement Account and Capital Financing Account at 31 March 2007 have been transferred into the Capital Adjustment Account. Revaluation gains up to 1 April 2007 have been accumulated in the Capital Adjustment Account. This account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairment. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

24.4 Financial Instruments Adjustment Account

Balance at 1 April
Appropriations (to) from Movements on Reserve Statement

Balance at 31 March

The Financial Instruments Adjustment Account is an accounting reserve arising from the re-measurement of financial instruments. It is a balancing account to allow for differences in statutory requirements and proper accounting practices for the council's lending and borrowing. The balance at 31 March 2017 represents:

Deferred Premiums less Discounts from Debt Rescheduling
Market LOBO loans restated - balance sheet value
- Deduct: actual loans outstanding

24.5 Pension Fund Reserve

The pension reserve mirrors the net pensions liability detailed in 19.3. The movements in the year are summarised as follows:

Balance at 1 April
Net surplus for year
Actuarial Gains (Losses) in Pension Plan

Balance at 31 March

24.6 Accumulated Absences Account

Balance at 1 April

Annual leave and flexitime accrual - previous year
Annual leave, maternity and flexitime accrual - current year

Statutory adjustment for the year

Balance at 31 March

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave, maternity and flexitime entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or (from) the Account.

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The following amounts are included in the net cash flows from Operating Activities:-

Interest paid
Interest element of finance lease rental payments including PPP contracts
Interest received

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:-

Depreciation
Impairment and downward revaluations
Amortisation
Increase/(decrease) in creditors
(Increase)/decrease in debtors
(Increase)/decrease in Short Term Intangible Assets
(Increase)/decrease in inventories
Movement in pension liability
Gain / (Loss) on disposal of non-current assets
Other non-cash items

2016/17 £'000	2015/16 £'000
(9,682)	(10,104)
422	422
(9,260)	(9,682)

2016/17 £'000	2015/16 £'000
(6,671)	(7,064)
(63,169)	(63,198)
60,580	60,580
(9,260)	(9,682)

2016/17 £'000	2015/16 £'000
(176,148)	(272,204)
(11,222)	(18,262)
(102,920)	114,318
(290,290)	(176,148)

2016/17 £'000	2015/16 £'000
	(8,999)
7,680	8,999
(10,002)	(7,680)
	1,319
	(7,680)

2016/17 £'000	2015/16 £'000
26,131	24,227
3,818	3,983
(2,928)	(2,974)
105,041	63,247
3,275	81,767
(30)	(28)
901	6,819
(2,334)	(8,193)
30	14
(166)	(3)
11,222	18,262
(2,559)	(1,877)
(113)	405
115,267	160,413

NOTES TO THE ANNUAL ACCOUNTS		STATEMENT 9	
26. CASH FLOW STATEMENT - INVESTING ACTIVITIES		2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment	(120,268)	(97,691)	
Other payments for investing activities	-	-	
Proceeds from the sale of property, plant and equipment	9,278	3,689	
Net decrease (increase) in short term investments	(25,000)	(9,978)	
Net cash flows from Investing Activities	(135,990)	(103,980)	
27. CASH FLOW STATEMENT - FINANCING ACTIVITIES		2016/17 £'000	2015/16 £'000
Cash receipts of short and long term borrowing	100,000	70,000	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(86)	(241)	
Repayments of short and long term borrowing	(30,125)	(30,000)	
Net cash flows from Financing Activities	69,789	39,759	
28. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS		2016/17 £'000	2015/16 £'000
Cash held by officers	151	145	
Bank current accounts	2,258	1,932	
Short term deposits	12,675	25,725	
Total Cash and Cash Equivalents	15,084	27,802	
29. AGENCY SERVICES			
Expenditure		2016/17 £'000	2015/16 £'000
Local Bus Services			
Cross boundary bus services where other local authorities contract for the services and charge West Lothian for shared cross boundary agreements.	76	67	
Residential Schools and other Social Work payments			
Costs incurred in relation to residential care for children under the age of 18 who are deemed to be a significant risk to themselves or others in the community. Secure care is provided by third sector organisations. Secure care provides intensive support and safe boundaries whilst providing care, including health and education.	860	679	
Special School Placements			
Costs incurred in respect of West Lothian children who are in receipt of supported education services provided by other local authorities outwith the West Lothian Area.	262	308	
Other			
Provision of other services – Speech Therapy, Additional Needs Support, New business Start-up support, Childrens Panel etc.	1,077	1,346	
Non Domestic Rates			
The council provides a collection service for Scottish Government in relation to Non Domestic Rates. The difference between funding received and costs incurred is fully funded by Scottish Government and is included as a debtor in the council's Balance Sheet.	93,058	85,516	
Total Expenditure	95,333	87,916	
Income			
Scottish Water Collection Services			
The Council has an agreement with Scottish Water whereby it collects water and waste charges in conjunction with collection of Council Tax for a collection fee.	553	576	
Social Work Services			
Income in respect of delivery of support for people with alcohol and drug problems. This is delivered through West Lothian Council's Social Work Addictions Team and funded by National Health Service under our Alcohol and Drug Partnership contracts.	1,182	1,102	
Local Bus Services			
Cross boundary bus services where West Lothian contract for the services and recharge other local authorities for shared cross boundary agreements.	161	226	
Special School Placements			
Recovery of the cost of provision of supported education provided to Other Local Authority children living outwith the West Lothian boundary but receiving educational services in West Lothian.	355	377	
Non Domestic Rates			
The council provides a collection service for Scottish Government in relation to Non Domestic Rates. The difference between funding received and costs incurred is fully funded by Scottish Government and is included as a debtor in the council's Balance Sheet.	90,619	80,308	
Total Income	92,870	82,589	

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

30. TRADING OPERATIONS

The Local Government in Scotland Act 2003 repealed the requirement to have separate DSO/DLO trading accounts and introduced a specific performance requirement for each significant trading operation to breakeven over a three year rolling basis.

Economic Development Properties have been identified as a significant trading operation. The Service involves the maintenance and letting of industrial units, office accommodation and shops. The portfolio contains around 500 individual rental units and the policy objective is to ensure an adequate supply of property to meet the requirements of business needs in West Lothian. Summarised details of the account are as follows:-

	2016/17 £'000	2015/16 £'000
Turnover	4,819	4,718
Expenditure	4,334	8,886
Surplus (Deficit) for year	485	(4,168)
Budget Surplus (Deficit) for year	397	(4,225)

Included in turnover is internal income of £0.325 million (£0.417 million 2015/16).

The requirement to charge notional interest was removed in the 2006 SORP. However, for the purposes of assessing whether the trading operation has met the statutory requirement to breakeven over a three year rolling period, interest still requires to be included in expenditure for this assessment. A share of General Fund loan interest has been made based on the net book value of Economic Development Properties fixed assets to the total net book value of General Fund fixed assets. The results are summarised as follows:-

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2014/15	912	813	99
2015/16	(4,168)	740	(4,908)
2016/17	485	531	(46)
	(2,771)	2,084	(4,855)

In the three years to 31 March 2017 the trading account sustained a statutory aggregate loss of £4.855 million, therefore not achieving the statutory financial requirement to breakeven over the three year period. This was as a result of charges for impairment of £4.477 million in 2015/16 and £0.644 million in 2016/17 on assets from the Economic Development Property Portfolio. The financial position excluding the impairment charges would have resulted in the following surplus.

	2016/17 £'000	2015/16 £'000	2014/15 £'000
Turnover	4,819	4,718	4,445
Expenditure	3,690	4,409	3,533
Surplus for year	1,129	309	912
Budget Surplus for year	1,041	252	779

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2014/15	912	813	99
2015/16	309	740	(431)
2016/17	1,129	531	598
	2,350	2,084	266

Excluding impairment charges incurred during 2015/16 and 2016/17, in the three years to 31 March 2017 the trading account would have made a statutory aggregate surplus of £0.266 million, therefore meeting the statutory financial requirement to breakeven over the three year period.

31. EXTERNAL AUDIT COSTS

The council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:-

	2016/17 £'000	2015/16 £'000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	318	331
The Accounts Commission for Scotland has appointed Ernst and Young as the Council External Auditor for the financial years 2016/17 to 2020/21.	318	331

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

32. CONTINGENT LIABILITIES

West Lothian Recycling

The council, under the terms of the Shareholder's Agreement with its partner Tarmac, has guaranteed to meet any loan from Tarmac to its related company, West Lothian Recycling Ltd. up to a maximum of £96,500, plus 50% of the related financing costs. There were no loans during 2016/17.

Equal Pay Provision

Whilst the council has made appropriate provision, as detailed in note 20, for all known outstanding claims in respect of equal pay, the council recognises the potential for compensation claims in respect of cases not yet presented.

Municipal Mutual – Scheme of Arrangement

The Municipal Mutual Scheme of Arrangement was triggered in November 2012. The scheme administrator announced that the initial levy rate was 15% of claims paid since 1993. The council has paid a total of £0.198 million in respect of West Lothian District Council and Livingston Development Corporation liability and £0.035 million in respect of the council's share of Lothian Regional Council liability.

The council recognises that further levies will be imposed and therefore acknowledges a potential future liability.

Holiday Pay Liability

During periods of annual leave employees receive their basic contractual pay. This means that any non-contractual additional payments e.g. overtime, are not reflected in the rate of pay the employee receives while on annual leave. A decision made by the European Court of Justice in May 2014 under the Working Time Directive 2003/88/EC has held that holiday pay should be the normal remuneration received by the employee and the matter remains under consideration by the employment tribunal system.

The council has received a number of claims for holiday pay. In accordance with Employment Tribunal procedures being applied across the UK, they are suspended until decisions are made in appeal proceedings which may clarify the legal position. No payments have been made by the council in relation to this issue.

33. POST REPORTING PERIOD EVENTS

The Head of Finance and Property Services, Donald Forrest CPFA, being the officer responsible for the council's financial affairs, authorised the issue of the unaudited annual accounts on 30 June 2017. Events after the balance sheet date have been considered up to this date.

34. GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

	2016/17 £'000	Restated 2015/16 £'000
Credited to Taxation and Non Specific Grant Income		
Capital Grants and Contributions		
- General Capital Grant	12,298	17,083
- Other Scottish Government Grant	10,610	9,177
- Developers Contributions	4,245	3,791
- Other Capital Contributions	3,047	1,367
Total Capital Grants and Contributions	30,200	31,418
Revenue Support Grant	218,861	217,938
Distribution from Non Domestic Rate Pool	87,726	94,216
Total Grants credited to Taxation and Non Specific Grant Income	336,787	343,572
Credited to Services		
Housing Benefits Grant	53,656	54,254
Administration of Benefits Grant	792	843
DWP Discretionary Housing Payment	971	287
Integration Joint Board	7,130	-
Education Maintenance Allowance	670	706
European Grants	837	3,535
Private Sector Housing Grant	732	732
Community Led Regeneration	37	34
Criminal Justice Grant	2,634	2,399
Economic Growth Plan	1,699	1,371
Home Energy Efficiency Programme for Scotland	693	2,880
Sport Scotland	388	460
Creative Scotland	224	381
Skills Development	257	89
Big Lottery Fund	212	13
Vehicle Emissions Testing	186	169
Syrian Resettlement Programme	340	120
Other Grants	2,996	1,896
Contribution from - Local Authorities	742	923
- Scottish Enterprise Edinburgh and Lothian	219	-
- NHS	7,084	7,032
Total Grants credited to Services	82,499	78,124

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

35. GENERAL FUND BALANCE

The following amounts have been earmarked within the General Fund Balance.

	Balance at 1 April 2015 £'000	Transfers Out 2015/16 £'000	Transfers in 2015/16 £'000	Balance at 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000
General Balance at 31 March	19,307			19,047			18,700
Movement in Earmarked Reserves							
Balances held by schools under a scheme of delegation	1,053	-	5	1,058	-	2	1,060
Energy Efficiency Fund	358	(7)	-	351	(2)	-	349
Weather Emergency Fund	1,000	-	-	1,000	(1,000)	-	-
Modernisation Fund	4,372	-	-	4,372	(608)	-	3,764
Senior Peoples Challenge Fund	88	-	-	88	(88)	-	-
Scottish Government Grant	4,812	-	386	5,198	(1,396)	1,736	5,538
Time Limited Projects	5,414	(1,674)	1,010	4,750	(2,060)	2,171	4,861
War Memorial Fund	50	-	-	50	(6)	-	44
Local Plan	110	-	-	110	-	-	110
Use of Reserves to balance	-	-	-	-	-	-	-
Revenue Budget	-	-	-	-	-	899	899
Demand Responsive Transport	50	(50)	-	-	-	-	-
Total Earmarked Reserves	17,307	(1,731)	1,401	16,977	(5,160)	4,808	16,625
Uncommitted General Fund Balance at 31 March	2,000			2,070			2,075

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £1.060 million (£1.058 million 2015/16) is held within the General Fund. This sum represents the amount by which schools underspent their delegated schemes and may be used to supplement their 2017/18 budgetary provision. This sum, although held within the General Fund, must be spent on Education Services and is not available to the council for general use.

36. LEASING AND PPP PAYMENTS

Leases

The council uses leased cars, street sweeping vehicles, occupies certain offices financed under the terms of various operating leases and leases windows and doors in some of the council's housing stock. The amounts paid under these arrangements were as follows:-

	2016/17 £'000	2015/16 £'000
Plant and Vehicles	3,258	3,329
Property	361	546
	3,619	3,875

Assets acquired under finance leases have been capitalised and are detailed in note 12.8.

Operating Leases

The future cash payments required under operating leases are:-

	2016/17 £'000	2015/16 £'000
2017/18 (2016/17)	353	218
2018/19 to 2021/22 (2017/18 to 2020/21)	3,073	3,053
2022/23 onwards (2021/22 onwards)	566	644
	5,061	5,879
	1,476	1,575
	26	13

The cumulative value of leases where the council is a lessor is £5.573 million for 720 units.

Education Service PPP1 Schools Project

This is a 31 year PPP contract which was awarded in August 2001 for the construction, extension and refurbishment of existing facilities, for three high schools, three primary schools and two nursery schools in Bathgate, Broxburn, Whitburn and Linlithgow. The contractor is also responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 7 November 2032.

The unitary charge is subject to annual RPI indexation. The PPP contractor has price risk for utilities, so the council may be due a rebate on the unitary charge and this is reviewed bi-annually. The contractor is also entitled to a change adjustment to reflect any relevant costs incurred by the contractor within the first eleven and a half years of the contract. The council is however entitled to receive a share of any Refinancing Gain in accordance with a formula linked to the Equity IRR.

36. LEASING AND PPP PAYMENTS (CONTINUED)**Education Service PPP1 Schools Project (continued)**

The council has rights to access the school facilities each school day. The contract specifies standards for the services to be delivered by the PPP contractor, with payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities and any plant and equipment installed in them at the end of the contract will be transferred to the council for nil consideration. Both parties have rights to terminate the contract, but compensation may be payable.

A number of minor changes to the arrangements have been made in the period, but none significant enough to change the risk profile of the project.

Education Service PPP3 Schools Project

This is a 31 year PPP contract for the construction of new facilities, for two high schools in Livingston (Deans) and Armadale. The contractor is also responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 16 August 2039.

The Unitary Charge is subject to annual RPI indexation. The parties share the benefit/cost of improving or not achieving the set utility consumption targets, so the council may be due a rebate on the unitary charge and this is reviewed annually. Whilst the council may have to meet any additional cost of insurance premiums, it may also benefit from their reduction. In addition, the council is entitled to receive a 50% share of a refinancing gain arising from a qualifying refinancing.

The council has rights to access the school facilities each week day, and each weekend. The contract specifies standards for the services to be delivered by the PPP contractor, with payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities and any plant and equipment installed in them at the end of the contract will be transferred to the council for nil consideration. Both parties have rights to terminate the contract, but compensation may be payable.

A number of minor changes to the arrangements have been made in the period, but none significant enough to change the risk profile of the project.

PPP Payments

The future cash payments under two PPP schools contracts are analysed as follows:-

	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	2016/17 Total £'000	2015/16 Total £'000
Within one year	2,392	3,675	177	6,217	12,461	12,201
2 to 5 years	9,352	13,040	1,144	29,027	52,563	51,463
6 to 10 years	12,311	13,221	2,213	44,544	72,289	70,771
11 to 15 years	17,720	9,263	1,810	51,602	80,395	78,702
16 to 20 years	15,528	4,004	198	36,684	56,414	62,365
21 to 25 years	8,161	593	-	18,111	26,865	37,686
	65,464	43,796	5,542	186,185	300,987	313,188

37. RELATED PARTIES

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Scottish Government

Scottish Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government Departments are set out in the subjective analysis in note 34 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2017 are detailed on page 61.

Councillors

Members of the Council have direct control over the council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2016/17 are shown in the Remuneration Report note 2.3 on page 19. There are no related party transactions with members of the council.

Officers

There are no related party transactions with Officers of the Council.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 9

37. RELATED PARTIES (CONTINUED)

During the year, the council entered into a number of transactions with related parties which include Central Government, Other Local Authorities, the Joint Valuation Board and related companies.

	2016/17 £'000	Restated 2015/16 £'000
EXPENDITURE		
Government Payments		
PAYE and National Insurance	56,641	50,590
Superannuation – Teachers	12,430	11,588
Other Local Authority Payments		
Superannuation	23,808	23,584
Other Payments	950	1,336
Other Related Party Payments		
Joint Valuation Board	1,145	1,145
West Lothian Integration Board	60,584	10
West Lothian Municipal Bank Ltd.	-	-
West Lothian Leisure Ltd.	2,758	1,906
Councillors Remuneration	722	705
Criminal Justice Authority	3,498	3,169
SESTRAN / SESPLAN	69	69
	162,605	94,102
Other Related Party Income		
Other Local Authority Receipts	742	923
Criminal Justice Authority	2,634	2,399
	3,376	3,322
BALANCE SHEET		
The amounts due (to) or from related parties are detailed below:-		
Government departments	3,649	6,668
Other local authorities	(1,022)	(2,758)
Related companies		
- West Lothian Leisure Ltd.	14	205
- West Lothian Integration Board	(95)	-
	2,546	4,115

38. WEST LOTHIAN INTEGRATION JOINT BOARD (IJB)

The Public Bodies (Joint Working) (Scotland) Act 2014 established the legal framework for integrating health and social care in Scotland. Section 71(2) of the 2014 Act expressly repealed Sections 4A and 4B of the National Health Service (Scotland) Act 1978 which made provision regarding community health partnerships. That repeal took effect on 1 April 2015 and the West Lothian Integration Joint Board (IJB) superseded the West Lothian Community Health and Care Partnership (WLCHCP) arrangement in 2015/16. The IJB operated on a shadow basis until the West Lothian IJB was legally established on 21 September 2015.

The arrangements for the IJB's operation, remit and governance are set out in the integration scheme which was approved by West Lothian Council, NHS Lothian and the Scottish Government. The IJB's primary purpose is to set the strategic direction for the delegated functions through the development of a Strategic Plan. Relevant functions and resources from the council and NHS Lothian were delegated to the West Lothian IJB from 1 April 2016 to enable it to plan the delivery of functions and deliver on strategic outcomes. The IJB gives directions to the council and NHS Lothian as to the functions to be delivered and the resources available to deliver the functions. The level of resources associated with council functions delegated to the IJB in 2016/17 was £60.584 million (£0.010 million 2015/16).

HRA – INCOME AND EXPENDITURE STATEMENT		STATEMENT 10	
PURPOSE	The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.		
INCOME		2016/17 £'000	2015/16 £'000
	Dwellings Rent (gross)	(44,724)	(43,418)
	Non-Dwellings Rent (gross)	(550)	(592)
	Other Income	(1,174)	(3,179)
	TOTAL INCOME	(46,448)	(47,189)
EXPENDITURE			
	Repairs and Maintenance	15,011	13,973
	Supervision and Management	8,482	8,707
	Depreciation and Revaluation of non-current assets	17,698	77,215
	Bad or Doubtful Debts	512	517
	Other Expenditure	2,672	4,883
	TOTAL EXPENDITURE	44,375	105,295
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(2,073)	58,106
	HRA Services share of Corporate and Democratic Core (CDC)	94	93
	HRA Share of Accumulated Absences	(7)	-
	HRA share of Non Distributed Costs	12	8
	Net Cost of HRA Services	(1,974)	58,207
	HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	(Profit) / Loss on sale of HRA assets	(2,064)	(771)
	Interest payable and similar charges	7,766	7,175
Net interest on the net defined benefit liability	269	262	
Deficit for the year on HRA Services	3,997	64,873	

MOVEMENT ON THE HRA STATEMENT

STATEMENT 11

PURPOSE	This statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.			
MOVEMENT		Note	2016/17 £'000	2015/16 £'000
	Balance on the HRA at the end of the previous year		(926)	(926)
	Deficit for the year on the HRA Income and Expenditure Statement		3,997	64,873
	Adjustments between accounting basis and funding basis under regulations	1	(3,997)	(64,873)
	(Increase) or decrease in year on the Housing Revenue Account		-	-
	Balance on the HRA at the end of the current year		(926)	(926)
NOTES	1. Adjustments between accounting basis and funding basis under regulations			
	Depreciation and Revaluation		(17,698)	(77,215)
	Profit / (Loss) on sale of HRA fixed assets		2,064	771
	Share of Accumulated Absences		7	-
	Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund		(281)	(270)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		(15,908)	(76,714)
	Loans fund principal		4,109	3,806
	Capital expenditure funded by HRA		7,802	8,035
	Adjustments between accounting basis and funding basis under regulations		(3,997)	(64,873)
	2. Housing Stock			
	The council's stock at 1 April 2016 was 13,234 houses and at 31 March 2017 was 13,169 houses. As a result the council was responsible for managing an average of 13,202 dwellings during 2016/17.		2016/17 No of Houses	2015/16 No of Houses
	Stock movements can be summarised as follows:-			
	Stock as at 1 April		13,234	13,275
	Additions		214	88
	Less Demolitions		(83)	(49)
	Less Stock restated		(30)	-
	Less Sales		(166)	(80)
	Stock as at 31 March		13,169	13,234
	Housing Stock Numbers by type are as follows:			
	1 Bed		2,367	2,296
	2 Bed		6,190	6,204
	3 Bed		4,037	4,142
	4 Bed		448	461
	More than 4 Bed		127	131
			13,169	13,234
	3. Rent Arrears		2016/17 £'000	2015/16 £'000
	Current Tenant Gross Rent Arrears at 31 March		1,220	1,247
	Former Tenant Gross Rent Arrears at 31 March		1,033	980
	4. Losses on Void Properties		2016/17 £'000	2015/16 £'000
	Losses on void properties at 31 March		454	422
	5. Bad Debt Provision		2016/17 £'000	2015/16 £'000
	Bad Debt Provision for housing rent arrears and former tenant's debt.		1,543	1,559

COUNCIL TAX INCOME ACCOUNT**STATEMENT 12**

PURPOSE	This statement shows the net income raised from Council Tax levied under the Local Government Finance Act 1992.																																																																																																																																																															
INCOME	Gross Council Tax levied and contributions in lieu <u>Less:</u> Discounts Provision for bad debts Council Tax Reduction Scheme Other deductions Adjustments for previous years' Community Charge and Council Tax Transfers to General Fund					2016/17 £'000			2015/16 £'000																																																																																																																																																							
							81,830	80,905																																																																																																																																																								
						(6,712)		(6,705)																																																																																																																																																								
						(1,648)		(1,626)																																																																																																																																																								
						(9,265)		(9,387)																																																																																																																																																								
						(1,751)		(1,488)																																																																																																																																																								
							(19,376)	(19,206)																																																																																																																																																								
	62,454	61,699																																																																																																																																																														
	(268)	(762)																																																																																																																																																														
	62,186	60,937																																																																																																																																																														
NOTES	1.	Calculation of the Council Tax base 2016/17																																																																																																																																																														
		<table><tr><td></td><th colspan="9">PROPERTY BANDS</th></tr><tr><th></th><th>A</th><th>B</th><th>C</th><th>D</th><th>E</th><th>F</th><th>G</th><th>H</th><th>Total</th></tr><tr><td>Properties</td><td>17,636</td><td>24,705</td><td>9,944</td><td>8,154</td><td>9,507</td><td>5,830</td><td>2,655</td><td>185</td><td>78,616</td></tr><tr><td>Exemptions</td><td>(787)</td><td>(620)</td><td>(206)</td><td>(103)</td><td>(55)</td><td>(36)</td><td>(14)</td><td>(12)</td><td>(1,833)</td></tr><tr><td>Disabled Relief</td><td>173</td><td>(70)</td><td>(21)</td><td>20</td><td>(37)</td><td>(24)</td><td>(41)</td><td>-</td><td>-</td></tr><tr><td>Discounts (10%)</td><td>(10)</td><td>(13)</td><td>(7)</td><td>(6)</td><td>(5)</td><td>(1)</td><td>(2)</td><td>-</td><td>(44)</td></tr><tr><td>Discounts (25%)</td><td>(2,440)</td><td>(2,403)</td><td>(948)</td><td>(535)</td><td>(418)</td><td>(173)</td><td>(56)</td><td>(3)</td><td>(6,976)</td></tr><tr><td>Discounts (50%)</td><td>(79)</td><td>(74)</td><td>(52)</td><td>(27)</td><td>(19)</td><td>(10)</td><td>(7)</td><td>-</td><td>(268)</td></tr><tr><td>Council Tax Reduction Scheme</td><td>(4,837)</td><td>(4,261)</td><td>(1,086)</td><td>(405)</td><td>(212)</td><td>(63)</td><td>(14)</td><td>(1)</td><td>(10,879)</td></tr><tr><td>Effective Properties</td><td>9,656</td><td>17,264</td><td>7,624</td><td>7,098</td><td>8,761</td><td>5,523</td><td>2,521</td><td>169</td><td>58,616</td></tr><tr><td>Ratio to Band D</td><td>6/9</td><td>7/9</td><td>8/9</td><td>1</td><td>11/9</td><td>13/9</td><td>15/9</td><td>18/9</td><td></td></tr><tr><td>Band D Equivalents</td><td>6,435</td><td>13,428</td><td>6,777</td><td>7,098</td><td>10,707</td><td>7,979</td><td>4,201</td><td>337</td><td>56,962</td></tr><tr><td>Contributions in lieu</td><td colspan="8"></td><td>-</td></tr><tr><td>Level of non-payment provided for</td><td colspan="8"></td><td>(1,424)</td></tr><tr><td>COUNCIL TAX BASE</td><td colspan="8"></td><td>55,538</td></tr></table>										PROPERTY BANDS										A	B	C	D	E	F	G	H	Total	Properties	17,636	24,705	9,944	8,154	9,507	5,830	2,655	185	78,616	Exemptions	(787)	(620)	(206)	(103)	(55)	(36)	(14)	(12)	(1,833)	Disabled Relief	173	(70)	(21)	20	(37)	(24)	(41)	-	-	Discounts (10%)	(10)	(13)	(7)	(6)	(5)	(1)	(2)	-	(44)	Discounts (25%)	(2,440)	(2,403)	(948)	(535)	(418)	(173)	(56)	(3)	(6,976)	Discounts (50%)	(79)	(74)	(52)	(27)	(19)	(10)	(7)	-	(268)	Council Tax Reduction Scheme	(4,837)	(4,261)	(1,086)	(405)	(212)	(63)	(14)	(1)	(10,879)	Effective Properties	9,656	17,264	7,624	7,098	8,761	5,523	2,521	169	58,616	Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9		Band D Equivalents	6,435	13,428	6,777	7,098	10,707	7,979	4,201	337	56,962	Contributions in lieu									-	Level of non-payment provided for									(1,424)	COUNCIL TAX BASE									55,538
	PROPERTY BANDS																																																																																																																																																															
	A	B	C	D	E	F	G	H	Total																																																																																																																																																							
Properties	17,636	24,705	9,944	8,154	9,507	5,830	2,655	185	78,616																																																																																																																																																							
Exemptions	(787)	(620)	(206)	(103)	(55)	(36)	(14)	(12)	(1,833)																																																																																																																																																							
Disabled Relief	173	(70)	(21)	20	(37)	(24)	(41)	-	-																																																																																																																																																							
Discounts (10%)	(10)	(13)	(7)	(6)	(5)	(1)	(2)	-	(44)																																																																																																																																																							
Discounts (25%)	(2,440)	(2,403)	(948)	(535)	(418)	(173)	(56)	(3)	(6,976)																																																																																																																																																							
Discounts (50%)	(79)	(74)	(52)	(27)	(19)	(10)	(7)	-	(268)																																																																																																																																																							
Council Tax Reduction Scheme	(4,837)	(4,261)	(1,086)	(405)	(212)	(63)	(14)	(1)	(10,879)																																																																																																																																																							
Effective Properties	9,656	17,264	7,624	7,098	8,761	5,523	2,521	169	58,616																																																																																																																																																							
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9																																																																																																																																																								
Band D Equivalents	6,435	13,428	6,777	7,098	10,707	7,979	4,201	337	56,962																																																																																																																																																							
Contributions in lieu									-																																																																																																																																																							
Level of non-payment provided for									(1,424)																																																																																																																																																							
COUNCIL TAX BASE									55,538																																																																																																																																																							
	2.	The level of Council Tax depends upon the value of the property. Certain prescribed dwellings are exempt and discounts are given to eligible taxpayers i.e. single occupants. A Council Tax Scheme Reduction is available to taxpayers on a low income. Other deductions include Disabled Relief. A bad debt provision of 2.25% of the net income from Council Tax has been provided, this represents a collection level of 97.75%.																																																																																																																																																														
	3.	The Council Tax charge for each band is as follows:-																																																																																																																																																														
		Band	2016/17 Council Tax £				2015/16 Council Tax £																																																																																																																																																									
		A	752.00				752.00																																																																																																																																																									
		B	877.33				877.33																																																																																																																																																									
		C	1,002.67				1,002.67																																																																																																																																																									
		D	1,128.00				1,128.00																																																																																																																																																									
		E	1,378.67				1,378.67																																																																																																																																																									
		F	1,629.33				1,629.33																																																																																																																																																									
		G	1,880.00				1,880.00																																																																																																																																																									
		H	2,256.00				2,256.00																																																																																																																																																									

NON-DOMESTIC RATE INCOME ACCOUNT

STATEMENT 13

PURPOSE	This account shows the income from the rate levied on non-domestic property under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992.			
INCOME		2016/17 £'000		2015/16 £'000
	Gross rates levied and contributions in lieu		108,458	101,518
	<u>Less</u>			
	Reliefs and other deductions	(14,783)		(19,231)
	Provisions for bad and doubtful debts	(2,168)		(2,202)
			(16,951)	(21,433)
	Net non-domestic rate income		91,507	80,085
	Allocated:			
	National non-domestic rate pool		91,648	80,218
NOTES			(141)	(133)
			91,507	80,085
	1.	The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2016/17 was £87.726 million (£94.216 million 2015/16).		
	2.	Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Lothian area. The National non-domestic rate poundage is determined by the Scottish Government, and was 48.4p per £ in 2016/17 (48.0p in 2015/16). The rate was 51.0p (49.3p in 2015/16) for properties with a rateable value of more than £35,000. Properties with a rateable value of £18,000 or less are subject to a reduced charge if they meet the qualifying criteria under the small business bonus scheme.		
	3.	Rateable values at 1 April 2016		
			Number	Rateable Value £'000
		Shops, Offices and other Commercial Subjects	2,981	91,709
		Industrial Subjects	1,759	79,844
		Miscellaneous (Schools etc.)	1,115	44,473
		Total	5,855	216,026
	4.	There is no retained income from the Business Rates Incentivisation Scheme for 2016/17.		

TRUSTS AND MORTIFICATIONS

STATEMENT 14

PURPOSE	The council acts as sole trustee for 40 Trusts and Mortifications. The funds do not represent the assets of the council and therefore they have not been included in the Balance Sheet.		
	The figures below summarise the Income and Expenditure arising during the year and the aggregate Assets and Liabilities of the Trusts at the year end.		
EXPENDITURE INCOME SURPLUS / (DEFICIT)	INCOME AND EXPENDITURE STATEMENT	2016/17 £'000	2015/16 £'000
	Beneficiaries	7	4
	Loans Fund and Dividend Interest	5	5
	For Year	(2)	1
	At 1 April	382	381
	At 31 March	380	382
	BALANCE SHEET		
	Current Assets		
	Investments	47	47
	Revenue Advances to Loans Fund	333	335
		380	382
	Current Liabilities	-	-
	TOTAL ASSETS	380	382
	Reserves		
	Capital Fund	165	165
	Revenue Fund	215	217
	TOTAL RESERVES	380	382
NOTES	1.	In order to preserve the capital value of Trust Funds, it is council policy to disburse only revenue income arising from them. This is done one year in arrears i.e. revenue income received during 2016/17 is disbursed in 2017/18.	
	2.	The main fund balances where the Council is sole trustee at 31 March 2017 are:-	
		Capital £'000	Revenue £'000
	Irene Elizabeth Miller Trust	60	3
	West Lothian Trust for the Benefit of People with Disabilities	41	18
	Quarter Farm Trust	17	40
	James Wood Bequest	14	53
	Robert Turner of Armadale Trust	11	19
	3.	The council also administered five other trusts in 2016/17, which have external and council trustees. At 31 March 2017 the total assets of these trusts, valued at cost, was £0.210 million (£0.208 million at 31 March 2016).	

COMMON GOOD ACCOUNT

STATEMENT 15

PURPOSE

The Common Good Fund was inherited from West Lothian District Council and the former Linlithgow Town Council at the respective reorganisations of local government in 1996 and 1975 and is administered by the Council. Income from the Fund may be applied for the benefit of inhabitants of Linlithgow.

The figures below summarise the Income and Expenditure arising during the year and the Assets and Liabilities of the Fund at the year end.

INCOME AND EXPENDITURE STATEMENT**2016/17**
£'000**2015/16**
£'000**Expenditure**

Donations

-

-

Income

Interest

-

-

Surplus / (Deficit)

At 1 April

14

14

At 31 March

14

14

BALANCE SHEET**Non-Current Assets**

Heritable Property

1

1

Furnishings

4

4

5

5

Current Assets

Revenue Advances to Loans Fund

18

18

23

23

TOTAL ASSETS

FINANCED BY:

Reserves

Revenue Balance

14

14

Capital Reserve

9

9

TOTAL LOANS AND RESERVES

23

23

NOTES

1. Fixed Assets represent book values taken over from former councils as recorded in their Annual Accounts. They consist of:-

Furnishings

£'000

4

Heritable Property

1

5

2. LASAAC has issued guidance on the application of accounting requirements to Common Good assets. The council has not taken any action due to the insignificant amount involved (£5,000) and have not included this amount in their asset register.

3. Interest received in 2016/17 amounted to £147 (£157 2015/16).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - GROUP

STATEMENT 16

PURPOSE	The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.
----------------	---

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Group Note	2016/17			2015/16 (Restated)		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support		218,577	6,004	212,573	181,831	6,761	175,070
Planning, Economic Development and Regeneration		11,478	4,946	6,532	15,098	7,417	7,681
Operational Services		79,497	9,051	70,446	79,052	10,250	68,802
Housing, Customer and Building Services		21,761	5,458	16,303	22,146	5,078	17,068
Corporate Services		1,067	664	403	1,178	602	576
Social Policy – IJB, Adult and Elderly Services		85,003	24,419	60,584	10	-	10
Social Policy – non IJB, Children's Services		39,200	4,552	34,648	122,886	20,625	102,261
Chief Executive, Finance and Property		35,277	5,517	29,760	34,867	4,539	30,328
Joint Boards		1,214	-	1,214	1,214	-	1,214
Time Limited Expenditure		-	-	-	340	-	340
Other Services		58,171	58,306	(135)	59,285	58,990	295
Net Cost of General Fund Services		551,245	118,917	432,328	517,907	114,262	403,645
Housing Revenue Account		44,375	46,448	(2,073)	105,295	47,189	58,106
Net Cost of Services		595,620	165,365	430,255	623,202	161,451	461,751
Other Operating Expenditure		(2,559)	-	(2,559)	(1,877)	-	(1,877)
Financing and Investment Income and Expenditure		67,445	34,343	33,102	68,940	30,602	38,338
Share of corporation tax of Joint Venture		-	-	-	-	-	-
Taxation and Non-Specific Grant Income		-	398,973	(398,973)	-	404,509	(404,509)
(Surplus) or Deficit on Provision of Services		660,506	598,681	61,825	690,265	596,562	93,703
Share of Operating Results of Associates and Joint Ventures		4,149	4,185	(36)	3,212	3,602	(390)
(Surplus) or Deficit on Group		664,655	602,866	61,789	693,477	600,164	93,313
Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services							
(Surplus) / Deficit on revaluation of property, plant and equipment				(423,583)			(7,875)
Actuarial (gains) / losses on pension assets and liabilities				102,920			(114,318)
(Gains) / Losses on Investments in Associates and Joint Ventures				2,074			(1,264)
Items that may be reclassified to the Surplus / (Deficit) on the Provision of Services				(318,589)			(123,457)
(Surplus) / Deficit on revaluation of available for sale financial assets				(28)			(35)
Other Comprehensive Income and Expenditure				(318,617)			(123,492)
Total Comprehensive Income and Expenditure				(256,828)			(30,179)

MOVEMENT IN RESERVES STATEMENT - GROUP**STATEMENT 17****PURPOSE**

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the Statutory General Fund Balance and Housing Revenue Account Balance Movements in year following those adjustments.

**MOVEMENT IN RESERVES STATEMENT - GROUP
AS AT 31 MARCH 2017**

	Group Note	Single Entity Usable Reserves (Note 1) £'000	Single Entity Unusable Reserves (Note 1) £'000	Group Reserves (Note 2) £'000	Total Group Reserves £'000
Balance at 1 April 2015		118,568	484,085	(2,407)	600,246
Movement in Reserves during 2015/16					
Total comprehensive income and expenditure		(93,631)	122,228	1,582	30,179
Adjustments between accounting basis and funding basis under regulations		96,965	(96,965)	-	-
Net increase (decrease) before transfers to other statutory funds		3,334	25,263	1,582	30,179
Transfers to or from other statutory funds		-	-	-	-
Increase (decrease) in year		3,334	25,263	1,582	30,179
Balance at 31 March 2016	G3	121,902	509,348	(825)	630,425
Movement in Reserves during 2016/17					
Total comprehensive income and expenditure		(61,784)	320,691	(2,079)	256,828
Adjustments between accounting basis and funding basis under regulations		36,869	(36,869)	-	-
Net increase (decrease) before transfers to other statutory funds		(24,915)	283,822	(2,079)	256,828
Transfers to or from other statutory funds		-	-	-	-
Increase (decrease) in year		(24,915)	283,822	(2,079)	256,828
Balance at 31 March 2017	G3	96,987	793,170	(2,904)	887,253

1. Statement 6 and notes 10 and 11 to the Annual Accounts provide details of the Single Entity Reserves.
2. Note G3 to the Group Accounts provides details of the Combining Entities Reserves.

BALANCE SHEET - GROUP**STATEMENT 18****PURPOSE**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that are adjustment accounts that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Group Note	As at 31 March 2017 £'000	As at 31 March 2016 £'000
LONG TERM ASSETS			
Property, Plant and Equipment			
- Council Dwelling		447,833	419,966
- Other Land and Buildings		1,012,265	628,251
- Vehicles, Plant, Furniture and Equipment		19,287	18,729
- Infrastructure Assets		211,219	207,853
- Community Assets		570	570
- Assets under construction		39,690	27,614
- Surplus Assets, not yet held for disposal		23,187	23,062
		1,754,051	1,326,045
Heritage Assets		779	677
Long Term Investments		277	249
Long Term Debtors		-	11
TOTAL LONG TERM ASSETS		1,755,107	1,326,982
CURRENT ASSETS			
Short Term Investments		125,585	100,466
Inventories		1,137	971
Short Term Debtors		36,535	35,979
Cash and Cash Equivalents		15,084	27,802
Intangible Assets		592	622
TOTAL CURRENT ASSETS		178,933	165,840
CURRENT LIABILITIES			
Short Term Borrowing		(100,290)	(100,066)
Short Term Creditors		(85,276)	(84,447)
Provisions		(174)	(431)
TOTAL CURRENT LIABILITIES		(185,740)	(184,944)
NET CURRENT ASSETS (LIABILITIES)		(6,807)	(19,104)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,748,300	1,307,878
LONG TERM LIABILITIES			
Long Term Creditors		(1,140)	(1,345)
Long Term Borrowing		(503,641)	(433,671)
Defined Benefit Scheme Liability		(290,290)	(176,148)
Other Long Term Liabilities		(63,072)	(65,464)
Share of Net Liabilities of Associates and Joint Venture		(2,904)	(825)
TOTAL LONG TERM LIABILITIES		(861,047)	(677,453)
TOTAL NET ASSETS		887,253	630,425
Financed by:			
USABLE RESERVES			
General Funds Balance		18,033	19,300
HRA Balance		926	926
Capital Fund		65,526	88,214
Insurance Fund		11,835	13,715
TOTAL USABLE RESERVES		96,320	122,155
UNUSABLE RESERVES		790,933	508,270
TOTAL RESERVES		887,253	630,425

CASH FLOW STATEMENT - GROUP**STATEMENT 19****PURPOSE**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Group Note	2016/17 £'000	2015/16 £'000
Net Surplus or (Deficit) on Group		(61,789)	(93,313)
Adjust net surplus or deficit on the provision of services for non-cash movements		115,272	160,095
Net cash flows from Operating Activities		53,483	66,782
Net cash flows from Investing Activities		(135,990)	(103,980)
Net cash flows from Financing Activities		69,789	39,759
Net increase / (decrease) in cash and cash equivalents		(12,718)	2,561
Cash and cash equivalents at the beginning of the reporting period		27,802	25,241
Cash and cash equivalents at the end of the reporting period		15,084	27,802

NOTES TO THE GROUP ACCOUNTS

STATEMENT 20

G1. ACCOUNTING POLICIES

The group accounting policies are those specified for the single entity financial statements as detailed in Statement 9 note 1.

G2. WEST LOTHIAN INTEGRATION JOINT BOARD

The West Lothian Integration Joint Board (IJB) was established as a body corporate by order of Scottish Ministers on 21 September 2015, and is a separate and distinct legal entity from West Lothian Council and NHS Lothian. The arrangements for the IJB's operation, remit and governance are set out in the integration scheme which was approved by West Lothian Council, NHS Lothian and the Scottish Government.

The IJB's purpose is to set the strategic direction for the delegated functions through the development of a Strategic Plan. Relevant functions and resources from the council and NHS Lothian were delegated to the West Lothian IJB from 1 April 2016 to enable it to plan the delivery of functions and deliver on strategic outcomes. The IJB gives directions to the council and NHS Lothian as to the functions to be delivered and the resources available to deliver the functions.

The IJB meets on a six weekly basis and is made up of eight voting members, comprising four elected members appointed by West Lothian Council and four NHS Lothian non-executive directors appointed by NHS Lothian. The IJB Audit Risk and Governance Committee and Strategic Planning Group have been set up to support integrated policy and strategic development and to ensure IJB business adheres to the principles of good corporate governance.

The IJB is defined as a joint venture. The gross expenditure of the IJB for 2016/17 is £60.584 million (2015/16 £0.010 million). It should be noted that this expenditure does not include support services such as Human Resources, Legal and Financial Services which are not delegated to the IJB and are provided free of charge to the IJB. The IJB does not employ staff directly delivering services and does not hold cash resources or operate a bank account. The IJB accounts for 2016/17 show the Balance Sheet with no assets, liabilities or reserves and, as a result, no values have been consolidated into the Group Balance Sheet in respect of the IJB.

G3. COMBINING ENTITIES

The council has a number of non-consolidation interests in other entities, full details of which are shown on pages 73 and 74. For the purposes of consolidation and incorporation within the Group Accounts the council does not have any subsidiary companies. It exerts significant influence but not control over West Lothian Leisure Ltd and Lothian Valuation Joint Board, therefore these interests are deemed to be associates. The council has joint control and right to net assets in West Lothian Recycling Ltd and West Lothian Integration Joint Board, which are both defined to be joint ventures.

The following shares of the accounts of these bodies have been included within the Group Accounts.

Associates		2016/17	2015/16
West Lothian Leisure Ltd.	- basis - WLC funding to total income	23.28%	16.69%
Valuation Joint Board	- basis - WLC funding to total funding	18.72%	18.72%
Joint Venture			
West Lothian Recycling Ltd.	- basis - 50% of share capital	50%	50%
West Lothian Integration Joint Board	- basis - WLC representation on board	50%	50%

The summarised Financial Information of the associates and joint venture are detailed below:

Council share of Associates and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
Total Assets	2016/17 2015/16	451 422	723 659	219 229	1,393 1,310
Total Liabilities and shareholders' equity	2016/17 2015/16	(2,499) (1,359)	(1,661) (707)	(137) (69)	(4,297) (2,135)
Net Assets / (Liabilities)	2016/17 2015/16	(2,048) (937)	(938) (48)	82 160	(2,904) (825)
Included in Surplus / (Deficit) in Group	2016/17 2015/16	(27) (117)	19 403	3 32	(5) 318

The summarised reserves of the associates and joint venture are detailed below:

Council share of Associates and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
General Fund Balance	2016/17 2015/16	189 141	(938) (48)	82 160	(667) 253
Capital Fund	2016/17 2015/16	- -	- -	- -	- -
Capital Grants Unapplied A/C	2016/17 2015/16	- -	- -	- -	- -
Capital Receipts Reserve	2016/17 2015/16	- -	- -	- -	- -
Total Usable Reserves	2016/17 2015/16	189 141	(938) (48)	82 160	(667) 253

NOTES TO THE GROUP ACCOUNTS

STATEMENT 20

G3. COMBINING ENTITIES (Continued)

Council share of Associates and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
Unusable Reserves	2016/17	(2,237)	-	-	(2,237)
	2015/16	(1,078)	-	-	(1,078)
Total Reserves	2016/17	(2,048)	(938)	82	(2,904)
	2015/16	(937)	(48)	160	(825)

The accounting period for the two Associates and the IJB is the 31 March 2017 while West Lothian Recycling Ltd is the 31 December 2016. There have not been any significant transactions or events between 31 December 2016 and 31 March 2017 and therefore no adjustment is required to the position of West Lothian Recycling Ltd. The associates and joint ventures, have been accounted for using the equity method.

The Trusts, Mortifications and the Common Good Fund, which the council manage, have not been included in the Group Accounts on the grounds of materiality. Full details of these accounts can be found in Statements 14 and 15 on pages 66 and 67.

G4. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Joint Venture on the Group Balance Sheet as at 31 March 2017 (2016) is to reduce the net assets by £2.904 million (£0.825 million) representing the council's share of net liabilities of these organisations. The net liabilities are attributable to the Lothian Valuation Joint Board which has significant pension liabilities under IAS 19 of £2.320 million (£1.168 million).

Further information regarding these deficits can be found in the annual report and accounts of the relevant bodies.

G5. GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

The 2016/17 (2015/16) share of Associates pension interest cost and expected return on pension assets is £0.041 million (£0.072 million). These figures are not included in the Group Comprehensive Income and Expenditure Account as they are part of the IAS 19 pension entries which are reversed out in arriving at the share of operating results of Associates for the year.

G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES

The council has a relationship with the following companies which have been set up for specific purposes. The following companies are not consolidated into the Group Accounts as it is not considered that the council is able to exert a significant influence over any of the entities and participation is deemed to be immaterial.

Accounts of the companies may be obtained on application to the Head of Finance and Property Services.

6.1 WL Ventures Group Limited

The company is limited by guarantee and was set up to promote industry and commerce within West Lothian. The council has a right to nominate six members and directors.

The unaudited (audited) accounts for the period ended 31 March 2017 (2016) show a loss before and after tax of £1,950 (£192,000 profit) with net assets of £712,068 (£662,000).

6.2 West Lothian Enterprise Limited

The company is limited by guarantee. The principal activity is the management of funds designed for investments in industrial and commercial businesses with a view to promoting economic development. The company commenced in 2012/13.

The unaudited (audited) accounts for the period ended 31 March 2017 (2016) show losses before and after tax of £1,950 (£2,000) with net liabilities of £24,320 (£22,000).

West Lothian Enterprise Limited is in the process of being wound up and it is anticipated this will be completed in August 2017.

6.3 Visit West Lothian Limited

Visit West Lothian Limited was set up in August 2008 as a company limited by guarantee. The company consists of one employee, the Tourism Executive, and a board of 7 Directors comprising 1 council representative and 6 stakeholders. The purpose of the company is to promote and develop West Lothian as a visitor destination. As part of this the company aims to maximise the economic impact of West Lothian's visitor potential, improve the quality of the visitor experience and raise the profile of the locality. The company is funded by the council but also works to access available funding sources and generate additional revenue.

The unaudited (audited) accounts for the year ended 31 March 2017 (2016) show a breakeven position before tax (£18,747 loss) and breakeven after tax (£18,743 loss) with net assets of £25,413 (£25,413).

6.4 The West of Scotland Archaeology Service

This body was set up in 1997 as a Joint Committee of local authorities in the area. It is currently funded by 11 local authorities and Historic Scotland for Specific Projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Executive planning guidance for the treatment of archaeological remains in the planning process. During the year, the council made a contribution of £12,691 (£12,691 2015/16) representing 7.19% (7.40% 2015/16) of the Committee's estimated running costs for the year to 31 March.

6.5 South East of Scotland Transport Partnership (SESTRAN)

The council is a member of SESTRAN, one of seven statutory regional transport partnerships set up under the Transport (Scotland) Act 2005. SESTRAN has a membership of 8 local authorities and they have a statutory duty to produce a Regional Transport Strategy Plan and provide the council with capital grant for West Lothian projects within the plan. During the year, the council made a contribution of £22,884 (£22,892 2015/16) and had a voting share of 12.5%.

G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES (Continued)**6.6 SESplan is the Strategic Development Planning Authority for Edinburgh and South East Scotland (SESplan)**

The council is a member of SESplan. SESplan is composed of 6 local authorities that have a statutory duty under Section 4 of the Planning (Scotland) Act 2006 to work together to prepare, and keep under review, a Strategic Development Plan (SDP) for the South East of Scotland. During the year, the council made a contribution of £46,550 (£46,550 2015/16) to the running costs of SESplan, representing 17% (17% 2015/16) of the authority's running costs. The council has a voting share of 17%.

6.7 Scotland Excel

Scotland Excel was launched in April 2008 to establish a centre of procurement expertise for the local government sector in Scotland. Its remit is to work collaboratively with the 32 local authority members and external suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. During 2016/17, the council made a contribution of £113,930 (£104,121 2015/16), 3.3% (3.3% 2015/16) of Scotland Excel's funding.

Customers with special requirements

Information is available in Braille, on tape, in large print and community languages.
Please contact the Interpretation and Translation Service on **01506 280000**.

هذه المعلومات متوفرة بلغة بريل وعلى شريط وبخط كبير وبلغات الجالية.

الرجاء الإتصال بخدمة الترجمة على الهاتف 01506 280000

এই তথ্য আপনি ব্রইল, টেপ, বড় অক্ষরে এবং কমিউনিটির বিভিন্ন ভাষাগুলিতেও পাবেন। অনুগ্রহ করে ইন্টারপ্রেটেশন অ্যান্ড ট্রান্সলেশন সার্ভিসের সঙ্গে যোগাযোগ করুন। টেলিঃ 01506 280000

這份資料是可以凸字、錄音帶、大字印刷及社區語言的式本提供。請聯絡傳譯及翻譯服務部，電話：01506 280000

ਇਹ ਜਾਣਕਾਰੀ (ਬ੍ਰੇਲ) ਟੇਪਰੀਨ ਦੇ ਪੜ੍ਹਣ ਵਾਲੀ ਲਿਖੀ, ਟੇਪ, ਵੱਡੇ ਫਿੰਟ ਅਤੇ ਸਮਾਜ ਦੀਆਂ ਹੋਰ ਭਾਸ਼ਾਵਾਂ ਵਿਚ ਉਪਲਬਧ ਹੈ। ਹਿੰਦੀ ਵਰਗੇ ਇੰਟਰਪ੍ਰੀਟਰ ਅਤੇ ਟਰਾਂਸਲੇਸ਼ਨ ਸਰਵਿਸ ਨੂੰ ਇਸ ਨੰਬਰ ਤੇ ਸੰਪਰਕ ਕਰੋ : 01506 280000

یہ معلومات بریل (انگریزوں کے رسم الخط)، ٹیپ، بڑے حروف کی عبارت اور کمیونٹی میں بولی جانے والی زبانوں میں دستیاب ہے۔
برائے مزید معلومات یا درخواستیں براہ کرم 01506 280000 پر رابطہ قائم کریں۔

Informacje te mogą być przełożone na język Braille'a, dostępne na taśmie magnetofonowej lub wydane dużym drukiem oraz przetłumaczone na języki mniejszości narodowych.
Prosimy o kontakt z Usługami Tłumaczeniowymi pod numerem 01506 280000.

Published by West Lothian Council, Civic Centre, Livingston EH54 6FF

Text phones offer the opportunity for people with a hearing impairment to access the council. The text phone number is **01506 591652**. A loop system is also available in all offices



AUDIT COMMITTEE

LOCAL GOVERNMENT IN SCOTLAND PERFORMANCE AND CHALLENGES 2017

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

To provide the Audit Committee with a summary of the report *Local Government in Scotland Performance and Challenges 2017* published by the Accounts Commission on 7 March 2017 and to outline officer responses to the points included in the self assessment tool for councillors.

B. RECOMMENDATION

It is recommended that the Audit Committee:

1. Notes the key messages and recommendations included in the report;
2. Notes officer responses to the points raised within the councillors self assessment tool which can be used by elected members to review the council's progress in implementing the recommendations within the report;
3. Agrees that an exercise is undertaken to assess the potential impact of the forecast substantial increase in the population aged over 75 by 2039, to assist in the development of future plans and strategies.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making the best use of our resources, working in partnership.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The council has a statutory duty to consider Accounts Commission reports.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	The recommendations within this report could facilitate the performance improvements in activities that support delivery of the council's agreed priorities.
V Relevance to Single Outcome Agreement	The Accounts Commission overview reports are intended to assist councils in delivering services that achieve local single outcome agreements.
VI Resources - (Financial, Staffing and Property)	None.

VII Consideration at PDSP	None.
VIII Other consultations	Corporate Services

D. TERMS OF REPORT

D.1 Introduction

The Accounts Commission's series of local government overview reports provide a summary of their views on how councils are managed and perform, including the progress councils are making in managing their finances and achieving Best Value. The reports draw upon recent audit work completed by Audit Scotland and provides an independent view on progress.

The report provides a high level view of the challenges facing councils, how well councils are addressing these challenges and what more councils can do to maintain or improve services for the public within reduced resources. The Accounts Commission expects councillors to use this report, along with the self assessment tool, to review the progress being made to improve outcomes and value for money for local people in an increasingly demanding environment.

D.2 Key Messages and Recommendations

In summary, the overview report includes a number of key messages and makes a number of recommendations for councillors in 2017. The key messages are:

- Councils have faced a long term decline in funding, an ageing and growing population and policy and legislative changes, with challenges continuing to grow.
- Councils are responding by adopting alternative ways of working, reducing the level of service provided and reviewing fees and charges, however the pace and scale of reform in some councils needs to increase.
- Despite the challenges faced, performance has been maintained or improved.
- It will become increasingly difficult to deliver improvements, therefore it is critical that councils set clear long term strategies and plans that focus on priority areas.
- Long term strategies and plans should include organisation wide workforce plans.
- Councillors' skills and knowledge should be refreshed to allow them to undertake their complex, demanding and evolving leadership role that establishes strategic priorities, assesses options for change and holds service to account.

It is recommended that councils should:

- Set clear priorities supported by long term strategies and medium term plans covering finances, services, performance and the workforce.
- Ensure that budgets are clearly linked to financial plans and strategies.
- Have an organisation wide workforce plan to ensure there are appropriate people and skills, providing capacity to manage change and deliver required services.
- Ensure that workforce data allows a thorough analysis of changes at all levels, providing a better understanding of opportunities and risks from staffing changes.
- Thoroughly evaluate all options for change and service design, monitoring the impact of changes on council priorities and outcomes.
- Support communities to develop their ability to fully participate in setting council priorities and making decisions about service redesign and use of resources.
- Ensure councillors receive support to develop the right skills and knowledge.
- Ensure there is clear public reporting of performance to help communities assess improvements and understand reduced performance in lower priority areas.
- Continue to investigate the reasons for variations in unit costs and performance through collaborating with others to identify and adopt good practice.

D.3 Part 1 – The Challenge for Councils

This section of the Accounts Commission overview report focuses on the significant financial and demographic challenges faced by local government. Key messages include:

- The funding challenge
There has been a long term reduction in revenue funding to local government. This is expected to continue with the Fraser of Allander Institute predicting a total reduction in local government funding of £1 billion between 2016/17 and 2020/21. In addition, education and social work represent an increasing proportion of spending due to growing service demand and national policy commitments. This effectively limits where councils can make savings. Although these services need to be included in discussions on savings, as it is possible to make efficiency savings and improve performance, if healthcare and childcare continue to be protected, other services could face average reductions of 10 to 17% over the next four years.
- A growing and ageing population
Population forecasts highlight that councils will continue to spend an increasing proportion of their budgets on education and social work. Population predictions show an increase in both children and those aged over 75. For West Lothian, the report predicts that the over 75 population will increase by 130.8% between 2014 and 2039, representing the largest increase of any Scottish local authority.
- The changing environment
Local government will continue to implement and manage legislative and national policy changes. Although the future requirements are not clear, these changes affect the way councils operate, fundamentally changing their role and their relationships with others. These changes can provide opportunities, however implementation often requires additional resources and funding. Councils will also face uncertainty around Brexit, a potential local democracy bill and equal pay.

D.4 Part 2 – Councils' Responses to the Challenges

This section of the report summarises how local authorities have addressed funding gaps. A need for greater openness to alternative forms of service delivery is emphasised in the report, requiring a departure from incremental changes to a more sustainable approach. Key messages include:

D.4.1 Workforce Planning and Delivering Savings

Most councils have balanced their budgets through reducing staffing levels however only half of councils have organisation wide workforce plans. Without these plans, there is the risk that the skills mix and capacity is insufficient to deliver, manage and scrutinise services effectively. Workforce plans should be aligned with financial plans, including information on the current workforce and the desired workforce position. Plans should also incorporate the impact of national initiatives, especially where they limit flexibility to reduce numbers (e.g. pupil teacher ratio).

If councils do not have workforce plans, it is difficult to manage changes effectively and ensure that there is a sufficient level of staff with the appropriate skills and experience. In particular, capacity could be lost in technical and commercial areas and finance, revenues and benefits areas during a time of significant change.

Nationally the level of sickness absence has reduced however there is variation across councils. There is an opportunity for some councils to further reduce levels of sickness to maximise capacity for delivering services.

D.4.2 Pace and Scale of Reform

To date local authorities have met the financial challenges well, although some councils have used reserves to meet their recurring budget gaps. A wide range of approaches have been used, however progress is limited in some areas. The main approaches include: shared services, arms length organisations, digital and online solutions, fees and charges, reducing or restricting services and improving procurement.

Many councils have corporate transformation programmes that review services and how they are delivered to identify savings. Recent audit reports have highlighted concerns regarding the pace of change and the small scale nature of savings delivered to date in some councils.

Within this context, effective leadership is essential to set a clear strategy and to make difficult decisions regarding service changes and provision. The Accounts Commission emphasises that councillors must set the strategy, with officers developing options to implement the changes required. On that basis all options for change need to be considered through the use of comprehensive option appraisals and risk assessments.

D.4.3 Performance has Maintained or Improved

The most recent information on local government performance has shown that outcomes are generally improving, with performance in the last five years being maintained or improved. Although performance has been consistent nationally, there is significant variation between councils. The future challenges mean that councils need to understand the reasons for any lower performance identifying what has been successful in other authorities and applying best practice to their own service provision.

In particular, although unit costs have reduced, there is a wide variation between councils that cannot be explained by geography, population density and deprivation alone. Councils should continue to understand the drivers behind unit costs to identify possible savings and to establish the acceptable impact on performance. It is acknowledged that the variation in unit costs does not always reflect performance as there is evidence of councils reducing costs whilst improving performance.

The Accounts Commission believe that given the challenges, councils are not expected to improve performance in all measures and it is for individual councils and their communities to agree local priorities and parameters for performance. However it is recognised that public satisfaction is falling with an increase in complaints. It is suggested that this decline could be slowed through greater consultation, allowing communities to understand what can realistically be delivered within reduced budgets. It is noted that councillors have a key role through managing expectations around what councils can afford to provide. The Community Empowerment (Scotland) Act 2015 should also help facilitate this through participatory budgeting.

D.5 Looking Ahead

The future is likely to bring significant challenges and uncertainties, with the role of local government under review and increasing financial and population pressures. The Accounts Commission believe that there are still areas where councils need to strengthen their approach. The key messages within this section of the report include:

- The strategic leadership role of councillors
Councillors have a critical role in establishing strategies and need support to develop the right knowledge and skills to undertake this role. If councils are to successfully change the way they work, councillors need to provide effective strategic leadership. Officers must support councillors by providing them with clear and understandable information and appropriate training.

- Long term financial strategies and plans
It is becoming increasingly difficult for councils to manage their budgets therefore good financial management is essential to ensure spending is accurately forecast and monitored. In addition, a longer term approach to finances provides a context for decisions and creates a framework for decision making and sustainability. It is imperative that long term financial strategies link spending to strategic priorities.
- All options for change need to be investigated and involve local communities
Options appraisal is an effective tool to evaluate alternative ways to deliver services. Any appraisal should rigorously challenge all options, considering a wide range of alternatives and fundamentally different approaches to service delivery. It is also important to understand local expectations around services, working closely with communities to redesign how services are delivered within constrained budgets.

D.6 Implications for West Lothian Council

The council's Corporate Plan and five year revenue and capital strategies were approved in January 2013 and incorporated many of the themes identified within the Accounts Commission report. In addition, the challenges identified were considered as part of the Delivering Better Outcomes consultation process and helped shape the council's financial strategy for 2015/16 to 2017/18 which was approved by Council on 29 January 2015. Officers will continue to monitor the challenges and pressures ahead to ensure that resources are targeted towards achieving the council's agreed priorities.

The Council agreed on the 20 February 2017 that the council will continue to adopt the approach of integrating corporate planning and financial planning over the next five year period 2018/19 to 2022/23, including a Corporate Plan, revenue plan, capital plan and treasury management plan, to ensure a joined up approach is taken. In accordance with Audit Scotland and CIPFA best practice, the council will prepare a priority based revenue financial plan for 2018/19 to 2022/23 to set out how the Corporate Plan priorities will be delivered over that period.

A report was presented to the Council Executive on the 20 June 2017 outlining the council's revenue budget planning scenario which estimates a budget gap for the five year period of £65.7 million. The Council Executive agreed the approach to developing corporate and financial plans, as well as the requirement for officers to report on the proposed details of a public consultation by late summer/early autumn 2017. Officers will be required to present to Council for approval the Corporate Plan, revenue plan, capital plan and treasury plan by no later than mid February 2018.

West Lothian Council has a solid base to address the challenges that will be faced in delivering key priorities. This is acknowledged in the auditor's report on the 2015/16 financial accounts where the council is financially sustainable and has appropriate arrangements in place to ensure effective performance.

To assist elected members in reviewing the council's progress in implementing the recommendations within the report, officers have provided comments and responses to the issues raised in the report. The detailed responses are included in Appendix 1.

The report outlined the substantial pressures facing local government, however it also identified that West Lothian will have the largest growth in population of those aged over 75. It is well established that there are significant costs associated with delivery of services to this age group. Given the general outlook around funding and increased costs of service delivery, it is proposed that an exercise is undertaken to assess the potential impact of this 130.8% forecast growth in the elderly population to provide additional information to support the development of future plans and priorities.

E. CONCLUSION

The Accounts Commission's *Local Government in Scotland Performance and Challenges 2017* report outlines the major challenges to service delivery in local government. The report emphasises the need to focus on improving long term planning to ensure that councils can continue to maintain priority services within reduced resources. Consideration of the issues within the report, and the detailed responses to the checklist, will assist in ensuring that the council continues to be well placed to meet the challenges ahead.

F. BACKGROUND REFERENCES

Local Government in Scotland Performance and Challenges 2017
<http://www.audit-scotland.gov.uk/report/local-government-in-scotland-performance-and-challenges-2017>

Appendices/Attachments:

Appendix 1 – Self Assessment Tool for Councillors

Contact Person: Lynda Ferguson, Group Accountant

Email: lynda.ferguson@westlothian.gov.uk, Tel: 01506 281293

Donald Forrest
Head of Finance and Property Services
30 June 2017

Appendix 1- Local Government in Scotland Performance and Challenges 2017 – Self Assessment Tool for Councillors

This self assessment brings together a number of potential questions for councillors. It is designed to help councillors to identify how well informed they are about key issues in their council and to highlight areas where they may wish to ask further questions.

Workforce Planning

Key Questions for Councillors to Consider	Officer Comments and Additional Information
What do you need the workforce to look like in terms of numbers, skills and knowledge?	The council has robust procedures in place to develop annual management plans. These plans set out the key activities and outcomes that services will work to achieve within the financial year and the employee resources required to deliver these activities and outcomes. These plans are utilised by the service management team, elected members and stakeholders to assess achievement and the quality and success of the management planning approach within the year.
Does your workforce data allow accurate analysis of changes to the workforce at an organisation and department level?	Yes. The council's HR and payroll system provides a source of integrated workforce information. This ensures that the council is able to accurately report on staff numbers by a wide range of criteria including grade and service. This information is used to develop the annual management and workforce plans.
Do you have an organisation wide workforce plan with realistic targets and timescales for meeting objectives?	<p>Yes. Each council service is required to develop an annual management plan which sets out agreed key activities. Each activity is supported by appropriate performance indicators to measure effectiveness. Arrangements are in place to monitor workforce numbers and efficiencies at service and council wide level. Services are supported in delivering reductions by HR Services and the Financial Management Unit. Robust council wide monitoring arrangements are in place to track progress and highlight any issues relating to implementation.</p> <p>In addition, each service has a detailed and comprehensive workforce management plan that incorporates details on various elements of the council's workforce and future planning requirements. These plans include information on the composition of the current workforce and what the future requirements for service delivery might be.</p>
Do you think your organisation wide workforce plan will ensure staff reductions do not have a negative impact on the skills mix and the ability of your council to scrutinise, manage and deliver services effectively?	Yes. The robust monitoring arrangements in place to support the implementation of workforce efficiencies include the requirement to report on any risks and the impact of proposed changes. Identifying actions to mitigate against risks to delivery and their impact is a key stage of the planning process.

Key Questions for Councillors to Consider	Officer Comments and Additional Information
Do you have the staff and skills necessary to manage change and deliver services?	Yes. The council has arrangements to ensure that those responsible for managing change are provided with access to appropriate learning and development. The council's People Strategy was approved by Council Executive in December 2013. This strategy aims at improving workforce effectiveness and ensuring appropriate leadership and people management processes. In addition, specific management training events and briefings are arranged whenever a training need is identified. The Corporate Management Team will continue to review the need for training to support transformational change.

Scrutiny

Key Questions for Councillors to Consider	Officer Comments and Additional Information
How well do you scrutinise decisions on financial and service performance?	<p>Scrutiny of financial performance:</p> <ul style="list-style-type: none"> • Council Executive - quarterly monitoring reports on general revenue and capital budget and the HRA revenue and capital budget. • Full Council - treasury management interim and annual reports, annual report on audited accounts. • Consideration of audited accounts and auditors' report by Audit & Governance Committee (with effect from 7 June 2017, Audit Committee). • West Lothian Leisure Advisory Committee quarterly financial reports. • Reports use a standard template requiring budgetary considerations to be identified and explained. • Reports in relation to financial performance are dealt with in public. <p>Scrutiny of service performance:</p> <ul style="list-style-type: none"> • Quarterly red/amber/green reports at PDSPs based on Covalent performance indicators. • Performance Committee receives reports by service units against the council's quality assessment model (WLAM) and in relation to the council's performance against other councils through local government benchmarking arrangements. • Education (Quality Assurance) Committee undertakes reviews of internal and external school inspection reports. • All reports by officers are on a standard template which requires relevance to outcomes and performance to be identified and explained. • Members are provided direct access to the council's performance management system, Covalent. • Reports in relation to service performance are dealt with in public, including schools' performance reports which were until recently dealt with in private.

Key Questions for Councillors to Consider	Officer Comments and Additional Information
How do you ensure you have the knowledge and expertise you need to scrutinise effectively?	To help ensure councillors have the knowledge and expertise, the post-election induction programme included a session on scrutiny with a view to providing the tools and approach to effective scrutiny. The Improvement Service has made induction and briefing materials available, which include short sections of effective scrutiny. Committee specific induction and training can also be accessed through relevant lead officers.

Community Engagement

Key Questions for Councillors to Consider	Officer Comments and Additional Information
How are you involving local communities and empowering them to design and deliver services to suit local needs?	<p>The council is a highly customer orientated organisation that strives to deliver value to customers across more than 100 services. The approach to engagement and involvement is an integral part of the way that the council plans, design and improves services and this inclusive approach has produced many demonstrable benefits to service users.</p> <p>The council has undertaken consultation activities to develop the Corporate Plan, financial plans, modernisation plans for services, regeneration plans for targeted communities and for strategic development and service reviews. The council has officers dedicated to engaging communities and has completed charrettes (an interactive design process with the public and stakeholders) to generate a specific community vision and masterplan for two local towns.</p> <p>The council's customer participation hierarchy offers choice in the way and extent to which customers engage, including survey responses to participation in improvement processes and the council's decision making process. Part of this approach is inviting customers to inspect services through the Citizen Led Inspection (CLI) process. The council has trained and supported citizen inspectors in a range of inspection techniques. This has given citizens a stronger voice in decision making processes and allows the council to work more closely with the community to build stronger, more responsive services for people in West Lothian.</p> <p>The regeneration framework is a long term plan (2013 to 2034) which includes the core theme of community capacity and cohesion. The regeneration framework is supported by the development of local regeneration plans which will be community led. In addition, steering groups have been established in five regeneration plan areas. These steering groups include members of the local community who will be involved in identifying local needs and priorities. The development of these plans is being led by the council and will support local community capacity building and partnership working.</p>

Key Questions for Councillors to Consider	Officer Comments and Additional Information
	<p>The development of West Lothian's approach to participatory budgeting also demonstrates how the council are involving communities in decision making, particularly in relation to how budgets are allocated. The first project under West Lothian Community Choices is underway (Let's Get it Right for Autism). Work has also begun on West Lothian's approach to mainstreaming participatory budgeting.</p>
<p>Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide going forward?</p> <p>What is your role as a councillor in this?</p>	<p>The council has a strong customer centric approach to consultation and engagement and it is an integral part of service planning, delivery and redesign. Effective customer insight ensures that the council develops policies and services, taking into account the views of individuals, communities, stakeholders, forums and relevant organisations.</p> <p>The council ensures customers are consulted and engaged in a robust and structured manner through a clearly defined approach that allows customers to comment on how resources are prioritised, the level of service provided and how services are offered. Methods include: customer satisfaction surveys, focus groups, user groups and forums, Citizens Panel, Citizen/Tenant Led Inspections, Parent Councils, Tenants Panel, improvement events and strategic reviews.</p> <p>The council undertook a priority setting consultation in 2012 that influenced the development of the council's Corporate Plan and budget strategy for the five year period to 2017/18. The subsequent budget proposals and changes to services were subject to a second public consultation in 2014. The consultation approaches were set through the Partnership and Resources PDSP. Findings from both consultations were reported to PDSPs and were used to inform modernisation and change in the council.</p>
<p>How can you consider more business in public?</p>	<p>The council applies the local government access to information legislation very strictly, and the proportion of private reports to public reports is very small. Performance, both service and financial, is reported and considered in public at council or committee meetings. In addition, many reports which call for a decision by committee or council are also considered in public at PDSP meetings, as a stepping-stone to full consideration and decision-making.</p>

Public Satisfaction

Key Questions for Councillors to Consider	Officer Comments and Additional Information																								
How can you better engage with local communities to understand why public satisfaction is declining?	<p>The council's customer participation hierarchy offers choice in the way and extent to which customers engage. As well as choice, this allows the council to collate more in depth, qualitative datasets that help explain customer perceptions of council services and the trends in satisfaction levels. The effectiveness and representation of engagement activity has also been evaluated and new approaches identified to increase responsiveness and inclusion.</p> <p>The council's corporate approaches to consultation and engagement are subject to regular review and external scrutiny. This includes the review of consultation methods used, relevance of customer segmentation and the effectiveness of sampling and tools used to gather consultation data and information.</p> <p>Council services review their individual consultation activities on an annual basis through the management planning process and undertake a more in depth review of their approach, and effectiveness, through the West Lothian Assessment Model (WLAM) process as part of a three year improvement cycle. Sampling and responses are evaluated along with satisfaction results as part of performance management and reporting activities.</p> <p>There is a council wide assessment by external assessment bodies to validate and improve council processes. This assessment is also used to identify good practice and best in class performance in other sectors, allowing the council to learn from others on how to improve processes. Assessments include the rolling Customer Service Excellence (CSE) assessment programme and EFQM Recognised for Excellence assessments in 2010 and 2016.</p>																								
What level of complaints does your council receive?	The level of complaints received by the council during the period 2011/12 to 2015/16 is as follows:																								
For which departments?	<table><tr><th>Measure</th><th>2011/12</th><th>2012/13</th><th>2013/14</th><th>2014/15</th><th>2015/16</th></tr><tr><td>West Lothian Population</td><td>174,090</td><td>175,300</td><td>175,990</td><td>176,140</td><td>177,200</td></tr><tr><td>Total Number of Complaints Received</td><td>2,323</td><td>2,166</td><td>2,036</td><td>2,113</td><td>2,330</td></tr><tr><td>Number of Complaints Received per 1,000 People</td><td>13.3</td><td>12.4</td><td>11.5</td><td>12.0</td><td>13.1</td></tr></table>	Measure	2011/12	2012/13	2013/14	2014/15	2015/16	West Lothian Population	174,090	175,300	175,990	176,140	177,200	Total Number of Complaints Received	2,323	2,166	2,036	2,113	2,330	Number of Complaints Received per 1,000 People	13.3	12.4	11.5	12.0	13.1
Measure	2011/12	2012/13	2013/14	2014/15	2015/16																				
West Lothian Population	174,090	175,300	175,990	176,140	177,200																				
Total Number of Complaints Received	2,323	2,166	2,036	2,113	2,330																				
Number of Complaints Received per 1,000 People	13.3	12.4	11.5	12.0	13.1																				
How has this changed?	<p>The council has experienced an overall reduction in the number of complaints received from the baseline year 2011/12. In 2015/16, the council received 13.1 complaints per 1,000 of the population, an increase on the previous year.</p>																								

Key Questions for Councillors to Consider	Officer Comments and Additional Information
	<p>The main areas where complaints are received are services with high levels of interaction with the wider community – Operational Services and Housing, Customer and Building Services. Although Operational Services attracted the highest number of complaints for four out of the five years analysed, in 2015/16 the service reduced its proportional share of the total complaints received by 11% from the baseline year 2011/12. The biggest increases in the percentage share of complaints received by the council during the period were Education Services (5%) and Finance and Property Services (3.2%).</p> <p>The complaints data for 2016/17 is currently not available for publication.</p>
Are appropriate systems in place to deal with complaints?	<p>The Corporate Complaints Procedure applies to all complaints against the council with the exception of those described as Social Care statutory complaints.</p> <p>The council's complaints procedure provides customers with a clear and structured way to provide feedback on their dissatisfaction with council services in a range of easily accessible ways. The council welcomes feedback and it provides information that helps services learn from complaints to modify and improve the way services are delivered.</p> <p>The council has clear governance arrangements for complaints. The Corporate Complaint Steering Board is an officer group that monitors the implementation of the corporate complaint procedure and the corresponding performance and reporting activity. The board ensures that the council is compliant with the complaint procedure requirements and is chaired by a Depute Chief Executive, with membership consisting of council Heads of Service.</p> <p>Complain performance is reported on a quarterly basis to both the council's Corporate Management Team and the council's Performance Committee. All complaint performance statistics are reported to the public and are available on the council's website. Complaints are recorded and tracked using the council's Customer Relationship Management (CRM) system which enables the production of the complaints performance information.</p>

Councillor Skills and Training

Key Questions for Councillors to Consider	Officer Comments and Additional Information
<p>How can you ensure that you have the right skills and knowledge to help carry out increasingly complex and challenging roles efficiently?</p>	<p>Elected member training and briefings are essential to ensure knowledge is complete and up to date. Councillors can also access external resources made available by bodies such as the Improvement Service, providing a general overview of local government issues.</p> <p>In addition, relevant officers discuss reports with elected members in advance of committee and council meetings to aid understanding. Feedback is also provided on reports and information considered at PDSP, committee and council meetings to help inform future reporting standards and methods.</p>

Transformational Change and Service Design

Key Questions for Councillors to Consider	Officer Comments and Additional Information
<p>How fully have you appraised all options for delivering services differently?</p>	<p>When developing the council's budget strategy and identifying potential options for budget savings, officers consider what has been implemented in other public sector bodies and where there are options to expand measures previously implemented within the council. In developing savings proposals, officers have undertaken substantial research, especially with regard to English local authorities where the level of savings has been substantially greater. The council is an active participant in a range of appropriate benchmarking and good practice networks, including the Local Government Benchmarking Framework (LGBF). The information gained from participating in benchmarking is used to better understand our comparative performance and to challenge the way services are delivered. The council has also regularly investigated options for collaborating or sharing services with community planning partners and other public sector bodies. In Audit Scotland's follow up audit on Scotland's public sector workforce it was noted that the council has been proactive in identifying shared services opportunities.</p> <p>The Code of Corporate Governance includes a principle on taking informed and transparent decisions which are subject to effective scrutiny and management of risk. The council has effective mechanisms for evidencing decisions and recording the criteria, rationale and considerations of decisions.</p> <p>The council's revenue and capital budget strategies to 2017/18 are based upon the shared priorities outlined in the Corporate Plan and Single Outcome Agreement. These underpin all of the council's activities and were considered when developing the budget measures. It is anticipated that this approach will be used as the basis to develop long and medium term strategies for the next term of the council. This approach requires the council to fully evaluate and consider all options for delivering services to meet agreed priorities.</p>

Key Questions for Councillors to Consider	Officer Comments and Additional Information
<p>Do you need to invest in any skills, for example change management?</p>	<p>The council's People Strategy for the five years 2013/14 to 2017/18 was approved by Council Executive in December 2013. This strategy aims at improving workforce effectiveness and ensuring that appropriate leadership and people management processes will deliver the council's agreed priorities and Corporate Plan. The People Strategy is designed to support the improvement of services by recognising that achievement of this is dependent on the skills and commitment of employees.</p> <p>The council implemented the Appraisal and Development Review (ADR) framework across the council in 2016. The ADR framework sets out the council's overall approach to the systematic review of employee performance and development and supports the People Strategy outcomes of engaging and motivating our employees, being recognised as a good employer and helping our employees to succeed. This approach means that the council has a robust performance management system in place at all levels of the organisation to ensure individuals have the skills and capacity to meet the challenges faced.</p> <p>In addition, specific management training events and briefings are arranged whenever a general training need in relation to change management to support council priorities and the financial strategy is identified. For example, the last leadership development programme supported managers to address current challenges through focusing on the following critical areas of management development – planning, process, people and performance. The Corporate Management Team will continue to review the need for training to support transformational change and service redesign and facilitate events to address needs as required.</p>



West Lothian
Council

AUDIT COMMITTEE

LOCAL SCRUTINY PLAN 2017/18

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the Local Scrutiny Plan 2017/18 prepared jointly by the council's external scrutiny bodies.

B. RECOMMENDATION

It is recommended that the Audit Committee notes that the shared risk assessment has concluded that no scrutiny risks have been identified which require specific scrutiny in 2017/18.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	None.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	None.

D. TERMS OF REPORT

The attached Local Scrutiny Plan sets out the planned scrutiny activity in West Lothian Council for 2017/18.

The Local Scrutiny Plan is based on a shared risk assessment undertaken by a local area network (LAN) comprising representatives of all the scrutiny bodies who engage with the council. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way.

Appendix 1 of the Local Scrutiny Plan sets out planned scrutiny for 2017/18.

E. CONCLUSION

The conclusion of this year's shared risk assessment is that no scrutiny risks have been identified which require specific scrutiny by the LAN in 2017/18.

F. BACKGROUND REFERENCES

None.

Appendices/Attachments: West Lothian Council Local Scrutiny Plan 2017/18

Contact Person: Kenneth Ribbons kenneth.ribbons@westlothian.gov.uk 01506 281573

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 30 June 2017

West Lothian Council

Local Scrutiny Plan – April 2017 to March 2018

Introduction

1. This local scrutiny plan sets out the planned scrutiny activity in West Lothian Council during the financial year 2017/18. The plan is based on a shared risk assessment undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the council. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way.
2. This plan does not identify or address all risks in the council. It covers only those risk areas that the LAN has identified as requiring scrutiny, or where scrutiny is planned as part of a national programme. Planned scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2017/18, which is available on the Audit Scotland website.

Scrutiny Risks

3. The conclusion of this year's shared risk assessment is that no scrutiny risks have been identified which require specific scrutiny by the LAN in 2017/18. This is a positive position for the council and is consistent with the LAN view last year. Scrutiny activity undertaken in the last 12 months was either part of routine ongoing inspection work, or part of national activity. It included the following non-risk based scrutiny which took place over the year:
 - The Care Inspectorate led on a project on the validated self evaluation of Alcohol and Drug Partnerships (ADPs) across Scotland during 2016. Fieldwork activity concluded and all ADPs received individual summary feedback to support continuous improvement. A national report will be published on this work by April 2017.
 - In November 2016 the Scottish Government launched the national strategy for community justice alongside the Outcome Performance and Improvement Framework. The Scottish Government commissioned the Care Inspectorate to develop a guide to self evaluation for community justice in Scotland and forms the basis of the model for scrutiny and inspection of community justice in the future. A transitional plan is in place for the statutory criminal justice partners and work has been undertaken to ensure that the objectives of presenting and reducing offending are addressed through the new arrangements.

4. Performance and improvement: The council has robust self-evaluation arrangements in place that it uses effectively to assess performance and drive improvement. There is a well-established and structured approach to managing performance. Quarterly performance reporting provides detailed management information on the efficiency and effectiveness of services. The council's performance committee provides effective scrutiny. The authority has spent almost all of its allocated Scottish Attainment Challenge funding. Plans for taking forward the Pupil Equity Fund (PEF) are well advanced.
5. Governance and transparency: the council has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making. The council has arrangements to ensure transparency. Structures are in place to enable local citizens to engage with decision making processes. The corporate plan sets out West Lothian Council's strategic direction and priorities for the years 2013-2017. There are eight priorities and each of them represents a strategic and joined up approach to maximising opportunities and tackling the issues and challenges that must be overcome to achieve successful outcomes.
6. Financial sustainability: the council has a credible medium term financial plan in place. In setting the budget for 2017/18, the Council drew on previously agreed positions for income generation and efficiency savings. While a Council tax freeze was approved, funding through use of existing reserves, the Council also approved that a priority based revenue financial plan for 2018/19 to 2022/23 would be prepared, to set out how the Corporate Plan will be delivered in that time period.
7. In order to assess the risk to social landlord services, the Scottish Housing Regulator (SHR) has reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlord. SHR has assessed that no additional scrutiny is required in West Lothian Council beyond statutory/on-going work during 2017/18.

Planned scrutiny activity

8. As shown in Appendix 1, the council will be subject to a range of risk-based and nationally driven scrutiny activity between April 2017 and March 2018. For some of their scrutiny activity in 2017/18, scrutiny bodies are still to determine their work programmes which specific council areas they will cover. Where a council is to be involved, the relevant scrutiny body will confirm this with the council and the appropriate LAN lead.
9. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period. The appointed external auditor (Ernst and Young) and Audit Scotland will carry out Best Value audit work during 2017, resulting in a Best

Value Assurance Report to the Accounts Commission in November 2017. The focus of the Best Value work will be:

- The council's vision and priorities
 - Financial sustainability
 - Financial governance and resource management
 - Performance management and self-evaluation framework, and measurement of outcomes
 - Community engagement, particularly through citizen led inspections
 - Partnership working, drawing on findings of the *Joint Inspection of Children's Services*
 - Arms length external organisations (ALEO) governance arrangements
10. SHR will publish the findings of its thematic inquiry work completed during 2016/17. It may carry out further thematic inquiries during 2017/18. If the council is to be involved in a thematic inquiry or a data accuracy visit SHR will confirm this directly with the council and the LAN lead
11. The Care Inspectorate will lead a joint inspection of services for children and young people beginning in March 2017 and will also involve participation by Healthcare Improvement Scotland Education Scotland and HMICS. These inspections are part of the Care Inspectorate's wider planned programme of national scrutiny work and not as a result of the LAN's assessment.
12. In addition to specific work shown in Appendix 1, routine, scheduled audit and inspection work will take place through the annual audit process and the ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively. Audit Scotland will carry out a programme of performance audits during 2017/18 and individual audit and inspection agencies will continue to monitor developments in key areas of council activity and will provide support and challenge as appropriate. This will help to inform future assessment of scrutiny risk.

27 March 2017

Appendix 1: Scrutiny plan

Scrutiny body	Scrutiny activity	Date
Ernst & Young / Audit Scotland	The appointed external auditor (Ernst & Young) and Audit Scotland will carry out Best Value audit work during 2017, resulting in a Best Value Assurance Report to the Accounts Commission in November 2017.	Onsite fieldwork May – July 2017
Audit Scotland	Audit Scotland plans to undertake performance audit work in a range of areas covering local government during 2017/18. These include ALEOs, city deals, children's mental health and health and social care integration. Any engagement with individual councils is still to be determined. Details of future audit work are available on the Audit Scotland website here .	
Care Inspectorate	The Care Inspectorate has been leading a project on the validated self-evaluation of Alcohol and Drug Partnerships (ADPs) across Scotland during 2016. Field work activity has concluded and all ADPs received individual summary feedback to support continuous improvement. A national report will be published on our work in April 2017.	
Care Inspectorate	The Care Inspectorate will lead a joint inspection of services for children and young people, involving Healthcare Improvement Scotland, Education Scotland and HMICS as scrutiny partners.	March/April 2017
Care Inspectorate and Healthcare Improvement Scotland	The Care Inspectorate and Healthcare Improvement Scotland will introduce a revised approach to the joint strategic inspections of services for adults for 2017/18 which will assess the extent to which the planning, organisation and coordination of services comply with the principles of integration and contribute to the national health and wellbeing outcomes. Inspections will include a focus on joint strategic commissioning. In 2017/18, the Care Inspectorate will also lead on thematic activity in the areas of adult support and protection and self-directed support, working with a range of scrutiny partners.	
Education Scotland	A new model of inspection for Community Learning and Development (CLD) has been developed. The inspection will be based on the local authority area and will include	

	<p>local authority CLD provision and partners. It is anticipated that all local authorities will be covered in the next three years.</p> <p>Follow-up review of the quality of Careers Information Advice and Guidance (CIAG) services delivered by Skills Development Scotland across all council areas.</p>	
Her Majesty's Inspectorate of Constabulary (HMICS)	No scrutiny activity planned	
Her Majesty's Fire Service Inspectorate (HMFSI)	No scrutiny activity planned	
Scottish Housing Regulator (SHR)	SHR will publish the findings of its thematic inquiry work completed during 2016/17. It may carry out further thematic inquiries during 2017/18	
	SHR will also review the Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2017/18. If the council is to be involved in a thematic inquiry or a data accuracy visit SHR will confirm this directly with the council and the LAN lead.	



AUDIT COMMITTEE

EXTERNAL QUALITY ASSESSMENT

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the outcome of an external assessment of the internal audit service.

B. RECOMMENDATION

It is recommended that the Audit Committee notes that the external assessor has concluded that the internal audit service complies in all material respects with the requirements of the Public Sector Internal Audit Standards (PSIAS).

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	<p>The Local Authority Accounts (Scotland) Regulations 2014 require that a local authority must from time to time assess the efficiency and effectiveness of its internal auditing, in accordance with recognised standards and practices in relation to internal auditing.</p> <p>The PSIAS require that an external assessment of the internal audit function be conducted at least once every five years.</p>
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	The external assessment provides assurance as to the effectiveness of the internal audit service.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	None.

D. TERMS OF REPORT

The PSIAS require that I maintain a quality assurance and improvement programme covering all aspects of internal audit activity. The quality assurance and improvement programme must include both internal and external assessments. The purpose of the programme is to demonstrate compliance with the PSIAS and the efficiency and effectiveness of the internal audit service.

The PSIAS require that an external assessment is conducted at least once every five years by a qualified, independent assessor. The Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG), which exists to promote the practice of internal audit in local government in Scotland, has implemented a programme whereby member authorities are reviewed for compliance by their peers. This takes the form of a validated self-assessment. The Internal Audit Manager of Moray Council was assigned to review this council's internal audit service.

I undertook a self-assessment of our compliance against the PSIAS and prepared an action plan containing identified areas of improvement. This, together with comprehensive documentary evidence in support of compliance, was sent to the Internal Audit Manager in advance of his visit. The Internal Audit Manager visited on 23 March 2017 and during his visit he spoke to the Chair of the Audit and Governance Committee, the Chief Executive, and the Head of Finance and Property Services.

His report is attached as an appendix to this report, and contains the action plan arising from my self-assessment. He does not consider it necessary to make any further recommendations for improvement.

E. CONCLUSION

I am pleased to be able to report that the Internal Audit Manager of Moray Council has concluded that the internal audit service complies in all material respects with the requirements of the PSIAS.

F. BACKGROUND REFERENCES

N/a

Appendices/Attachments: External Quality Assessment of the Internal Audit Service

Contact Person: Kenneth Ribbons, kenneth.ribbons@westlothian.gov.uk Tel No. 01506 281573

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 30 June 2017

REPORT TO: West Lothian Council Audit Committee on 30th June 2017

SUBJECT: External Quality Assessment of the Internal Audit Service

BY: Atholl Scott, Internal Audit Manager, Moray Council

1. REASON FOR REPORT

- 1.1 Published Public Sector Internal Audit Standards (PSIAS) provide a professional framework governing the delivery of internal audit services within the public sector generally including Scottish Councils.
- 1.2 An element of the Standards requires the Chief Audit Executive in each council (in West Lothian, the Audit, Risk and Counter Fraud Manager) to develop a quality assurance and improvement programme, to enable an evaluation to be made of Internal Audit's conformance with the Definition of Internal Auditing and the Standards, and to assess whether internal auditors comply with the Code of Ethics. (The Definition, Standards and Code of Ethics form part of the PSIAS).
- 1.3 There is a further requirement, under the Standard covering the quality assurance and improvement programme, for an external assessment to be conducted at least once every five years by a qualified independent assessor from outside the organisation. In determining how best to meet this requirement, the Scottish Local Authorities Chief Internal Auditors Group, (SLACIAG), on which all Scottish Councils are represented, agreed that a cost effective solution to securing an external review would be achieved through an approach whereby each participating council would conduct a review for one other council.
- 1.4 Moray Council was selected to undertake the review at West Lothian Council. The assessment took the form of a self-assessment with independent external validation, which is permissible within the Standards. The PSIAS notes that an independent assessor means 'not having either a real or an apparent conflict of interest and not being a part of, or under the control of; the organisation to which the internal audit activity belongs'. There are no conflicts of interest to report.

2. RECOMMENDATION

- 2.1 **That the Audit Committee notes that the External Quality Assessment of the Internal Audit Service has been concluded in satisfactory terms, subject to the Audit, Risk and Counter Fraud Manager continuing to implement the actions contained within the West Lothian Council PSIAS Action Plan developed as part of the assessment process.**

3. REPORT

- 3.1 To facilitate the review process and aid consistency of approach across all participating councils, SLACIAG developed a checklist for assessing conformance with the PSIAS. The checklist comprises four sections as follows:
- Section A - Definition of Internal Auditing
 - Section B - Code of Ethics
 - Section C - Attribute Standards
 - Section D - Performance Standards
- 3.2 To the extent that compliance or otherwise with Sections A and B is dependent on the outcome of the assessments of Section C and D, these later sections are considered first.

Attribute Standards

- 3.3 The attribute standards address the characteristics of organisations and of parties performing internal audit activities. These consider whether the purpose, authority and responsibility of the internal audit service is clearly defined, if it secures the appropriate levels of independence and objectivity in conducting its work; whether it exercises proficiency and due professional care in delivering services, and how performance and service improvements are achieved.
- 3.4 A suite of documents was provided as evidence of compliance with the attribute standards. These were reviewed and found to be comprehensive, and discussions with the Audit, Risk and Counter Fraud Manager further aided understanding of the internal audit service within the council. Of particular note was a reciprocal arrangement entered into with Falkirk Council's internal audit team to enhance the breadth of audit skills available to the council, and the appointment of a lay member to the Audit and Governance Committee. The self-assessment concluded the council was fully compliant with the requirements of the attribute standards. This was confirmed by the external review.

Performance Standards

- 3.5 Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated. These standards cover the management of the service, the nature of work completed, planning and performing each engagement, communicating results and monitoring progress. Again, as for the attribute standards, a considerable volume of evidence was made available in support of the systems and procedures the service had adopted. In terms of the performance standards, the service had assessed itself as being fully compliant with most of the standards, while acknowledging a number of minor improvements could be implemented to enhance the management of the activity and engagement planning. The external validation confirmed that the application of these standards was in accordance with the self-assessment.

- 3.6 Arising from the self-assessment process, an action plan has been prepared highlighting areas where compliance with standards could be improved or exceptionally, where it has been considered that application of specific elements of the standards are impracticable to implement within the council. The action plan is provided as **Appendix 1**.
- 3.7 In addition to reviewing the audit evidence and systems during a visit to the Civic Centre in Livingston where the audit team is based, the opportunity was taken to discuss the delivery of the internal audit service with the Council's Chief Executive, the Head of Finance and Property Services, who has line management responsibility for Internal Audit, and Mr F Toner, the Chair of the Council's Audit and Governance Committee prior to the recent council elections. The discussions centred on the role and function of internal audit in the council specifically around the interaction with elected members and senior officers. All those interviewed expressed a confidence that the audit service was delivered in an objective and professional manner and acknowledged that internal audit had an important role to play in providing assurances on risk, control and governance matters relating to the authority.

Definition of Internal Auditing and Code of Ethics

- 3.8 From the interviews described above, from the review of the audit charter which defines the role and purpose of internal audit, and by examination of the confirmation of independence documents which staff sign to affirm their commitment to the employee code of conduct and high ethical standards, it has been confirmed that there is a clear understanding across the council of the role and function of internal audit and of the conduct expected of officers who work in the team.

4. CONCLUSIONS

- 4.1 **Having conducted a detailed review of the self-assessment provided by the Audit, Risk and Counter Fraud Manager, tested selected supporting documentation and spoken to audit staff, chief officials and the chair of the Audit and Governance Committee during a visit to the Civic Centre in Livingston, the conclusions from the external quality assessment are**
- **the internal audit service complies in all material respects with the requirements of the PSIAS**
 - **the Audit Risk and Counter Fraud Manager has a full understanding of the PSIAS requirements and a clear vision as to what further improvements could be made to the systems and processes of his team**
 - **the role of internal audit as outlined in the Internal Audit Charter has been recognised and endorsed by chief officials and the former chair of the council's Audit and Governance Committee.**

Atholl Scott CMIIA
Chartered Internal Auditor/Internal Audit Manager
Moray Council
25 May 2017

APPENDIX 1
PSIAS ACTION PLAN

No	PSIAS Ref	Requirement	Action	Due Date	Status
1	1300.4	The results of the Quality Assurance and Improvement Programme have been communicated to senior management and the Board in, at least, the Annual Report.	The annual report is more specific about improvement actions identified – section 2 of the annual report and this action plan refer.	12/6/17	Complete
2	2000.2	The annual risk-based audit plan has been developed using an appropriate methodology	The annual audit risk assessment and planning process has been formally documented.	20/2/17	Complete
3	2000.2	This includes an assessment of the organisation's risk management framework and relative risk maturity of the organisation.	Conduct a formal review of the council's risk management framework and risk maturity. This will be informed by the audit undertaken by Falkirk Internal Audit Service on risk management.	30/9/17	Work in progress
4	2000.3	The risk based audit plan takes account of other sources of assurance.	Conduct a review of internal assurance functions and map these to risks in Covalent.	30/9/17	Work in progress

No	PSIAS Ref	Requirement	Action	Due Date	Status
5	2000.3	The risk based audit plan takes account of other sources of assurance.	Consider what reliance can be placed on other internal assurance functions and what work should be done before placing reliance.	30/9/17	Work in progress
6	2000.4	The risk based audit plan details how the internal audit service will be developed in accordance with the internal audit charter.	The internal audit plan now makes reference to the audit charter.	20/2/17	Complete
7	2000.4	The risk based audit plan identifies the respective priorities of the audit work.	No action proposed. See paragraph 2.6 of the annual report for an explanation.	N/A	N/A

No	PSIAS Ref	Requirement	Action	Due Date	Status
8	2200.2	<p>There is documented evidence that consideration is given during the planning stage of the engagement to the nature of the audit work to be undertaken, including:</p> <ul style="list-style-type: none"> • The objectives of the activity being reviewed; • Preliminary assessment of the risks to the activity, the achievement of its objectives, resources and operations; • The means by which the risks to the activities objectives are controlled, including but not limited to, the risk of significant errors, fraud, non-compliance with established procedures; • The means by which the activity controls its performance, including value for money, governance of the activity, risk management and control systems in place. 	The audit planning section of the team mate audit software has been reviewed and now includes explicit consideration of these items.	31/3/17	Complete
9	2200.4	Work programmes are approved prior to the commencement of the engagement.	No action proposed. See paragraph 2.6 of the annual report for an explanation.	N/A	N/A

No	PSIAS Ref	Requirement	Action	Due Date	Status
10	2200.5	Any adjustments to the work programme have been documented and approved promptly.	No action proposed. See paragraph 2.6 of the annual report for an explanation.	N/A	N/A
11	2200.6	For engagements for parties outside the organisation there is a documented agreement detailing: <ul style="list-style-type: none"> • roles and responsibilities of internal audit and the client; • operational arrangements, such as access to engagement records, distribution of reports, etc. 	A service level agreement for the West Lothian IJB is a separate deliverable for the IJB as part of the full implementation of the Integration Scheme.	30/6/17	Work in Progress
12	2400.11	The overall opinion in the annual report includes the scope of the opinion and any scope limitations.	This is now explicit in the annual report – see paragraphs 5.2 and 5.3.	12/6/17	Complete
13	2500.2	The results of the follow-up of agreed actions have been reported to senior management and the Board and the annual opinion takes account of those results.	This is now explicit in the annual report – see paragraph 5.2.	12/6/17	Complete

No	PSIAS Ref	Requirement	Action	Due Date	Status
14	2500.3	The annual risks based planning methodology; takes account of the result of the follow-up of agreed actions.	Included in the planning methodology (see point 2 above)	20/2/17	Complete



AUDIT COMMITTEE

COUNTER FRAUD REPORT 2016/17

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the performance and activities of the Counter Fraud Team (CFT) during the financial year 2016/17.

B. RECOMMENDATION

It is recommended that the Audit Committee notes the performance and activities undertaken by the Counter Fraud Team during 2016/17.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	Fraud investigations are undertaken in accordance with the council's Anti-Fraud and Corruption Policy.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Weaknesses in the council's framework of internal control are likely to have an adverse impact on performance.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Head of Finance and Property Services and Audit, Risk and Counter Fraud staff.

D. TERMS OF REPORT

D.1 Background

The Annual Counter Fraud Plan 2016/17 was approved by the Audit and Governance Committee on 29 February 2016. The main activities of the Counter Fraud Team (CFT) involve maintaining the council's whistleblowing process, conducting investigations into allegations of fraud and irregularity, working in partnership with Police Scotland, administering the biennial National Fraud Initiative (NFI) data matching exercise, providing counter fraud advice and delivering fraud training sessions.

D.2 Fraud Investigations 2016/17

The CFT maintain the whistleblowing hotline (01506 282002) and whistleblowing mailbox (WhistleBlowing@westlothian.gov.uk) and consider all referrals in accordance with the council's Whistleblowing Policy. The CFT also receive fraud referrals directly from management who have identified potential concerns during the course of their duties. These referrals are dealt with in line with the Anti-Fraud and Corruption Policy and are therefore classified as 'Anti-Fraud' rather than 'Whistleblowing'.

The CFT aims to risk assess all referrals and make a decision to either accept or reject the referral within three working days of receipt. Between 1 April 2016 and 31 March 2017, a total of 39 referrals were received: 16 whistleblowing referrals and 23 Anti-Fraud referrals. A total of 31 referrals (79%) were accepted by the CFT and investigations were undertaken. Six investigations from 2015/16 were carried forward.

The table below summarises the referrals received by CFT during 2016/17:

Referrals to CFT	Number
Whistleblowing Referrals Accepted	13
Whistleblowing Referrals Rejected	3
Anti-Fraud Referrals Accepted	18
Anti-Fraud Referrals Rejected	5
Total Number of CFT Referrals	39
Total Number of Accepted Referrals	31
<i>Investigations Carried Forward from 2015/16</i>	6

Rejected Referrals 2016/17

During the period eight referrals were rejected as these were issues required to be dealt with under other council policies (e.g. Smoke Free Policy and Complaints Handling Procedure) or because initial enquiries found that a full investigation was not warranted.

Accepted Referrals 2016/17

During the period 2016/17, 31 referrals were accepted and six investigations were carried forward, giving a total of 37 CFT investigations. The number of accepted referrals has increased by 24% in comparison to the previous year.

The table below summarises the outcomes of the CFT investigations in 2016/17:

Outcome of CFT Investigations	Number
Complete – No Fraud/Irregularity Established	16
Complete – Fraud/Irregularity Established	9
In Progress (as at 31 March 2017)	12
Total	37

From the 31 referrals accepted and the six investigations carried forward:

- 16 investigations were completed and identified no evidence of fraud or irregularity. These investigations reviewed allegations against council employees regarding false insurance claims, theft, purchase card abuse, drug/alcohol misuse, discriminatory recruitment selection and private working while on long term sick leave;
- Nine investigations established that a fraud or irregularity had taken place. These investigations substantiated allegations such as theft of cash, theft of equipment, false declarations on tenancy applications, failure to disclose convictions on employment applications, and abuse of flexitime and pool cars. The total value of fraud and irregularity uncovered by the CFT was £108,850. The cases where fraud and irregularity was established in 2016/17 are summarised in Appendix 1;
- 12 investigations were in progress as at 31 March 2017 and will be continue to be investigated in 2017/18.

D.3 Fraud Awareness

The CFT are committed to the prevention, as well as detection, of fraud within or against West Lothian Council. The CFT carry out a number of initiatives to raise awareness of fraud to council employees and work closely with Police Scotland, NHS Scotland Counter Fraud Services and other local authorities to jointly raise fraud awareness.

The CFT have also delivered a number of counter fraud training sessions. These sessions have focused on raising staff awareness of areas such as corporate fraud, housing tenancy fraud and procurement fraud. Counter fraud and corruption sessions have also been delivered in conjunction with Police Scotland. Feedback is requested after each training session. In 2016/17, 100% of respondents rated the CFT training as either good or excellent. A summary of the counter fraud training sessions delivered in 2016/17 is provided in Appendix 2 of this report.

D.4 Working in Partnership with Police Scotland

During 2016/17 the CFT have continued to work in close partnership with Police Scotland. In line with the Data Protection Act (DPA) 1998, the CFT have responded to over 450 DPA requests from Police Scotland for personal information to assist with ongoing criminal investigations.

In line with the agreed Data Washing Information Sharing Protocol (ISP) between Police Scotland and West Lothian Council, the CFT received six datawashing enquiries in 2016/17, four have been completed and two are currently in progress. This process involves the collation and sharing of information from various systems across the council regarding individuals linked to Serious and Organised Crime Groups (SOCGs).

The CFT meet with the Police Scotland Divisional Intelligence Unit (DIU) on a quarterly basis to review the effectiveness of the current working arrangements and to review any relevant CFT cases where Police Scotland may be able to assist.

D.5 CFT Performance Indicators

IA039 6b.5 – Percentage of fraud referrals assessed and decided within three days

The CFT aim to risk assess all referrals and make a decision to either accept or reject the referral within three working days of receipt. The CFT received 39 referrals in the period 1 April 2016 to 31 March 2017. All 39 were risk assessed and decided within three working days.

IA040 9b.1a - Average length of time to issue draft fraud reports.

The CFT aim to complete an investigation and issue a draft report within 12 weeks from the start date of the investigation. 24 counter fraud reports have been issued in the last 12 months, taking an average of 14.5 weeks to issue. The above target performance can be attributed to the complexity of the investigations, especially in regards to cases where the offence resulted in criminal prosecution (e.g. a case of significant theft was completed in just under 40 weeks). As this is a new performance indicator, the current 12 week target will be kept under review during 2017/18.

IA037 6a.7 - Percentage of customers who rated the overall quality as good or excellent.

The CFT invite feedback from all customers at the conclusion of each investigation. Performance in 2016/17 was 100%. 15 customer surveys have been received and all customers have rated the overall quality of the CFT service as either good or excellent. The CFT will always aim to receive at least one feedback response per investigation. The response rate for feedback provided per investigation is currently 93%.

A summary of all CFT performance indicators is provided in Appendix 3 of this report.

E. CONCLUSION

This report highlights the performance and activities of the Counter Fraud Team (CFT) during the financial year 2016/17. The work of the CFT is carried out in accordance with the council's Anti-Fraud and Corruption Policy, Whistleblowing Policy and in accordance with the council's zero tolerance approach to fraud.

F. BACKGROUND REFERENCES

Report to the Audit and Governance Committee on 29 February 2016: Counter Fraud Plan 2016/17

Report to the Audit and Governance Committee on 19 December 2016: Counter Fraud Report 2015/16 and Six Months to 30 September 2016

Appendices/Attachments:

Appendix 1 – Summary of Fraud/Irregularity Established in 2016/17

Appendix 2 – Counter Fraud Training Sessions – Delivered in 2016/17

Appendix 3 – CFT Performance Indicators 2016/17

Contact Person:

Stuart Saunders, Senior Compliance Officer, stuart.saunders@westlothian.gcsx.gov.uk
Tel No. 01506 281574

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 30 June 2017


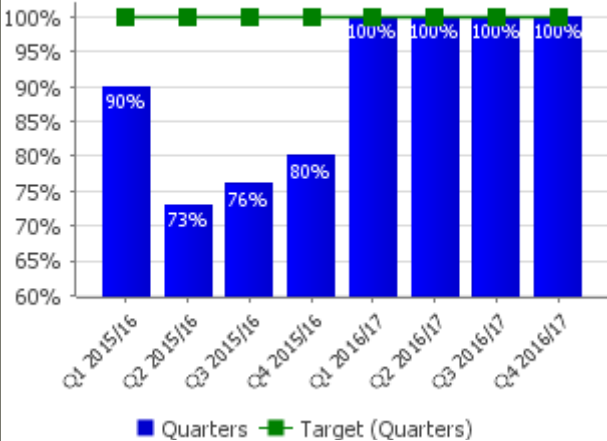

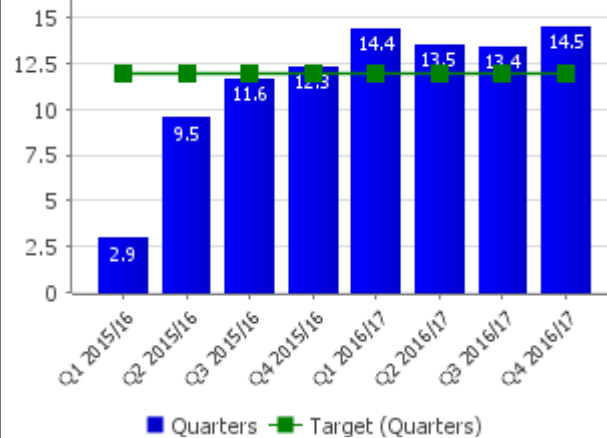
APPENDIX 2


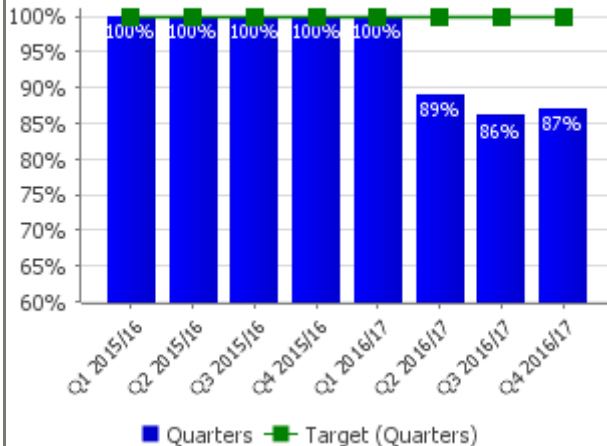

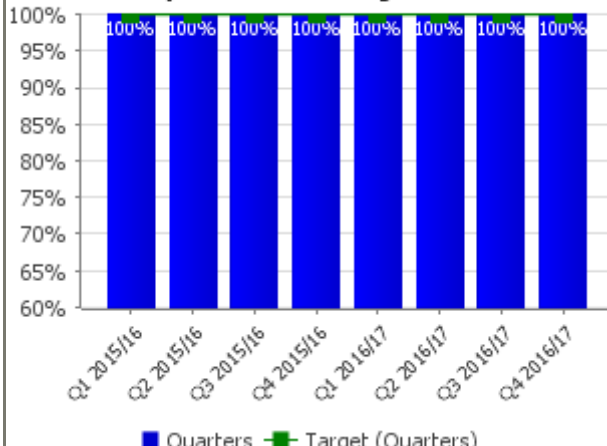
COUNTER FRAUD TRAINING SESSIONS - DELIVERED IN 2016/17

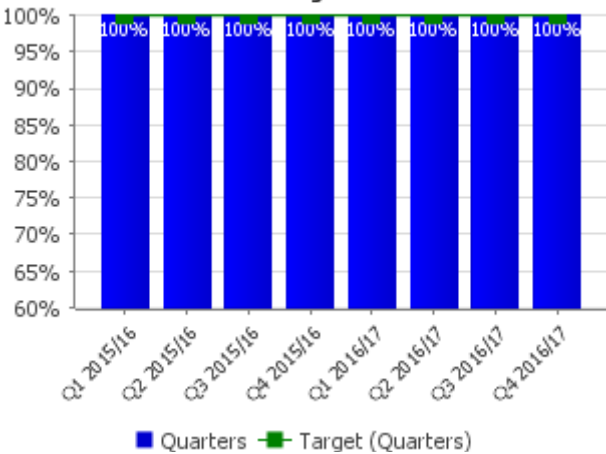
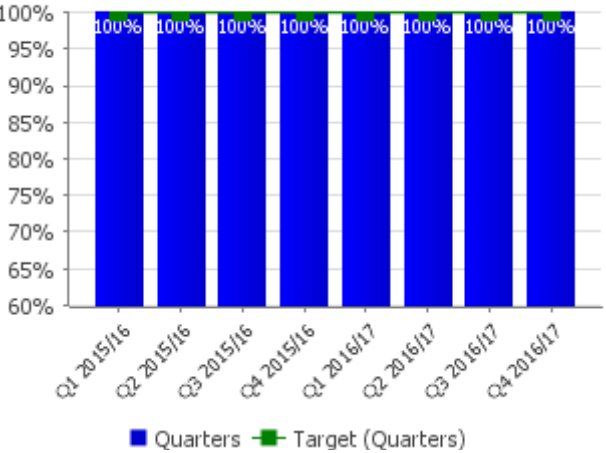
Date Delivered	Counter Fraud Training Session	Delivered To	Number of Attendees	Delivered By
Ongoing (Monthly)	Quick Quote Training: Procurement Fraud*	Council Wide	61	Corporate Procurement Unit
26/04/2016	Housing Tenancy Fraud	Midlothian Council Housing Staff	15	CFT
30/05/2016	Counter Fraud & Corruption and Procurement Fraud	Construction Services	42	CFT / Police Scotland
14/06/2016	Procurement Fraud	Procurement Board	15	CFT
06/09/2016	Procurement Fraud	Building Services	20	CFT / Police Scotland
07/09/2016	Procurement Fraud	Building Services	17	CFT / Police Scotland
07/10/2016	Procurement Fraud	Operational Services Management Team	10	CFT
09/11/2016	Procurement Fraud	Police Scotland Public Investigators Course	20	CFT
23/11/2016	Procurement Fraud	Building Services	19	CFT / Police Scotland
24/11/2016	Counter Fraud & Corruption – Awareness Raising Session	Finance and Property Services SMT	9	CFT
02/12/2016	Quick Quote – Procurement Fraud	SLAIG	30	CFT
30/03/2017	Quick Quote – Procurement Fraud	Police Scotland Public Investigators Course	20	CFT

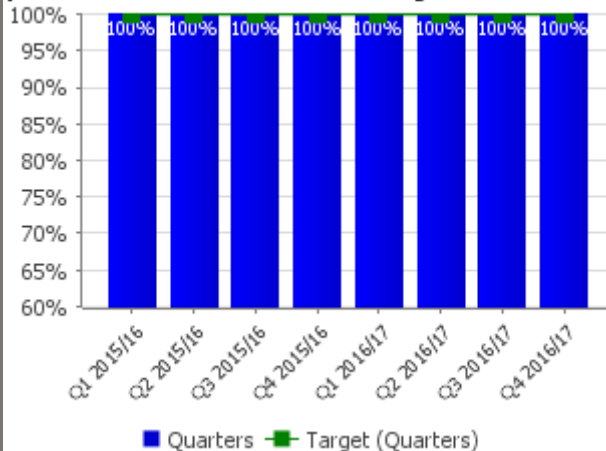
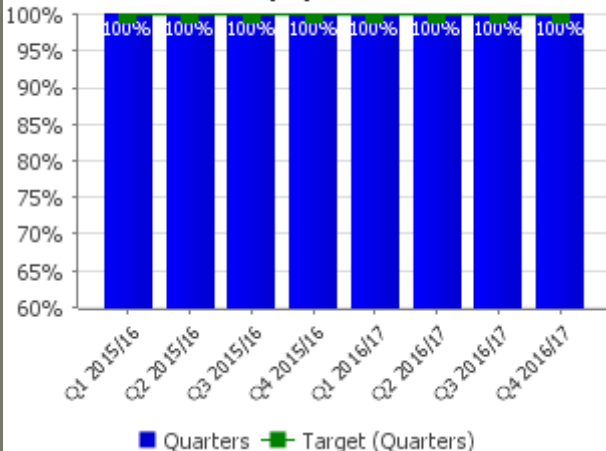
* A procurement fraud slide has been incorporated in to the Quick Quote training that is delivered by the Corporate Procurement Unit on an ongoing basis to a variety of council staff responsible for procuring supplies and services.


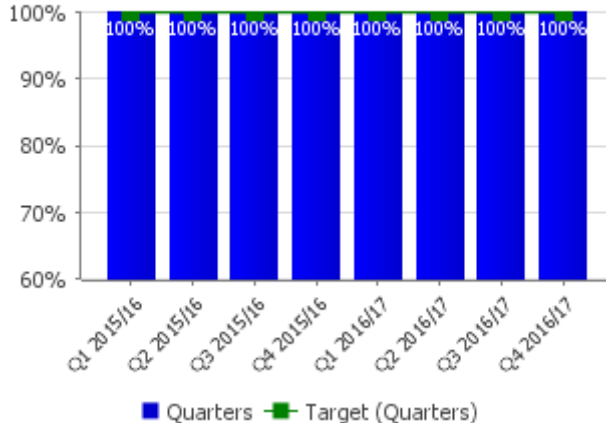

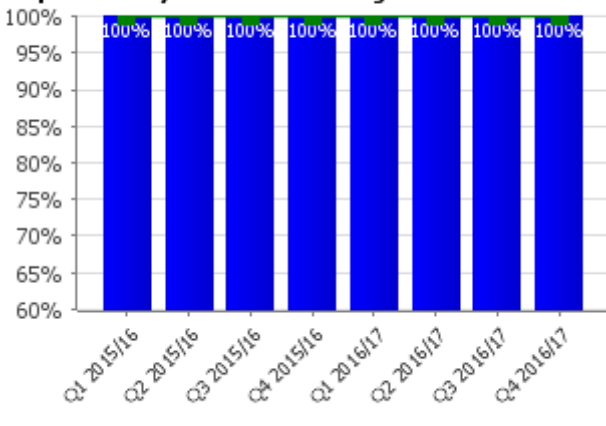
CFT PERFORMANCE INDICATORS 2016-17

PI Code & Short Name		Trend Chart	Current Target	Current Value	Last Update	Latest Notes																		
IA039_6b.5 Percentage of fraud referrals assessed and decided within 3 working days of receipt.		<p>Percentage of fraud referrals assessed and decided within 3 working days of receipt.</p>  <table><thead><tr><th>Quarter</th><th>Percentage</th></tr></thead><tbody><tr><td>Q1 2015/16</td><td>90%</td></tr><tr><td>Q2 2015/16</td><td>73%</td></tr><tr><td>Q3 2015/16</td><td>76%</td></tr><tr><td>Q4 2015/16</td><td>80%</td></tr><tr><td>Q1 2016/17</td><td>100%</td></tr><tr><td>Q2 2016/17</td><td>100%</td></tr><tr><td>Q3 2016/17</td><td>100%</td></tr><tr><td>Q4 2016/17</td><td>100%</td></tr></tbody></table> <p>■ Quarters ■ Target (Quarters)</p>	Quarter	Percentage	Q1 2015/16	90%	Q2 2015/16	73%	Q3 2015/16	76%	Q4 2015/16	80%	Q1 2016/17	100%	Q2 2016/17	100%	Q3 2016/17	100%	Q4 2016/17	100%	100%	100%	Q4 2016/17	Cumulative Performance in Q4 2016/17 was 100%. 39 referrals were received during 2016/17. 31 were accepted and eight were rejected.
Quarter	Percentage																							
Q1 2015/16	90%																							
Q2 2015/16	73%																							
Q3 2015/16	76%																							
Q4 2015/16	80%																							
Q1 2016/17	100%																							
Q2 2016/17	100%																							
Q3 2016/17	100%																							
Q4 2016/17	100%																							
IA040_9b.1a Average length of time (in weeks) to issue draft fraud reports.		<p>Average length of time (in weeks) to issue draft fraud reports.</p>  <table><thead><tr><th>Quarter</th><th>Average length (weeks)</th></tr></thead><tbody><tr><td>Q1 2015/16</td><td>2.9</td></tr><tr><td>Q2 2015/16</td><td>9.5</td></tr><tr><td>Q3 2015/16</td><td>11.6</td></tr><tr><td>Q4 2015/16</td><td>12.3</td></tr><tr><td>Q1 2016/17</td><td>14.4</td></tr><tr><td>Q2 2016/17</td><td>13.5</td></tr><tr><td>Q3 2016/17</td><td>13.4</td></tr><tr><td>Q4 2016/17</td><td>14.5</td></tr></tbody></table> <p>■ Quarters ■ Target (Quarters)</p>	Quarter	Average length (weeks)	Q1 2015/16	2.9	Q2 2015/16	9.5	Q3 2015/16	11.6	Q4 2015/16	12.3	Q1 2016/17	14.4	Q2 2016/17	13.5	Q3 2016/17	13.4	Q4 2016/17	14.5	12	14.5	Q4 2016/17	<p>- 8 counter fraud reports were issued in Q4, 2016/17.</p> <p>- 24 counter fraud reports have been issued in the last 12 months, taking an average of 14.5 weeks to issue.</p> <p>The above target performance can be attributed to the complexity fraud of the investigations, especially in regards to cases where the offence resulted in criminal prosecution (e.g. a case of significant theft was completed in just under 40 weeks).</p> <p>The performance target for this performance indicator will be reviewed throughout 2017/18.</p>
Quarter	Average length (weeks)																							
Q1 2015/16	2.9																							
Q2 2015/16	9.5																							
Q3 2015/16	11.6																							
Q4 2015/16	12.3																							
Q1 2016/17	14.4																							
Q2 2016/17	13.5																							
Q3 2016/17	13.4																							
Q4 2016/17	14.5																							

PI Code & Short Name		Trend Chart	Current Target	Current Value	Last Update	Latest Notes																		
IA030_6a.1 Percentage of customers who rated counter fraud's timeliness as good or excellent.		<p>Percentage of customers who rated counter fraud's timeliness as good or excellent.</p>  <table><thead><tr><th>Quarter</th><th>Percentage</th></tr></thead><tbody><tr><td>Q1 2015/16</td><td>100%</td></tr><tr><td>Q2 2015/16</td><td>100%</td></tr><tr><td>Q3 2015/16</td><td>100%</td></tr><tr><td>Q4 2015/16</td><td>100%</td></tr><tr><td>Q1 2016/17</td><td>100%</td></tr><tr><td>Q2 2016/17</td><td>89%</td></tr><tr><td>Q3 2016/17</td><td>86%</td></tr><tr><td>Q4 2016/17</td><td>87%</td></tr></tbody></table> <p>■ Quarters ■ Target (Quarters)</p>	Quarter	Percentage	Q1 2015/16	100%	Q2 2015/16	100%	Q3 2015/16	100%	Q4 2015/16	100%	Q1 2016/17	100%	Q2 2016/17	89%	Q3 2016/17	86%	Q4 2016/17	87%	100%	87%	Q4 2016/17	<p>13 out of 15 responses ranked as either good or excellent. Two responses ranked as adequate.</p> <p>The current performance can be attributed to the complexity fraud of the investigations, especially in regards to cases where the offence resulted in criminal prosecution (e.g. a case of significant theft was completed in just under 40 weeks).</p>
Quarter	Percentage																							
Q1 2015/16	100%																							
Q2 2015/16	100%																							
Q3 2015/16	100%																							
Q4 2015/16	100%																							
Q1 2016/17	100%																							
Q2 2016/17	89%																							
Q3 2016/17	86%																							
Q4 2016/17	87%																							
A031_6a.2 Percentage of respondents who rated the service delivered by counter fraud as good or excellent.		<p>Percentage of respondents who rated the service delivered by counter fraud as good or excellent.</p>  <table><thead><tr><th>Quarter</th><th>Percentage</th></tr></thead><tbody><tr><td>Q1 2015/16</td><td>100%</td></tr><tr><td>Q2 2015/16</td><td>100%</td></tr><tr><td>Q3 2015/16</td><td>100%</td></tr><tr><td>Q4 2015/16</td><td>100%</td></tr><tr><td>Q1 2016/17</td><td>100%</td></tr><tr><td>Q2 2016/17</td><td>100%</td></tr><tr><td>Q3 2016/17</td><td>100%</td></tr><tr><td>Q4 2016/17</td><td>100%</td></tr></tbody></table> <p>■ Quarters ■ Target (Quarters)</p>	Quarter	Percentage	Q1 2015/16	100%	Q2 2015/16	100%	Q3 2015/16	100%	Q4 2015/16	100%	Q1 2016/17	100%	Q2 2016/17	100%	Q3 2016/17	100%	Q4 2016/17	100%	100%	100%	Q4 2016/17	<p>100% responses ranked as either good or excellent.</p>
Quarter	Percentage																							
Q1 2015/16	100%																							
Q2 2015/16	100%																							
Q3 2015/16	100%																							
Q4 2015/16	100%																							
Q1 2016/17	100%																							
Q2 2016/17	100%																							
Q3 2016/17	100%																							
Q4 2016/17	100%																							

PI Code & Short Name		Trend Chart	Current Target	Current Value	Last Update	Latest Notes
IA032_6a.3 Percentage of respondents who rated counter fraud's communication as good or excellent.	✓	<p>Percentage of respondents who rated counter fraud's communication as good or excellent.</p>  <p>100% 95% 90% 85% 80% 75% 70% 65% 60%</p> <p>Q1 2015/16 Q2 2015/16 Q3 2015/16 Q4 2015/16 Q1 2016/17 Q2 2016/17 Q3 2016/17 Q4 2016/17</p> <p>■ Quarters ■ Target (Quarters)</p>	100%	100%	Q4 2016/17	100% responses ranked as either good or excellent.
IA033_6a.4 Percentage of respondents who rated counter fraud staffs' attitude as good or excellent.	✓	<p>Percentage of respondents who rated counter fraud staffs' attitude as good or excellent.</p>  <p>100% 95% 90% 85% 80% 75% 70% 65% 60%</p> <p>Q1 2015/16 Q2 2015/16 Q3 2015/16 Q4 2015/16 Q1 2016/17 Q2 2016/17 Q3 2016/17 Q4 2016/17</p> <p>■ Quarters ■ Target (Quarters)</p>	100%	100%	Q4 2016/17	100% responses ranked as either good or excellent.

PI Code & Short Name		Trend Chart	Current Target	Current Value	Last Update	Latest Notes
IA034_6a.5 Percentage of respondents who rated the professionalism of counter fraud as good or excellent.	✓	<p>Percentage of respondents who rated the professionalism of counter fraud as good or excellent.</p>  <p>100% 100% 100% 100% 100% 100% 100% 100%</p> <p>Q1 2015/16 Q2 2015/16 Q3 2015/16 Q4 2015/16 Q1 2016/17 Q2 2016/17 Q3 2016/17 Q4 2016/17</p> <p>■ Quarters ■ Target (Quarters)</p>	100%	100%	Q4 2016/17	100% responses ranked as either good or excellent.
IA035_6a.6 Percentage of customers who consider they were treated fairly by counter fraud.	✓	<p>Percentage of customers who consider they were treated fairly by counter fraud.</p>  <p>100% 100% 100% 100% 100% 100% 100% 100%</p> <p>Q1 2015/16 Q2 2015/16 Q3 2015/16 Q4 2015/16 Q1 2016/17 Q2 2016/17 Q3 2016/17 Q4 2016/17</p> <p>■ Quarters ■ Target (Quarters)</p>	100%	100%	Q4 2016/17	100% responses ranked as either good or excellent.

PI Code & Short Name		Trend Chart	Current Target	Current Value	Last Update	Latest Notes
IA037_6a.7 Percentage of customers who rated the overall quality of the service provided by counter fraud as good or excellent.		<p>Percentage of customers who rated the overall quality of the service provided by counter fraud as good or excellent.</p>  <p>100% 90% 80% 70% 60%</p> <p>Q1 2015/16 Q2 2015/16 Q3 2015/16 Q4 2015/16 Q1 2016/17 Q2 2016/17 Q3 2016/17 Q4 2016/17</p> <p>■ Quarters ■ Target (Quarters)</p>	100%	100%	Q4 2016/17	Performance to Q4 2016/17 was 100%. 15 customer surveys were received and all customers rated the overall quality of service as either good or excellent.
IA038_6a.8 Percentage of respondents who rated the information provided by counter fraud as good or excellent.		<p>Percentage of respondents who rated the information provided by counter fraud as good or excellent.</p>  <p>100% 95% 90% 85% 80% 75% 70% 65% 60%</p> <p>Q1 2015/16 Q2 2015/16 Q3 2015/16 Q4 2015/16 Q1 2016/17 Q2 2016/17 Q3 2016/17 Q4 2016/17</p> <p>■ Quarters ■ Target (Quarters)</p>	100%	100%	Q4 2016/17	100% responses ranked as either good or excellent.



West Lothian
Council

MEETING: AUDIT COMMITTEE

DATE: 30 JUNE 2017

AGENDA ITEM NUMBER: 20

Counter Fraud Report 2016/17 - Appendix 1
to report by Audit, Risk and Counter Fraud
Manager

**Not for publication - contains exempt
information in terms of Paragraph 14 of Part 1
of Schedule 7A of the Local Government
(Scotland) Act 1973.**



West Lothian
Council

MEETING: AUDIT COMMITTEE

DATE: 30 JUNE 2017

AGENDA ITEM NUMBER: 21

Internal Audit of Building Services Stores –
Report by Audit, Risk and Counter Fraud
Manager

**Not for publication - contains exempt
information in terms of Paragraph 14 of Part 1
of Schedule 7A of the Local Government
(Scotland) Act 1973.**